RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 1,187 | ∀ 30%

COFORGE | IT Services | 29 July 2026

Operationally inline quarter

- **Revenue and EBIT broadly in line. Estimate organic revenue growth of 12% in FY27 (42% including Encora)**
- **The ~15% organic USD revenue CAGR required to hit FY30 goal of US$5bn looks ambitious considering AI related disruption**
- **Large equity supply, return ratio dilution, organic growth risks etc keep our target PE multiple lower than consensus Retain our SELL**

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1QFY27 broadly in line. Lower goodwill pushes up weak ROIC: USD revenue (including 2 months of Encora) and EBIT margin was in line with our estimates. A positive was the reduction in goodwill by US$600mn as the merger was consummated at Coforge stock price of Rs1221 versus the announced price of Rs1816. Our estimates indicate that post tax ROIC improves from ~10% in FY28 to ~12% under the new deal terms, but significantly below ~25% in FY24.

FY27 will be optically strong: While our USD revenue growth estimate is ~42% for FY27 we believe organic growth for Coforge is likely ~12% after assuming Encora contribution of US$550mn (for 11 months). We are skeptical about the 15% organic CAGR (FY26-FY30)) that the company is projecting for FY30 targeted revenue of US$5bn. We believe the demand environment is going to be lot tougher in the coming 4 years compared to the past 9 (when it clocked a 15% organic CAGR on a much smaller base in a relatively more benign demand environment). CEO Sudhir Singh, we admit has executed well but the FY30 goal looks aggressive.

Encora deal terms cheaper but not cheap enough: We have had a negative opinion about the Encora deal (**An expensive buy**). (1) While Encora's new valuation at 3x sales is cheaper compared to 4x Sales when it was announced in December 2025, we think it is not cheap enough for weak organic revenue growth of 7-8% (FY24-FY26). (2) 50%/100% of the equity held by investors in Encora (~21.5% post transaction) can come to market at 6/12-month intervals from deal closure, in October 2026 and April 2027. That is a lot of supply post sell down by Barings of its entire 70% stake and a QIP post the Cigniti deal (3) cross sell in our view is going to be more difficult with Encora compared to Cigniti as the latter was a monoline business whereas Encora is relatively more diversified one.

We tweak up EPS estimates modestly for FY28 and FY29 and raise Target PE modesty for better ROIC: We have raised our Target multiple to 14.8x (5% premium to benchmark) due to better ROIC from 14.1x used previously. For reasons mentioned above we are more cautious than consensus in according a higher Target PE multiple.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	COFORGE IN/Rs 1,686
Market cap	US$ 7.5bn
Free float	78%
3M ADV	US$ 60.6mn
52wk high/low	Rs 1,990/Rs 1,008
Promoter/FPI/DII	0%/24%/43%

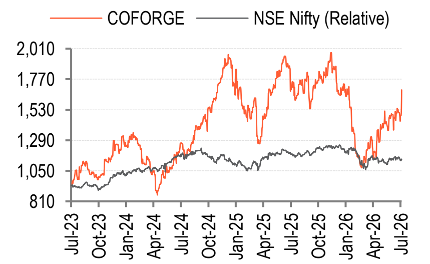
Source: NSE | Price as of 28 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	163,562	251,738	288,770
EBITDA (Rs mn)	30,585	49,969	54,735
Adj. net profit (Rs mn)	14,899	26,392	32,381
Adj. EPS (Rs)	44.3	62.6	76.8
Consensus EPS (Rs)	44.3	58.9	70.0
Adj. ROAE (%)	18.7	16.1	13.3
Adj. P/E (x)	38.1	26.9	22.0
EV/EBITDA (x)	23.4	14.1	12.7
Adj. EPS growth (%)	81.1	41.3	22.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Consolidated revenue stood at US$592.2 mn, including US$100.7 million from two months of Encora. This revenue was broadly in line with our estimate.
  - Excluding Encora, revenue grew 1.2% QoQ in CC terms
  - Excluding the government and data center businesses exited during the quarter, organic business grew 5.2% QoQ in CC terms
- Combined EBIT margin stood at 16.0%, broadly in line with our estimate of 15.9% (ahead of the 15.5% FY27 management guidance), declining 60bps QoQ and growing 280 bps YoY, with organic EBIT margin at 16.7%
- Encora delivered EBITDA margin of 20.3% and EBIT margin of 19.1% in the first quarter under Coforge, reflecting rapid integration and realization of SG&A and operational synergies
  - Coforge G&A was 6.7% in 4Q, Encora G&A was 10% at acquisition announcement, while combined G&A declined to 6.6% in 1Q FY27, representing a 40% reduction in Encora G&A
  - Combined G&A expected to improve further in 2Q, reflecting full-quarter impact of actions taken in 1Q
- Vertical-wise QoQ CC organic growth: Banking & Financial Services grew 2.9%; Insurance grew 4.6%; Travel, Transportation and Hospitality grew 1.7% QoQ; Healthcare and Hi-Tech grew 11.6%; Other declined 8% following planned portfolio exits
- Geography-wise QoQ CC organic growth: EMEA: 8.4%; Americas: 3.5%; Others: decline of 22% due to planned exits from India government and data center businesses
- Hedge losses during the quarter were US$10 mn; additional MTM loss on outstanding hedges was US$14 mn, to be realized over the next two quarters
  - From 4QFY27 onwards, earnings expected to benefit by US$10 mn as hedge losses will be eliminated with no open hedge book beyond 3Q
- Acquisition and integration expenses expected to remain well below the guided US$15 mn; marginal integration costs expected in 2Q and none from 3Q onwards
- Confident of not only delivering but surpassing the 15.5% consolidated EBIT margin guidance for FY27
- Encora acquisition resulted in recognition of over US$80 mn of customer relationship intangibles, to be amortized over 12 years, with annual amortization charge of US$4 mn within depreciation and amortization
- Acquisition accounting was based on the closing share price of Rs1220 versus Rs1815 at signing, resulting in US$600 mn lower goodwill on the balance sheet
- US$550 mn term loan for Encora acquisition was fully drawn as of June 30. Term loan has a 3-year tenure with post-tax interest cost of 2.99% per annum. Debt

repayment schedule comprises ~US$59 mn in FY27, US$209 mn in FY28, US$258 mn in FY29 and final US$75 mn payment in 1QFY30

- Large deal pipeline is the strongest to date; within the first month of 2Q, expected large deal signings are likely to be close to the total signed in the full year three years ago
- Growth expected to remain very robust from 2QFY26 onwards, with margins expected to sustain at current levels and likely expand further
- AI Engineering, data and cloud services contributed 86% of 1Q revenue
- Leadership running Encora was replaced on Day 1, enabling immediate and full operational control. All Encora operations over the last three months have been overseen by Coforge leaders involved in the acquisition due diligence
- Cost synergies are ahead of plan, reflected in 1QFY26 consolidated EBIT margin of 16% versus FY27 guidance of 15.5%
- Remains on track to deliver EPS accretion in FY27 following the Encora acquisition
- Total order intake during the quarter was US$691 mn (excludes Encora and comprises only the standalone Coforge business)
- NTM executable order book stood at US$2.23 bn, growing 27% QoQ and 44% YoY
- Total headcount stood at 46,228, with net addition of 10,451 employees
    - Headcount addition included 9,256 employees from Encora; organic net addition was 1,195 employees QoQ
- Utilization stood at 82.5%; LTM attrition stood at 10.4%
- FY27 outlook remains unchanged
    - Consolidated EBITDA margin expected at 20.5%–21%
    - Standalone EBIT margin expected at 16.5%–17%; consolidated EBIT margin expected at 15.5% or higher
    - Free cash flow to PAT expected to exceed 100% in FY27
- AI opportunity is shifting from AI adoption to enterprise autonomy. Industry must pivot from scaling people to scaling intelligence. Enterprise focus has shifted from deploying AI to operationalizing, scaling and delivering measurable business outcomes through AI. Next phase of AI will be driven by ‘Applied AI; AI embedded in business context, processes, policies and risk management rather than model ownership
- Coforge Neuron is positioned as an AI operationalization platform to help enterprises move from AI pilots to AI operations.
- Coforge has over 11,000 data and AI practitioners, 8 AI platforms and more than 100 reusable AI agents and accelerators

- Invested approximately US$58 mn in AI innovation during FY26. ~30% of active engagements already leverage AI within delivery workflows
- Competitive advantage lies in applying AI within complex industries through domain expertise, execution discipline, governance and measurable business outcomes rather than owning AI models
- AI engineering, data and cloud contributed 86% of consolidated revenue versus the 80% mix indicated at the time of the Encora acquisition
  - Engineering remained the largest business at 50% of revenue, followed by data services at 21% and cloud at 15%
- Encora acquisition further diversified the client portfolio
- Signed 4 large deals during the quarter. 2Q expected to deliver the highest number of large deal signings in the company's history
- Increase in net working capital was due to consolidation of Encora. Despite the increase in absolute net working capital, working capital days declined
- Neuron is an operating system rather than a platform
  - Around 30% of active delivery projects are driven through or infused with AI assets
- AI-led engineering, cloud and data services contributed 86% of 1Q revenue and serve as a surrogate for AI-led revenues
- Outcome-based contracts account for 6%–7% of global revenue on a run-rate basis
- Enterprises are increasingly avoiding dependence on any single LLM, hyperscaler or AI model provider, as access to models continue to evolve rapidly
- Developed TokenOps service offerings to help enterprises manage token economics in a rapidly changing environment
- Enterprises are increasingly adopting enterprise sovereign AI and enterprise open intelligence approaches rather than relying on a single AI ecosystem
- Coforge is not currently working with North American enterprise clients that are actively using China-based LLMs. Similarly, no client engagements involving China-based LLMs have been seen across the U.K. and Europe to date, although this could change with newer LLM launches
- The US$230 mn deal announced last week is a 2Q deal
- The 3-year acquisition loan (US$550mn) carries a fixed interest rate of 4.6%, as management chose to lock in rates rather than take interest rate risk. The effective post-tax P&L impact of the loan is approximately 2.99%, reflecting the tax benefit available in India
- Rest of the World margins remained flat as the reduction in the India government business was offset by the reduction in the higher-margin data center business and the consolidation of Encora. Rest of the World margins are expected to expand going forward

- Encora's revenue is predominantly AI-led engineering with negligible cloud revenue, resulting in a higher engineering revenue mix following the merger
- The US$230 mn deal has already begun ramping up and is a multi-year digital modernization program
- Wage hikes have been implemented only for a small, select employee group; no broad-based wage hikes are expected before January next year or may also not occur in the current fiscal year
- Encora acquisition has strengthened AI-led engineering capabilities, expanded the hi-tech vertical and nearly doubled the healthcare business, in line with the original acquisition thesis
- Management believes Encora has already started contributing meaningfully after three months of operational integration. Strong cost synergies and a consolidated EBIT margin of 16% reinforce confidence that Encora will be a defining and highly successful acquisition
- Management expects broad-based growth across all key verticals, including banking, insurance, travel, healthcare, hi-tech and the UK public sector
- Efficiency-led pricing deflation remains an industry reality, but is being offset by strong demand for legacy modernization, AI-ready data foundations, scalable AI cloud infrastructure, model hosting
- Management does not believe deflationary pressures outweigh growth opportunities for Coforge, with strong demand tailwinds already supporting robust growth

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 our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between 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 ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

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

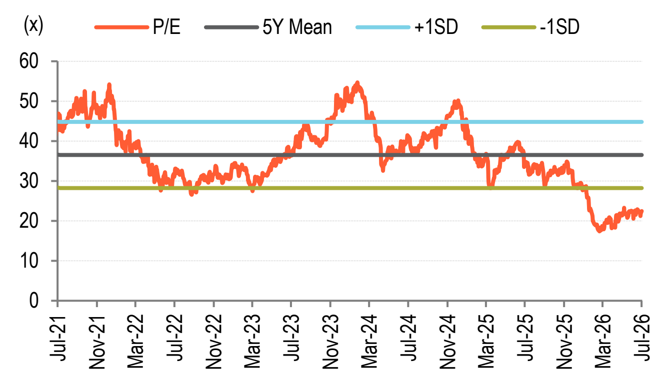
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsmn)	1QFY26	4QFY26	1QFY27	YoY(%)	QoQ (%)	1QFY27E	Dev (%)
Net Sales (USD mn)	**442.4**	**489.1**	**592.2**	**33.9**	**21.1**	**596.9**	**(0.8)**
Net Sales	36,886	44,504	55,277	49.9	24.2	56,527	(2.2)
Direct Cost	24,308	29,204	36,343	49.5	24.4	37,824	(3.9)
Gross Profit	12,578	15,300	18,934	50.5	23.8	18,703	1.2
% of Sales	34.1	34.4	34.3			33.1	
SG&A	5,543	5,751	7,244	30.7	26.0	6,819	6.2
% of Sales	15.0	12.9	13.1			12.1	
EBITDA	7,035	9,549	11,690	66.2	22.4	11,884	(1.6)
EBITDA Margin (%)	19.1	21.5	21.1			21.0	
Depreciation	1,592	1,800	2,411	51.4	33.9	2,402	0.4
Cost of ESOPs	593	381	457	(22.9)	19.9	509	(10.2)
ESOP Cost (%age of sales)	1.61	0.86	0.83			0.90	
EBIT	**4,850**	**7,368**	**8,822**	**81.9**	**19.7**	**8,973**	**(1.7)**
EBIT Margin	**13.1**	**16.6**	**16.0**	**281**	**(60)**	**15.9**	
Other Income	(447)	(582)	(1,251)			34	
Acquisition Related Expenses	43	-	-			-	
Exceptional Items	706	536	550			-	
Profit Before Tax	4,360	6,786	7,571	73.6	11.6	9,007	(15.9)
Provision for Taxation - Current & Deferred	1,182	(447)	1,837			2,162	
Effective Tax Rate	27.1	(6.6)	24.3			24.0	
Adjusted Net Profit	3,178	7,233	5,734	80.4	(20.7)	6,845	(16.2)
Minority Share of Net Profit	390	539	131			125	
Adjusted PAT	**2,788**	**6,694**	**5,603**	**101.0**	**(16.3)**	**6,720**	**(16.6)**
Margin (%)	**7.6**	**15.0**	**10.1**			**11.9**	
Exceptional Item adjusted for taxes	-	571.3	416.5			-	
Reported PAT	**2,788**	**6,123**	**5,186**			**6,720**	
Margin (%)	7.6	13.8	9.4			11.9	

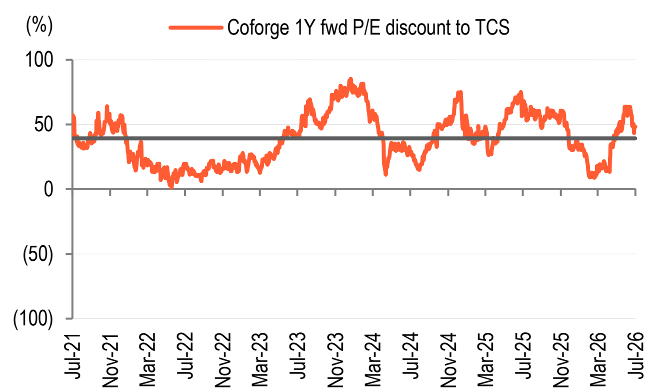
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
Change in estimates	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	94.7	96.1	97.1	95.1	96.1	97.1	(0.4)	-	-
USD Revenue (USD mn)	2,656	3,005	3,293	2,611	3,006	3,450	1.7	(0.0)	(4.5)
USD Revenue Growth (%)	41.7	13.2	9.6	39.3	15.1	14.8			
Revenue (Rsmn)	251,738	288,770	319,703	248,282	288,865	334,929	1.4	(0.0)	(4.5)
EBIT (Rsmn)	38,989	44,628	50,888	38,354	45,202	52,192	1.7	(1.3)	(2.5)
EBIT Margin (%)	15.5	15.5	15.9	15.4	15.6	15.6			
PAT (Rsmn)	26,392	32,381	38,030	27,136	32,538	38,764	(2.7)	(0.5)	(1.9)
EPS (Rs)	62.6	76.8	90.2	63.1	75.6	90.1	(0.8)	1.5	0.1
Adjusted PAT (Rsmn)	26,808	32,381	38,030	27,136	32,538	38,764	(1.2)	(0.5)	(1.9)
Adjusted EPS (Rs)	63.6	76.8	90.2	63.1	75.6	90.1	0.8	1.5	0.1

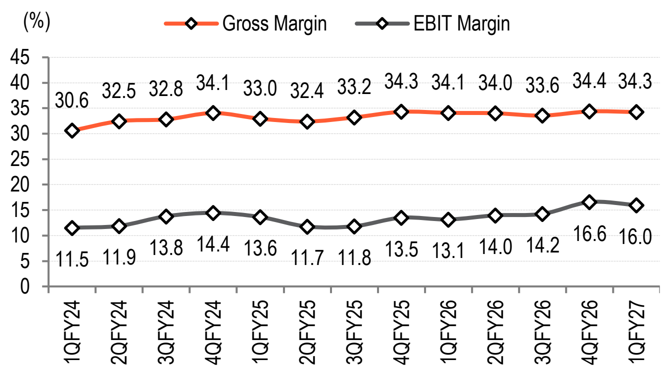
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	64.4	67.0	64.5	70.2	70.5	74.2	74.2	80.0	82.8	84.5	88.3	94.7	96.1	97.1
Net sales (US$mn)	**416**	**417**	**464**	**523**	**593**	**628**	**867**	**1,002**	**1,119**	**1,461**	**1,875**	**2,656**	**3,005**	**3,293**
-Growth (%)	**7.3**	**0.2**	**11.2**	**12.8**	**13.4**	**5.8**	**38.0**	**15.6**	**11.7**	**30.6**	**28.3**	**41.7**	**13.2**	**9.6**
Net Sales	26,824	27,958	29,914	36,762	41,839	46,628	64,320	80,146	91,790	122,035	163,562	251,738	288,770	319,703
-Growth (%)	13.1	4.2	7.0	22.9	13.8	11.4	37.9	24.6	14.5	33.0	34.0	53.9	14.7	10.7
Direct cost	16,896	17,815	19,179	23,907	27,528	31,693	43,736	54,059	61,948	81,447	107,923	166,167	191,613	210,410
Gross Profit	9,928	10,143	10,735	12,855	14,311	14,935	20,584	26,087	29,842	40,588	55,639	85,572	97,156	109,293
Gross Margin	37.0	36.3	35.9	35.0	34.2	32.0	32.0	32.5	32.5	33.3	34.0	34.0	33.6	34.2
SGA Expenses	5195	5284	5723	6402	7096	6544	8527	11438	13725	18862	23032	33378	39822	44339
% of sales	19.4	18.9	19.1	17.4	17.0	14.0	13.3	14.3	15.0	15.5	14.1	13.3	13.8	13.9
Acquisition Related Expenses	-	-	-	-	-	46	269	9	96	1,738	43	-	-	-
Cost of ESOPs	-	-	-	-	17	481	633	587	1,061	1,737	1,979	2,225	2,599	2,877
EBITDA	4,733	4,859	5,012	6,453	7,198	7,864	11,155	14,053	14,960	18,251	30,585	49,969	54,735	62,078
% of sales	17.6	17.4	16.8	17.6	17.2	16.9	17.3	17.5	16.3	15.0	18.7	19.8	19.0	19.4
Depreciation & Amortisation	1101	1150	1273	1248	1730	1836	2272	2585	3186	4580	6819	10980	10107	11190
% of sales	4.1	4.1	4.3	3.4	4.1	3.9	3.5	3.2	3.5	3.8	4.2	4.4	3.5	3.5
EBIT	**3632**	**3709**	**3739**	**5205**	**5468**	**6028**	**8883**	**11468**	**11774**	**13671**	**23766**	**38989**	**44628**	**50888**
% of sales	**13.5**	**13.3**	**12.5**	**14.2**	**13.1**	**12.9**	**13.8**	**14.3**	**12.8**	**11.2**	**14.5**	**15.5**	**15.5**	**15.9**
Other income (net)	183	187	298	476	558	113	(266)	(630)	(1,156)	(1,034)	(1,286)	(2,998)	(1,333)	(158)
Exceptional Items	13	221	-	56	71	180	-	1,326	165	89	2,718	550	-	-
PBT	3,802	3,675	4,037	5,625	5,955	5,961	8,617	9,512	10,453	12,548	19,762	35,441	43,296	50,730
-PBT margin (%)	14.2	13.1	13.5	15.3	14.2	12.8	13.4	11.9	11.4	10.3	12.1	14.1	15.0	15.9
Provision for tax	831	820	950	1,404	1,278	1,302	1,468	2,061	2,093	3,201	2,973	8,525	10,391	12,175
Effective tax rate (%)	21.9	22.3	23.5	25.0	21.5	21.8	17.0	21.7	20.0	25.5	15.0	24.1	24.0	24.0
Net profit	2,971	2,855	3,087	4,221	4,677	4,659	7,149	7,451	8,360	9,347	16,789	26,916	32,905	38,554
Minority Interest & share of profit/(loss) of associate	170	220	285	188	236	104	530	513	276	1,240	1,890	524	524	524
Net reported profit	**2,801**	**2,635**	**2,802**	**4,033**	**4,441**	**4,555**	**6,619**	**6,938**	**8,084**	**8,107**	**14,899**	**26,392**	**32,381**	**38,030**
-Growth (%)	**145.9**	**(5.9)**	**6.3**	**43.9**	**10.1**	**2.6**	**45.3**	**4.8**	**16.5**	**0.3**	**83.8**	**77.1**	**22.7**	**17.4**
-Net profit margin (%)	**10.4**	**9.4**	**9.4**	**11.0**	**10.6**	**9.8**	**10.3**	**8.7**	**8.8**	**6.6**	**9.1**	**10.5**	**11.2**	**11.9**

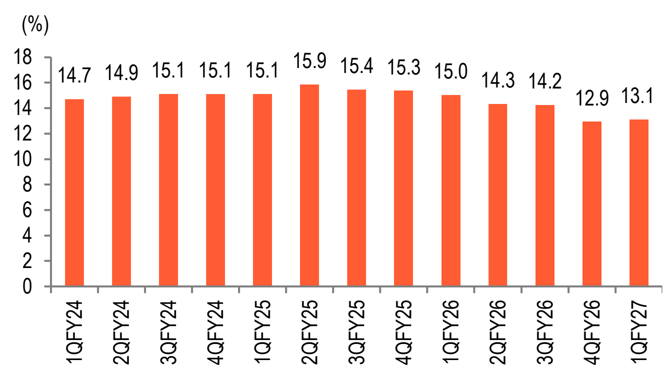
Source: Company, BOBCAPS Research

Fig 6 – Gross Margin and EBIT Margin



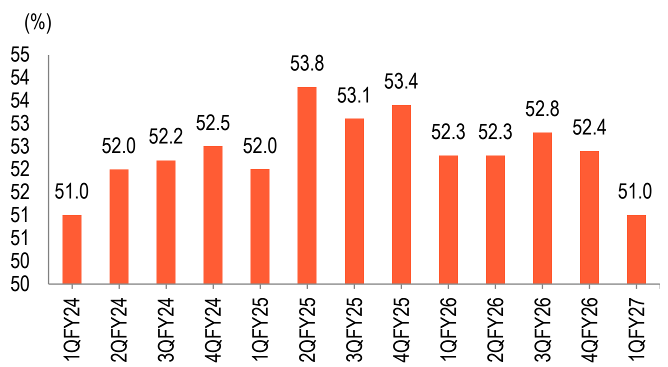
Source: Company, BOBCAPS Research

Fig 7 – SGA as % of sales



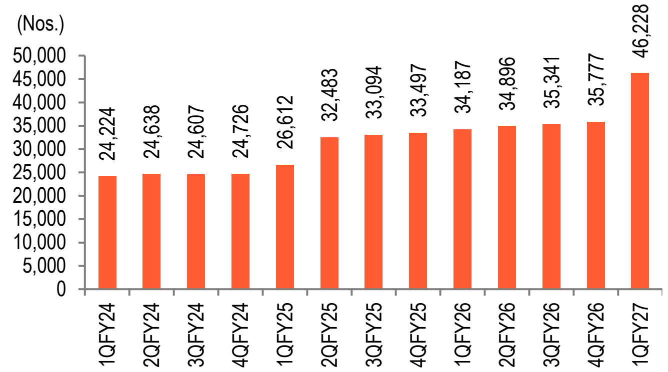
Source: Company, BOBCAPS Research

Fig 8 – Offshore contribution to revenue



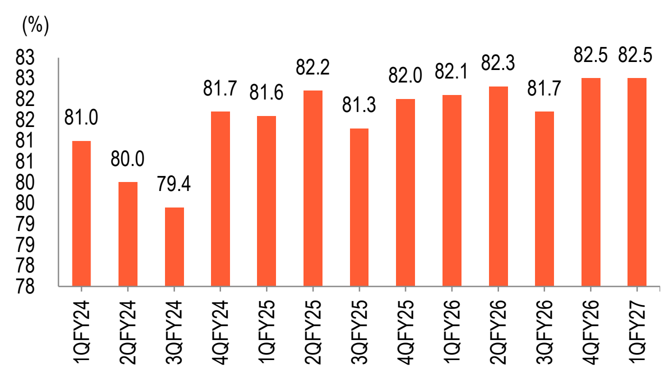
Source: Company, BOBCAPS Research

Fig 9 – Total No. of Employees



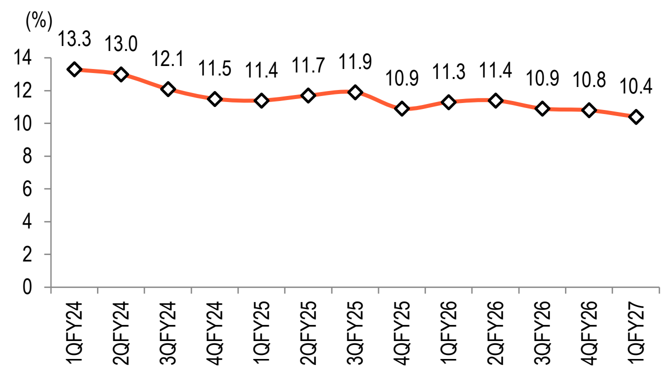
Source: Company, BOBCAPS Research

Fig 10 – IT Utilization (%) (including trainees)



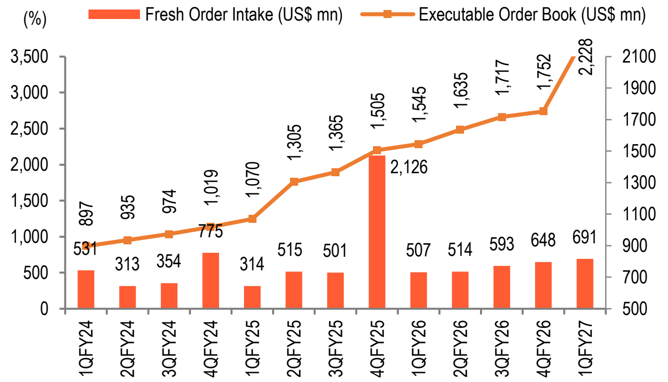
Source: Company, BOBCAPS Research

Fig 11 – TTM Attrition (%) Ex BPO



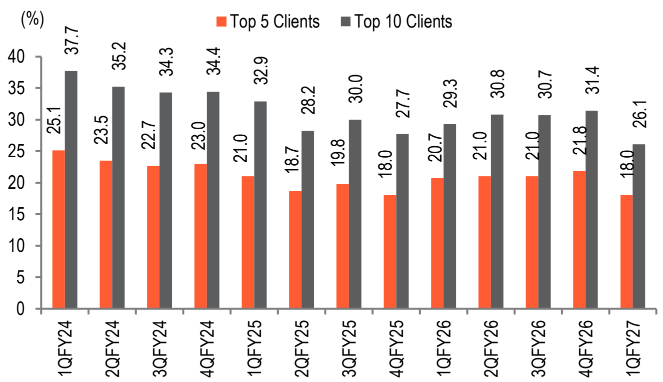
Source: Company, BOBCAPS Research

Fig 12 – Fresh Order Intake (US$ mn) and Executable Order Book over next 12 months (US$ mn)



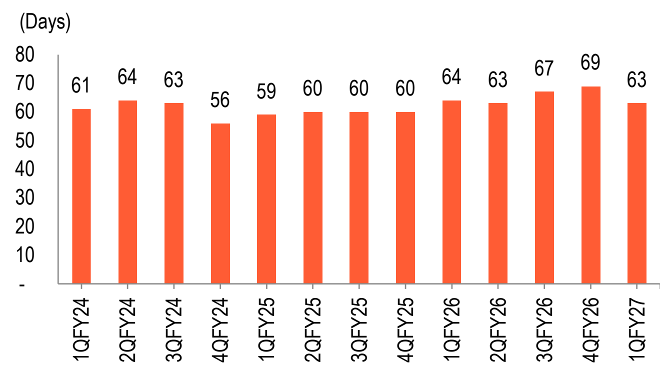
Source: Company, BOBCAPS Research

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	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Rs mn													
INR/USD	82.2	82.7	83.3	83.1	83.4	83.8	84.4	86.6	85.6	87.3	89.1	91.1	93.3
USD Revenue (USD mn)	272	278	282	287	291	369	397	404	442	462	481	489	592
INR Revenue	22210	22762	23233	23585	24008	30623	33182	34222	36886	39857	42315	44504	55277
Gross margin	6796	7388	7624	8034	7911	9922	11016	11739	12578	13558	14203	15300	18934
SGA	3264	3392	3508	3561	3625	4859	5126	5252	5543	5715	6023	5751	7244
ESOP Cost	216	519	104	222	199	222	700	616	593	561	444	381	457
EBITDA	3316	3477	4012	4251	4087	4841	5190	5871	6442	7282	7736	9168	11233
Depreciation and Amortisation	757	772	811	846	815	1243	1268	1254	1592	1719	1708	1800	2411
EBIT	2559	2705	3201	3405	3272	3598	3922	4617	4850	5563	6028	7368	8822
Other income	(152)	(295)	(257)	(452)	(272)	(173)	(327)	(262)	(447)	19	(276)	(582)	(1251)
PBT	2242	2410	2944	2857	2047	3135	3433	3933	3654	5582	4276	6250	7021
Tax	485	528	516	564	654	799	874	874	1182	1328	875	-412	1704
PAT	1653	1813	2380	2238	1332	2022	2155	2598	2082	3758	2936	6123	5186
EPS Adjusted (Rs)	5.4	5.9	7.7	7.2	4.2	6.1	6.5	7.8	7.4	11.2	7.5	18.2	12.3
YoY Growth (%)													
USD Revenue	13.9	12.6	12.0	8.5	7.2	32.8	40.8	40.7	51.8	25.1	21.1	21.2	33.9
INR Revenue	21.4	16.2	13.0	8.7	8.1	34.5	42.8	45.1	53.6	30.2	27.5	30.0	49.9
Gross profit	22.3	17.7	11.1	8.7	16.4	34.3	44.5	46.1	59.0	36.6	28.9	30.3	50.5
EBIT	11.6	(4.6)	7.0	1.4	27.9	33.0	22.5	35.6	48.2	54.6	53.7	59.6	81.9
Net Profit	10.4	(9.8)	4.3	94.9	(19.4)	11.5	(9.5)	16.1	56.3	85.9	36.2	135.7	149.1
QoQ growth (%)													
USD Revenue	2.80	2.32	1.40	1.70	1.60	26.77	7.5	1.6	9.6	4.5	4.1	1.7	21.1
INR Revenue	2.4	2.5	2.1	1.5	1.8	27.6	8.4	3.1	7.8	8.1	6.2	5.2	24.2
EBIT	(23.8)	5.7	18.3	6.4	(3.9)	10.0	9.0	17.7	5.0	14.7	8.4	22.2	19.7
Net Profit	44.0	9.7	31.3	(6.0)	(40.5)	51.8	6.6	20.6	(19.9)	80.5	(21.9)	108.5	(15.3)
Margins (%)													
Gross Margin	30.6	32.5	32.8	34.1	33.0	32.4	33.2	34.3	34.1	34.0	33.6	34.4	34.3
SGA	14.7	14.9	15.1	15.1	15.1	15.9	15.4	15.3	15.0	14.3	14.2	12.9	13.1
EBITDA	14.9	15.3	17.3	18.0	17.0	15.8	15.6	17.2	17.5	18.3	18.3	20.6	20.3
EBIT	11.5	11.9	13.8	14.4	13.6	11.7	11.8	13.5	13.1	14.0	14.2	16.6	16.0
PAT	7.4	8.0	10.2	9.5	5.5	6.6	6.5	7.6	5.6	9.4	6.9	13.8	9.4

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rs mn)													
Revenue	22,210	22,762	23,233	23,585	24,008	30,623	33,182	34,222	36,886	39,857	42,315	44,504	55,277
EBITDA	3,316	3,477	4,012	4,251	4,087	4,841	5,190	5,871	6,442	7,282	7,736	9,168	11,233
PAT	1,653	1,813	2,380	2,238	1,332	2,022	2,155	2,598	2,082	3,758	2,936	6,123	5,186
Vertical Mix (%)													
BFS	31	32	32	34	32	29	28	30	28	28	26	25	25
Insurance	23	23	22	22	21	19	19	18	16	15	15	15	14
Transportation	19	19	18	18	18	18	18	19	23	23	23	23	21
Healthcare & HiTech													17
Government (overseas)				8	8	8	7	7	7	7	6	8	6
Others	28	27	28	20	21	26	29	26	27	27	30	29	17
Geographical Mix (%)													
Americas	50	49	47	48	50	55	56	54	57	58	57	57	62
EMEA	39	39	40	40	39	34	34	33	30	29	29	28	27
APAC	12	12	13	12	11	11	10	13	14	13	15	15	11
Revenue Mix - IT Business (%)													
Onsite	49	48	48	48	48	46	47	47	48	48	47	48	49
Offshore	51	52	52	53	52	54	53	53	52	52	53	52	51
IT Utilization (%) (including trainees)	81.0	80.0	79.4	81.7	81.6	82.2	81.3	82.0	82.1	82.3	81.7	82.5	82.5
Clients Concentration (%)													
Top 5 Clients	25	24	23	23	21	19	20	18	21	21	21	22	18
Top 10 Clients	38	35	34	34	33	28	30	28	29	31	31	31	26
Number of Client													
Between 1 to 5 million	102	104	109	112	118	173	176	173	170	164	167	167	280
Between 5 to 10 million	24	23	23	24	25	29	31	35	40	45	42	42	52
Above 10 million	21	23	24	24	23	29	31	31	32	34	36	36	47
Revenue by Project type													
Fixed Price Project	49	49	51	52	50	43	45	46	47	46	47	46	43
Time & Material	51	51	49	49	50	58	55	54	53	54	53	54	57
Service Line Mix (%)													
Product Engineering	9	9	8	8	0	0	0	0	0	0	0	0	0
Data & Integration	24	25	26	25	27	23	22	22	20	21	22	21	21
Intelligent Automation	12	12	11	11	12	9	9	9	8	8	8	8	7
Cloud	20	19	19	19	19	17	19	16	18	17	18	18	15
ADM	26	27	27	27	0	0	0	0	0	0	0	0	0
BPM	10	10	9	9	9	8	8	8	8	8	8	8	7
Engineering					32	42	42	45	46	46	44	45	50
Employees	24,224	24,638	24,607	24,726	26,612	32,483	33,094	33,497	34,187	34,896	35,341	35,777	46,228
TTM Attrition (%) Ex BPO	13.3	13.0	12.1	11.5	11.4	11.7	11.9	10.9	11.3	11.4	10.9	10.8	10.4
Profit and Loss Statement (in USD mn)													
Revenue	272	278	282	287	291	369	397	404	442	462	481	489	592
EBIT	31	33	38	41	39	43	46	53	57	64	68	81	95
PAT	20	22	29	27	16	24	26	30	24	43	33	67	56
Productivity Metrics													
Per Capita (Annualised)													
Revenue	44,881	45,150	45,841	46,397	43,800	45,488	47,997	48,183	51,762	52,969	54,430	54,683	51,242
EBIT	5,144	5,312	6,250	6,633	5,900	5,290	5,614	6,367	6,629	7,303	7,658	9,042	8,182
PAT	3,323	3,560	4,647	4,359	2,402	2,973	3,085	3,583	2,846	4,934	3,730	7,515	4,810

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Company Growth	2.8	2.3	1.4	1.7	1.6	26.8	7.5	1.6	9.6	4.5	4.1	1.7	21.1
By Geography(%)													
Americas	5.8	1.7	(4.3)	4.1	6.3	40.0	9.3	(2.4)	15.6	6.7	2.1	1.5	32.0
EMEA	0.2	2.8	4.5	2.0	(1.9)	10.7	8.8	(1.1)	(1.9)	1.3	2.6	1.0	15.5
APAC	(0.6)	3.2	15.2	(7.4)	(5.1)	23.4	(5.1)	33.8	14.7	2.1	15.9	3.8	(9.6)
By Industry (%)													
BFS	3.1	4.0	3.3	6.4	(4.1)	17.2	0.6	11.6	0.6	4.1	(2.0)	(2.6)	20.1
Insurance	4.7	2.3	(1.3)	(0.1)	0.7	13.1	5.8	(1.6)	(6.6)	1.8	2.0	1.7	11.3
Transportation	1.2	2.3	(2.4)	0.6	4.5	26.8	7.5	5.5	33.6	6.3	2.3	3.9	10.2
Healthcare & HiTech													NA
Government (overseas)					4.3	23.5	(2.4)	7.5	8.1	0.1	(5.0)	21.1	(3.1)
Others	2.1	0.5	4.4	(29.4)	9.4	56.3	19.1	(9.7)	14.8	5.6	15.6	(0.3)	(29.6)
By Practice Split (%) - Reinstated													
Product Engineering	1.7	(3.1)	(11.1)	1.7									
Data & Integration	4.5	4.4	6.4	(0.3)	10.5	7.3	3.8	0.3	1.2	8.5	9.0	(4.3)	21.1
Intelligent Automation	6.5	7.7	(5.3)	0.8	6.1	(1.4)	5.1	(0.7)	5.9	(3.0)	4.1	9.5	0.9
Cloud	8.2	(5.4)	3.6	2.8	2.1	13.6	19.4	(13.8)	21.1	(0.2)	7.7	1.7	1.2
ADM	(5.0)	6.3	3.3	2.5									
BPM	8.5	2.3	(1.8)	3.9	1.6	9.2	0.9	2.9	6.8	8.6	5.4	3.0	5.9
Engineering					(7.1)	67.4	6.2	10.1	10.8	4.9	0.2	3.3	35.3
Revenues from Top Clients													
Top 5	12.2	(4.2)	(2.0)	3.0	(7.2)	12.9	13.8	(7.6)	26.1	6.0	4.1	5.6	(0.0)
Top 10	9.2	(4.5)	(1.2)	2.0	(2.8)	8.7	14.4	(6.2)	16.0	9.8	3.7	4.0	0.6
Onsite:Offshore Mix													
Onsite	2.2	0.2	1.0	1.1	2.7	22.0	9.1	1.0	12.2	4.5	3.0	2.6	24.6
Offshore	3.4	4.3	1.8	2.3	0.6	31.2	6.1	2.2	7.4	4.5	5.1	0.9	17.8
YoY Growth (%)													
Company Growth	13.9	12.6	12.0	8.5	7.2	32.8	40.8	40.7	51.8	25.1	21.1	21.2	33.9
By Geography(%)													
Americas	10.3	8.5	6.1	7.1	7.6	48.2	69.2	58.7	72.5	31.5	22.8	27.7	45.9
EMEA	19.1	13.5	11.2	9.8	7.5	15.7	20.4	16.8	16.9	7.0	0.9	3.0	21.3
APAC	12.0	30.3	43.0	9.4	4.5	25.0	3.0	48.8	79.8	48.8	81.7	40.9	11.1
By Industry (%)													
BFS	20.0	12.3	16.0	17.9	9.6	23.6	20.3	26.1	32.2	17.4	14.5	(0.1)	19.4
Insurance	11.4	9.7	11.5	5.5	1.5	12.3	20.3	18.5	10.0	(1.1)	(4.7)	(1.4)	17.5
Transportation	8.6	8.0	3.3	1.5	4.9	30.0	43.2	50.3	92.1	61.0	53.2	50.9	24.5
Healthcare & HiTech													NA
Government (overseas)				NA	NA	NA	NA	35.1	40.1	13.6	10.6	24.5	11.6
Others	13.1	19.2	14.9	(24.5)	(19.0)	26.0	43.8	84.0	93.0	30.4	26.6	39.8	(14.3)
By Practice Split (%) - Reinstated													
Product Engineering	1.9	(4.5)	(11.7)	(10.9)									
Data & Integration	17.3	19.5	20.5	15.8	22.4	25.8	22.7	23.4	13.0	14.3	20.0	14.6	37.1
Intelligent Automation	3.9	8.2	7.3	9.4	9.1	(0.1)	10.9	9.3	9.0	7.2	6.1	17.0	11.6
CIMS	25.1	19.1	13.8	9.0	2.9	23.5	42.3	19.3	41.5	24.4	12.2	32.4	10.7
ADM	20.5	16.1	13.7	6.9									
BPM	(2.5)	2.9	13.3	13.3	6.1	13.3	16.3	15.2	21.1	20.5	25.9	25.9	24.9
Engineering					(1.7)	58.6	69.1	82.0	117.1	36.0	28.3	20.4	47.0
Revenues from Top Clients													
Top 5	24.8	14.6	6.4	8.5	(10.3)	5.7	22.8	10.1	49.6	40.5	28.4	46.8	16.4
Top 10	20.9	10.7	5.9	5.1	(6.4)	6.4	23.2	13.3	35.2	36.6	23.9	37.4	19.2
Onsite:Offshore Mix													
Onsite	7.3	7.7	8.2	4.5	5.0	27.8	38.2	38.0	50.9	29.2	21.9	23.8	37.5
Offshore	21.0	17.6	15.8	12.3	9.3	37.4	43.2	43.1	52.7	21.6	20.4	18.9	30.5

Source: Company, BOBCAPS Research

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**122,035**	**163,562**	**251,738**	**288,770**	**319,703**
EBITDA	18,251	30,585	49,969	54,735	62,078
Depreciation	4,580	6,819	10,980	10,107	11,190
EBIT	13,671	23,766	38,989	44,628	50,888
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(1,034)	(1,286)	(2,998)	(1,333)	(158)
Exceptional items	89	2,718	550	0	0
EBT	12,548	19,762	35,441	43,296	50,730
Income taxes	3,201	2,973	8,525	10,391	12,175
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,240	1,890	524	524	524
Reported net profit	**8,107**	**14,899**	**26,392**	**32,381**	**38,030**
Adjustments	0	0	0	0	0
Adjusted net profit	**8,107**	**14,899**	**26,392**	**32,381**	**38,030**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	27,800	36,694	43,235	47,755	52,740
Provisions	1,743	3,189	6,292	6,292	6,292
Debt funds	3,502	5,051	43,203	22,403	1,603
Other liabilities	28,070	8,504	23,670	24,113	24,113
Equity capital	669	672	843	843	843
Reserves & surplus	63,123	94,704	231,188	252,606	278,831
Shareholders' fund	63,792	95,376	232,031	253,449	279,674
Total liab. and equities	**124,907**	**148,814**	**348,431**	**354,012**	**364,423**
Cash and cash eq.	8,832	10,992	20,860	17,398	19,110
Accounts receivables	25,771	39,700	50,275	55,530	61,328
Inventories	0	0	0	0	0
Other current assets	11,555	8,366	18,130	20,026	22,116
Investments	1,457	0	0	0	0
Net fixed assets	7,682	9,425	9,809	11,702	12,512
CWIP	24	33	33	33	33
Intangible assets	49,726	55,114	220,598	220,598	220,598
Deferred tax assets, net	5,470	6,870	8,394	8,394	8,394
Other assets	14,390	18,314	20,332	20,332	20,332
Total assets	**124,907**	**148,814**	**348,431**	**354,012**	**364,423**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**12,129**	**25,980**	**24,648**	**40,381**	**46,842**
Capital expenditures	(41,804)	(13,461)	(176,848)	(12,000)	(12,000)
Change in investments	1,457	(1,457)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(40,347)**	**(14,918)**	**(176,848)**	**(12,000)**	**(12,000)**
Equities issued/Others	22,400	0	1,144,880	0	0
Debt raised/repaid	(651)	1,549	38,152	(20,800)	(20,800)
Interest expenses	0	0	0	0	0
Dividends paid	(5,019)	(4,244)	(8,011)	(10,962)	(11,806)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**16,730**	**(2,695)**	**1,175,021**	**(31,762)**	**(32,606)**
Chg in cash & cash eq.	**5,480**	**2,160**	**9,868**	**(3,382)**	**1,712**
Closing cash & cash eq.	**8,832**	**10,992**	**20,860**	**17,479**	**19,110**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	24.5	44.3	62.6	76.8	90.2
Adjusted EPS	24.5	44.3	62.6	76.8	90.2
Dividend per share	15.2	12.0	19.0	26.0	28.0
Book value per share	190.5	285.5	550.3	601.1	663.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.8	4.4	2.8	2.4	2.2
EV/EBITDA	39.1	23.4	14.1	12.7	11.6
Adjusted P/E	68.9	38.1	26.9	22.0	18.7
P/BV	8.8	5.9	3.1	2.8	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	64.2	66.3	73.3	74.8	75.0
Interest burden (PBT/EBIT)	82.0	94.4	92.3	97.0	99.7
EBIT margin (EBIT/Revenue)	12.6	14.6	15.5	15.5	15.9
Asset turnover (Rev./Avg TA)	170.8	156.3	120.6	94.5	103.5
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.2
Adjusted ROAE	16.2	18.7	16.1	13.3	14.3

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	33.0	34.0	53.9	14.7	10.7
EBITDA	22.0	67.6	63.4	9.5	13.4
Adjusted EPS	(6.9)	81.1	41.3	22.7	17.4
Profitability & Return ratios (%)					
EBITDA margin	15.0	18.7	19.8	19.0	19.4
EBIT margin	11.2	14.5	15.5	15.5	15.9
Adjusted profit margin	6.6	9.1	10.5	11.2	11.9
Adjusted ROAE	16.2	18.7	16.1	13.3	14.3
ROCE	16.1	19.7	14.3	11.1	12.5
Working capital days (days)					
Receivables	77	89	73	70	70
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	15.9	17.4	25.7	24.7	25.6
Current ratio	1.7	1.6	2.1	1.9	1.9
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	0.1	0.0	(0.1)

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

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BUY – Expected return >+15%

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

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Note: Recommendation structure changed with effect from 21 June 2021

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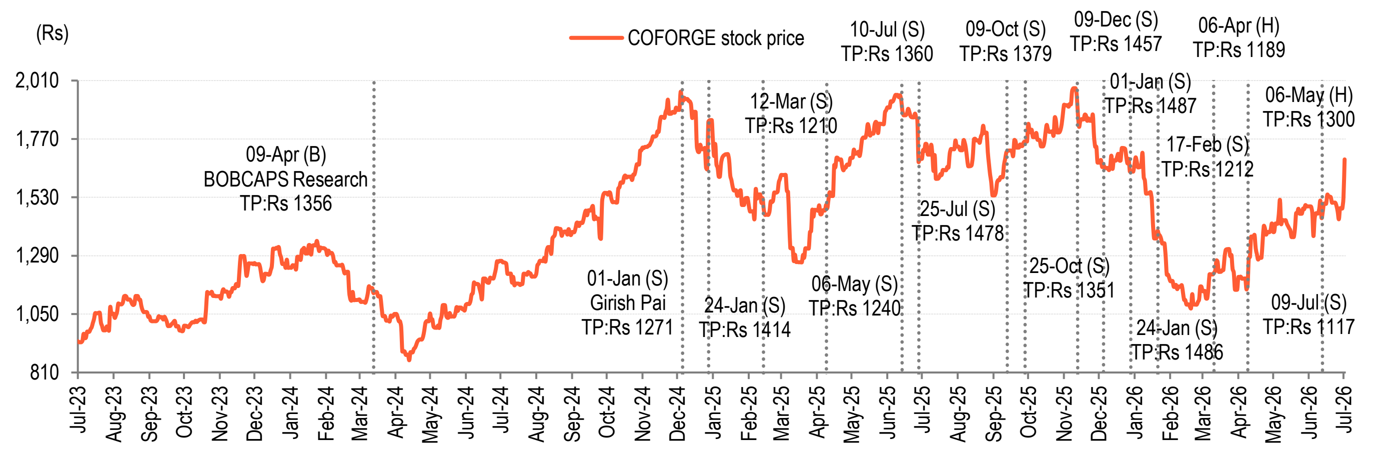

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