SELL
TP: Rs 1,351 | ∨ 23%

COFORGE | IT Services | 25 October 2025

2Q inline. Tier-2 organic revenue growth leader in FY26

- **In line but strong revenue growth (5.9% QoQ CC) driven by Sabre, Cigniti cross sell and BFS pick up. EBIT margin at 14% broadly in line**
- **Ex Sabre, TCV has been stagnant at ~US$500-525mn for the last 4 quarters. Expect only a mid-teen USD growth number in FY27/FY28**
- **Broadly maintain EPS estimates for FY27/FY28. Retain Target PE multiple (21.9x, 15% premium to that of TCS) and retain Sell**

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2Q largely in line but outshines Tier-2 peers who have reported thus far. Strong organic growth in FY26 likely: The 5.9% QoQ CC growth was largely in line against 6% estimate of ours as Sabre deal, cross sell to Cigniti clients and BFS vertical were drivers. EBIT margin, in absence of one-offs, was largely in line. Salary hike has been pushed back to 1 October compared to the normal 1 April and 1 July in FY25. Revenue growth in QoQ CC terms in 2Q was better than that of Persistent Systems - 4.4%. Organic USD revenue growth for FY26 at ~25% (our estimate) will likely be the highest among Indian Tier-2 players. Largely because of Sabre and strong cross sell to Cigniti clients. We think the sustainable organic revenue growth in FY27/FY28 is likely in mid-teens.

Margin and FCF normalised. EBIT margin at 14% was in line with its guidance due to absence of many one-offs seen in 1Q. It is likely to remain at current levels on an annual basis as Coforge invests excess profits to drive growth. FCF at 86% of Net income was much better QoQ as 1Q had negative FCF due to US$58mn investment in a Data center. Coforge is guiding FCF/NI of 70-80% in the coming quarters.

Sabre, a likely top 3 client – risks still exist: During its 2Q2025 results in early August 2025, Sabre – a travel tech customer which is in a difficult financial state, decreased free cash flow guidance for 2025 by 30-50% despite the deal to Coforge which likely cut costs and lowered is capex. Its 3Q2025 results and full year guidance on 5 November 2025 is a key monitorable.

We maintain our SELL driven by our view on valuation. We keep our target PE multiple at 15% premium to that of TCS at 21.9x on Sept 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 if something goes wrong. We also are concerned about its higher than peer exposure to GCCs and believe insourcing remains a threat. We believe the underlying sustainable growth for the company is likely in the mid-teens even if these risks do not play out unless there is a significant step up in TCV

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	COFORGE IN/Rs 1,760
Market cap	US$ 6.7bn
Free float	99%
3M ADV	US$ 33.9mn
52wk high/low	Rs 2,005/Rs 1,194
Promoter/FPI/DII	0%/37%/52%

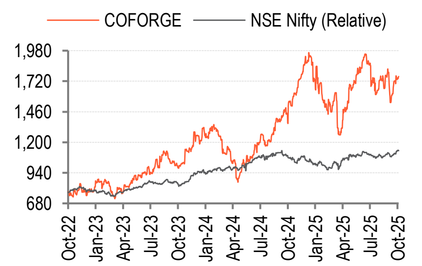
Source: NSE | Price as of 24 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	121,912	163,021	193,180
EBITDA (Rs mn)	18,332	29,619	35,121
Adj. net profit (Rs mn)	8,107	14,100	18,331
Adj. EPS (Rs)	24.5	43.2	54.6
Consensus EPS (Rs)	24.5	41.7	52.3
Adj. ROAE (%)	16.2	20.8	24.4
Adj. P/E (x)	72.0	40.7	32.2
EV/EBITDA (x)	32.2	20.0	16.8
Adj. EPS growth (%)	(6.9)	76.7	26.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

- **Regarding Sabre risk (as it has weak financial position):** In early March 2025 Coforge won a US$1.56bn deal over 13 years from Sabre, an American travel tech company. This multi-year agreement is to further Sabre's ability to accelerate product delivery and launch additional innovative AI-enabled solutions. We estimate Sabre constitutes ~7% of revenue on an annual run rate basis and is a top 3 client. Since there was reference to re-badging of its employees, we suspect many of them may have been part of the Sabre's US tech team. It also quite possible that some of work that is done by Sabre's GCC in India may also have been transferred (along with employees). It is also likely that the investment in the AI data center (US$85bn over 4QFY25 and 1QFY26) was part of the deal. All these seem to indicate a move by Sabre to cut its own opex and capex and improve its FCF.

- **Sabre's financial condition is not too great:** It has a negative networth (as of June 2025) and has had it for the last 17 quarters and the situation has been deteriorating (see Fig 3).

- **Sabre downgrades its 2025 guidance:** When Sabre announced its 2Q2025 results on 7 August 2025, it not only did not meet is 2Q2025 guidance but also revised its full year 2025 guidance lower on revenue, EBITDA and FCF (see Fig 1). The stock collapsed by ~30% that day. It did have negative impact on the Coforge stock the next day. Sabre has tried to deleverage by selling off its hospitality assets and paying down and restructuring its debt (see Fig 2), which has pushed back the pressure of paying back principal beyond 2027.

- **Sabre 3Q2025 results on 5 November needs monitoring**: Coforge stated that it has taken credit insurance on the deal in case Sabre gets into trouble. Our concern 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 (considering that it is likely a top 3 revenue contributor currently).

Key Points from the quarter and the earnings call

- Revenue stood at US$ 462.1mn (against our estimate of US$ 472mn), up 5.9% QoQ and 25.7% YoY in CC terms
- EBIT Margin stood at 14.0% (against our estimate of 14.3%), up 221 bps QoQ and 81 bps YoY
  - On recast financials basis (excluding AdvantageGo post sale of that business): up 251 Bps QoQ and 240 Bps YoY
  - EBIT margin expansion QoQ was aided by higher utilization, lower ESOP expenses (1.4% of revenue), and improved SG&A leverage. Operational efficiencies and platform automation also contributed to the margin uptick
  - There were also some one-off items in the expense account in 1QFY26 which did not recur. Including one-time bonus provision of US$5.5mn and acquisition-related expenses of US$0.5mn
- Reduction in credit line led to lower interest expenses
- Order intake stood at US$514mn. Order book executable over NTM stood at US$1.63 bn (up 26.7% YoY)
  - Velocity and median size of large deals increasing over time
  - 5 large deals signed during the quarter: 3 in North America (2 in insurance, 1 in a new airline client) and 2 in Asia Pacific. Deals included new clients, legacy modernization, digital transformation, and AI-infused operations optimization
- Vertical-wise Revenue growth (USD terms): BFS: 4% QoQ and 17.4% YoY; Insurance: 1.8% QoQ and 5.9% YoY; Travel: 6.4% QoQ and 60.8% YoY; Government (outside India): 0.4% QoQ and 14.7% YoY; Others (Healthcare, retail, high-tech, and manufacturing): 5.9% QoQ and 30.7% YoY
- The Travel vertical's QoQ growth in our view was contributed by Sabre order hitting its peak in the quarter. The others QoQ growth in our view is driven by cross selling to Cigniti clients.
- Horizontal Revenue growth (USD terms): Engineering: 5% QoQ and 39.9%YoY; Intelligent Automation: -1.3%% QoQ and 8.2%YoY; Data and Integration: 8.7% QoQ and 14.5%YoY; Cloud and Infrastructure Management: 0% QoQ and 24.6%YoY; Business Process Management: 6.8% QoQ and 18.4%YoY
- Total headcount stood at 34,896. Net addition of 709 employees
- Utilization stood at 82.3%. LTM attrition stood at 11.4%
- IT Revenue per Billable Headcount ($ / Annnum): Q2FY26: 69,989 due to use of AI platforms.
- Integration of acquired Cigniti entity complete; synergy visible via large client wins and leadership roles; cross-sell opportunities remain strong.

- Two of Cigniti's top 10 clients have already signed large deals with Coforge, indicating early cross-selling traction that is expected to improve further.
- The company added nine new logos during the quarter and has signed 10 large deals in 1HFY26, out of the full-year target of 20.
- 14% reported EBIT margin for FY26 targeted. In the medium term, company plans to maintain a minimum of 14% EBIT, prioritizing growth and reinvestment in the business over further margin expansion
- Free cash flow to PAT expected at 70–80% on a sustained basis
- 2HFY26 expected to deliver robust growth, building on strong H1 performance
- Addressable demand continues to grow despite macro headwinds, driven by AI adoption
- Vertical Commentary:
  - Banking vertical shows positive trends with favorable conditions from lower interest rates, regulatory practice shifts, real-time payments, global remittances, security settlements, and T+0 initiatives
  - Insurance vertical entering above-trend growth phase. Growth is coming from complex risks, higher claim rate increases, and specialized products focus by insurers
  - Travel vertical expected to maintain solid growth. This is even after taking into account stability of the SABRE account which has been driving revenues QoQ for the last few quarters.
  - Healthcare vertical expected to reach ~US$100mn book of business by year end; Healthcare (currently part of "Others" vertical) will be reported separately once it reaches ~US$100mn. Expected vertical carve-out for healthcare likely in 1QFY27
- Healthcare growth for the company is driven by AI-led automation and data-driven insights for patient care, improved platforms and insights for payers and life sciences
- Public sector outside India vertical currently above US$150mn, expected to approach US$200mn run rate in coming quarters
- Furloughs are expected be similar to those in FY25
- The gap between CC growth (6%) and dollar revenue growth (4.5%) is due to 3 factors: Hedge losses in the top line doubled to Rs300mn from Rs150mn, reducing reported revenue; Significant exposure to pound and euro created a headwind versus the dollar; Strong growth in the India business
- Hedging increased significantly due to the inclusion of Cigniti, which had not been hedging previously, and other acquired businesses. The company maintains a rolling four-quarter hedging policy covering 90% of net exposure for the immediate quarter, followed by 80%, 70%, and 60% for subsequent quarters. The short-term nature of the increase reflects the addition of these new entities

- Coforge sees demand increasing at the margin. Coforge believes companies with the right offerings should benefit similarly.
- The management said that AI is a tailwind. While POCs are easy, extracting real value from AI requires deep engineering, cloud/data expertise, and advanced tooling. AI is a clear tailwind for firms that understand the domain and have an appreciation for how to apply the relevant AI specific technology
- On AI Coforge stated that the landscape is characterized by technological confusion and nascent protocols. For the next 18 to 24 months, the market will be flooded with competing (AI) standards and tools. In this immature ecosystem it stated that its clients need assistance across two different axes. One, they need assistance to help drive a deep understanding of their industry problems and processes. And two, they need assistance with driving a deep understanding of how AI works and critically, how it does not work
- Sustained Effective Tax Rate is 23.5–24%
- A wage hike for the entire organization has been announced, effective Oct 1. Historically wage hikes have led to a 100–250 bps reduction in margins. Offsetting factors include lower ESOP costs and reduced depreciation/amortization as a % of revenue, which help mitigate the impact of the wage hike in 3Q.
- The increase in the executable order book this quarter is due to the ramp-up of deals signed in previous quarters, along with new deals signed this quarter (excluding large deals like Sabre)
- EMEA has experienced some delays and slowdowns in new opportunities and deal sign-offs over the past few quarters, but the region is now showing signs of recovery. Significant upside is expected in the next 2 quarters as pending deals get closed. Positive momentum is seen in both the insurance and public sector segments
- Australia, New Zealand, Asia Pacific, and the Middle East continue to perform strongly and trend positively, with confidence in sustained growth across these regions

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 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' (OBBB), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: 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,Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

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 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

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.

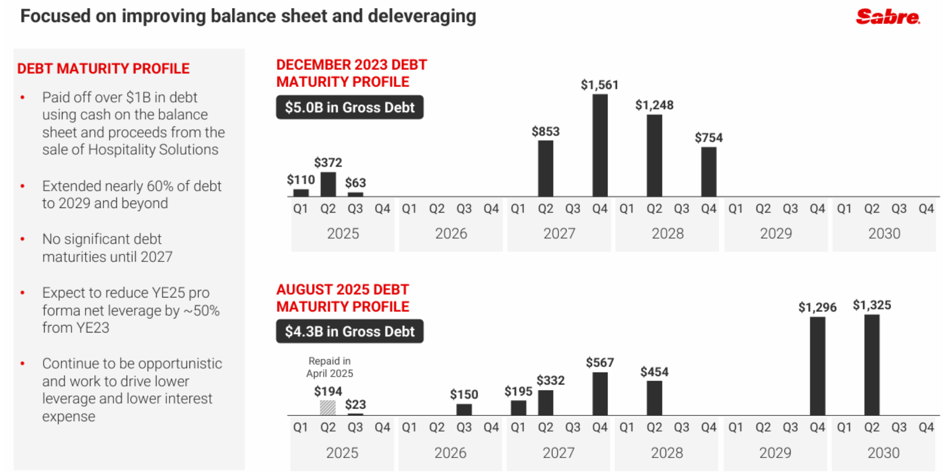
Fig 1 – Change of guidance of Sabre Corporation post its 2Q2025 results

FY 2025 pro forma guidance[1]

	Prior FY'25	FY'25 Scenarios		
Air Distribution Volumes	Double digit YoY growth	YoY growth: 0.5% 2H25 growth: 4%	YoY growth: 2% 2H25 growth: 7%	YoY growth: 3.5% 2H25 growth: 10%
Revenue	High single digit YoY growth	Flat YoY growth	Low single digit YoY growth	Low single digit YoY growth
Pro Forma Adj. EBITDA	>$630M	~$530M +9% YoY	~$550M +13% YoY	~$570M +18% YoY
Pro Forma CapEx	~$80M	~$80M	~$80M	~$80M
Pro Forma Cash Interest	~$310M	~$310M	~$310M	~$310M
Pro Forma Free Cash Flow	>$200M	~$100M	~$120M	~$140M

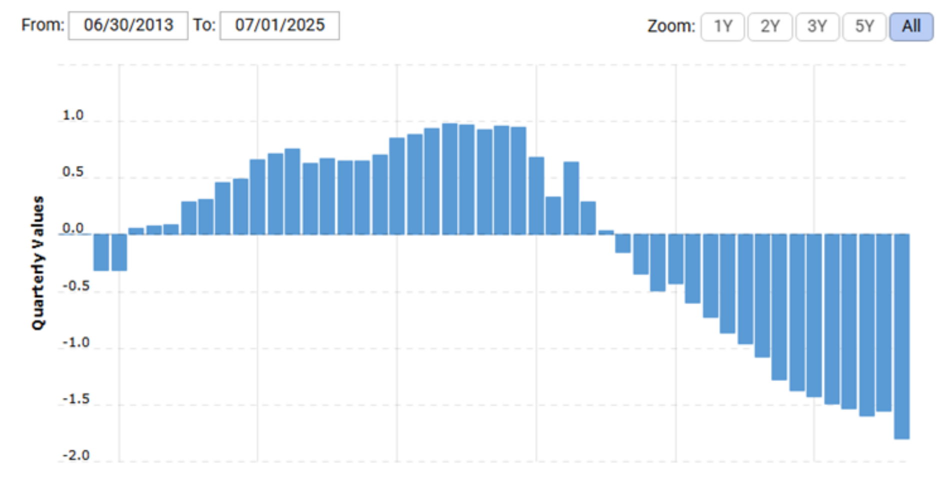
Source: Company, BOBCAPS Research

Fig 2 – Change in the debt dynamics of Sabre post restructuring



Source: Company, BOBCAPS Research

Fig 3 – Nerworth of Sabre over the last many quarters



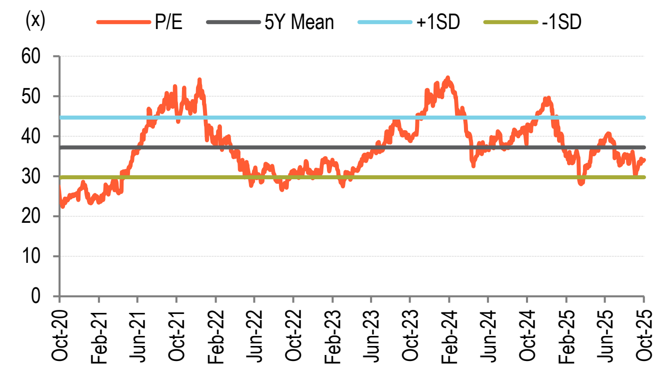
Source: Company, BOBCAPS Research

Fig 4 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsmn)	2QFY25	1QFY26	2QFY26	YoY(%)	QoQ (%)	2QFY26E	Dev (%)
Net Sales (USD mn)	**369.4**	**442.4**	**462.1**	**25.1**	**4.5**	**472.3**	**(2.2)**
Net Sales	**30,623**	**36,886**	**39,857**	**30.2**	**8.1**	**41,041**	**(2.9)**
Direct Cost	20,701	24,308	26,299	27.0	8.2	26,501	(0.8)
Gross Profit	9,922	12,578	13,558	36.6	7.8	14,540	(6.8)
% of Sales	32.4	34.1	34.0			35.4	
SG&A	4,859	5,543	5,715	17.6	3.1	6,606	(13.5)
% of Sales	15.9	15.0	14.3			16.1	
EBITDA	5,063	7,035	7,843	54.9	11.5	7,935	(1.2)
EBITDA Margin (%)	16.5	19.1	19.7			19.3	
Depreciation	1,243	1,592	1,719	38.3	8.0	1,477	16.3
Cost of ESOPs	222	593	561	152.7	(5.4)	593	(5.4)
ESOP Cost (%age of sales)	0.72	1.61	1.41			1.44	
EBIT	**3,598**	**4,850**	**5,563**	**54.6**	**14.7**	**5,864**	**(5.1)**
EBIT Margin (%age of sales)	**11.7**	**13.1**	**14.0**			**14.3**	
Other Income	(173)	(447)	19			(45)	(142.3)
Acquisition Related Expenses	201	43	-			-	
Exceptional Items	89	706	-			-	
Profit Before Tax	3,135	3,654	5,582	78.1	52.8	5,819	(4.1)
Provision for Taxation - Current & Deferred	799	1,182	1,328	66.2	12.4	1,484	(10.5)
Effective Tax Rate	25.5	32.3	23.8			25.5	
Net Profit	**2,336**	**2,472**	**4,254**	**82.1**	**72.1**	**4,335**	**(1.9)**
Minority Share of Net Profit	314	390	496			390	
PAT attributable to equity shareholders after Minority Interest	**2,022**	**2,082**	**3,758**	**85.9**	**80.5**	**3,945**	**(4.8)**
NPM (%)	**6.6**	**5.6**	**9.4**			**9.6**	

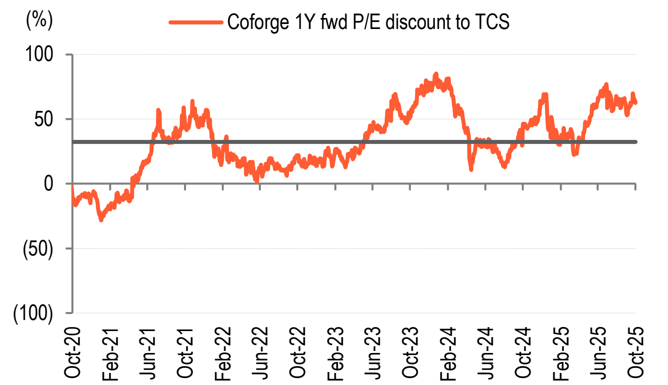
Source: Company, BOBCAPS Research

Fig 5 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 6 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 7 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.1	89.3	91.1	87.0	89.3	91.1	0.1	-	-
USD Revenue (USD mn)	1,888	2,164	2,513	1,952	2,240	2,576	(3.3)	(3.4)	(2.4)
USD Revenue Growth (%)	28.6	14.6	16.1	33.0	14.8	15.0			
Revenue (Rsmn)	163,021	193,180	228,903	168,957	199,957	234,648	(3.5)	(3.4)	(2.4)
EBIT (Rsmn)	22,630	26,790	32,944	23,908	28,094	32,879	(5.3)	(4.6)	0.2
EBIT Margin (%)	13.9	13.9	14.4	14.2	14.0	14.0			
PAT (Rs mn)	14,100	18,331	23,176	14,858	19,228	22,924	(5.1)	(4.7)	1.1
EPS (Rs)	43.2	54.6	69.1	45.6	57.6	68.6	(5.3)	(5.1)	0.7

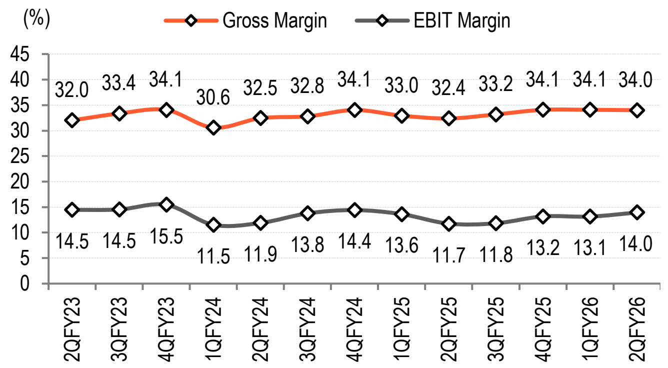
Source: BOBCAPS Research

Fig 8 – P&L at a glance

(YE March)	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	87.1	89.3	91.1
Net sales (US$ mn)	**373**	**381**	**388**	**416**	**417**	**464**	**523**	**593**	**628**	**867**	**1,002**	**1,119**	**1,468**	**1,888**	**2,164**	**2,513**
-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**	**28.6**	**14.6**	**16.1**
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	163,021	193,180	228,903
-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	33.7	18.5	18.5
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	108,411	130,406	153,719
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	54,610	62,775	75,184
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	33.5	32.5	32.8
SGA Expenses	3759	4368	4613	5195	5284	5723	6402	7096	6544	8527	11438	13725	18874	22949	25963	30678
% 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	14.1	13.4	13.4
Acquisition Related Expenses	-	-	-	-	-	-	-	-	46	269	9	96	1,534	43	-	-
Cost of ESOPs	-	-	-	-	-	-	-	17	481	633	587	1,061	1,737	1,999	1,690	1,690
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	29,619	35,121	42,817
% 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	18.2	18.2	18.7
Depreciation & Amortisation	567	619	916	1101	1150	1273	1248	1730	1836	2272	2585	3186	4580	7032	8332	9872
% 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	4.3	4.3	4.3
EBIT	**2728**	**2896**	**2540**	**3632**	**3709**	**3739**	**5205**	**5468**	**6028**	**8883**	**11468**	**11774**	**13752**	**22587**	**26790**	**32944**
% 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**	**13.9**	**13.9**	**14.4**
Other income (net)	207	288	18	183	187	298	476	558	113	(266)	(630)	(1,156)	(1,072)	(505)	(133)	71
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	21,376	26,657	33,015
-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	13.8	14.4
Provision for tax	750	803	540	831	820	950	1,404	1,278	1,302	1,468	2,061	2,093	3,201	5,398	6,342	7,854
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	25.3	23.8	23.8
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	15,978	20,315	25,160
Minority Interest & share of profit/(loss) of associate	52	76	79	170	220	285	188	236	104	530	513	276	1,240	1,878	1,984	1,984
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**	**14,100**	**18,331**	**23,176**
-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**	**73.9**	**30.0**	**26.4**
-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**	**8.6**	**9.5**	**10.1**

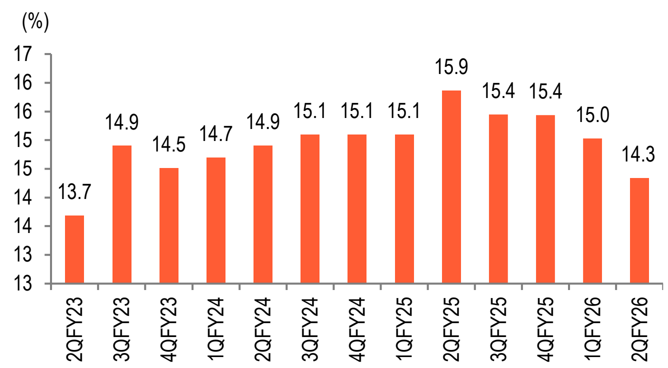
Source: Company, BOBCAPS Research

Fig 9 – Gross Margin and EBIT Margin



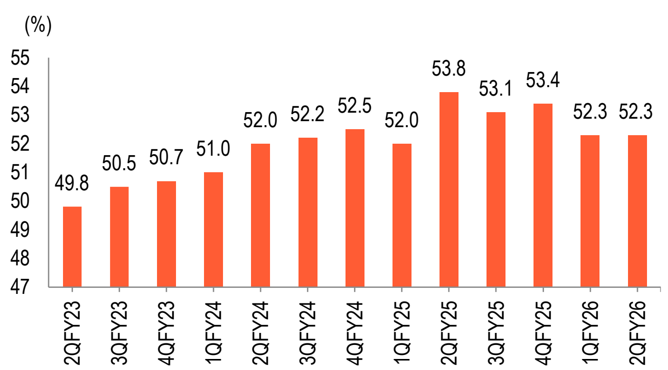
Source: Company, BOBCAPS Research

Fig 10 – SGA as % of sales



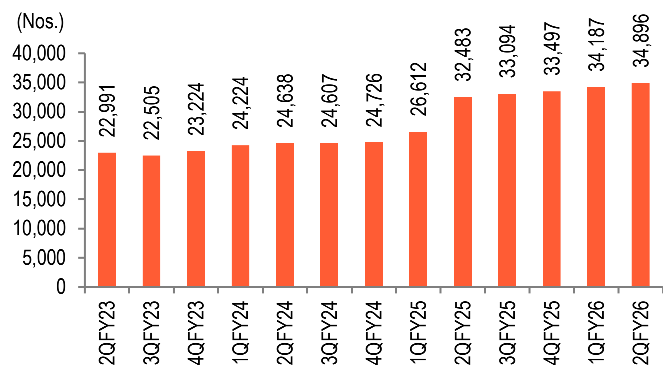
Source: Company, BOBCAPS Research

Fig 11 – Offshore contribution to revenue



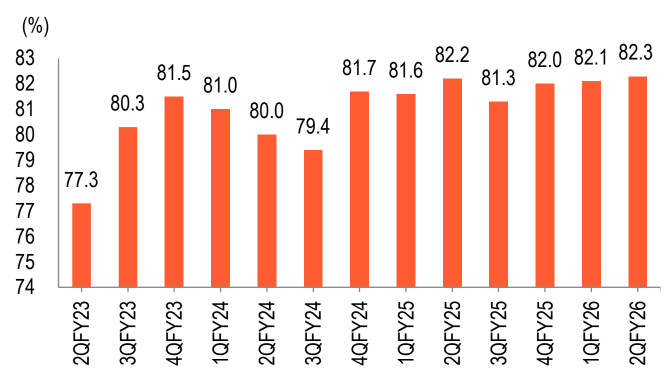
Source: Company, BOBCAPS Research

Fig 12 – Total No. of Employees



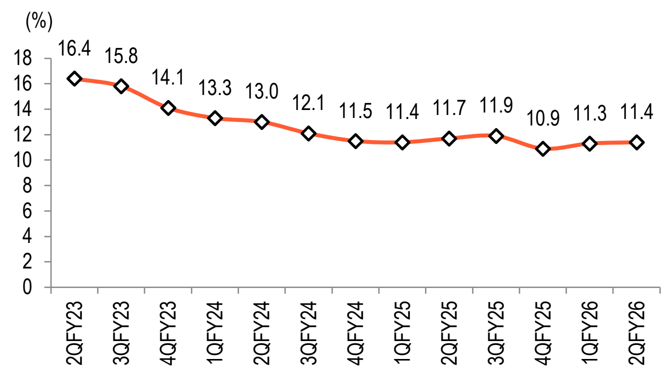
Source: Company, BOBCAPS Research

Fig 13 – IT Utilization (%) (including trainees)



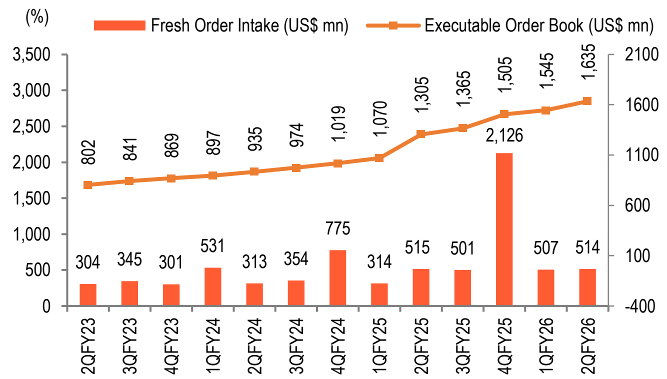
Source: Company, BOBCAPS Research

Fig 14 – TTM Attrition (%) Ex BPO



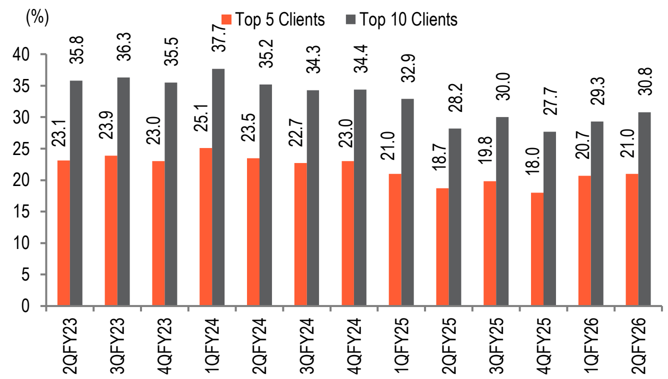
Source: Company, BOBCAPS Research

Fig 15 – Fresh Order Intake (US$ mn) and Executable Order Book over next 12 months (US$ mn)



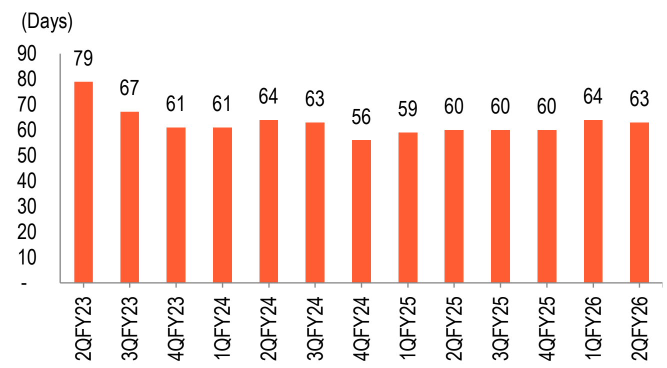
Source: Company, BOBCAPS Research

Fig 16 – Client concentration (% of revenue) over the quarters



Source: Company, BOBCAPS Research

Fig 17 – DSO trend



Source: Company, BOBCAPS Research

Fig 18 – Quarterly Snapshot

Year to 31 March	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Rs mn													
INR/USD	79.3	81.9	82.4	82.2	82.7	83.3	83.1	83.4	83.8	84.4	86.6	85.6	87.3
USD Revenue (USD mn)	247	252	264	272	278	282	287	291	369	397	410	442	462
INR Revenue	19594	20558	21700	22210	22762	23233	23585	24008	30623	33182	34099	36886	39857
Gross margin	6278	6860	7394	6796	7388	7624	8034	7911	9922	11016	11628	12578	13558
SGA	2682	3063	3150	3264	3392	3508	3561	3625	4859	5126	5264	5543	5715
ESOP Cost	147	182	168	216	519	104	222	199	222	700	616	593	561
EBITDA	3449	3615	4076	3316	3477	4012	4251	4087	4841	5190	5748	6442	7282
Depreciation and Amortisation	614	624	717	757	772	811	846	815	1243	1268	1254	1592	1719
EBIT	2835	2991	3359	2559	2705	3201	3405	3272	3598	3922	4494	4850	5563
Other income	-150	83	-487	-152	-295	-257	-452	-272	-173	-327	-300	-447	19
PBT	2680	3074	1546	2242	2410	2944	2857	2047	3135	3433	3933	3654	5582
Tax	474	715	379	485	528	516	564	654	799	874	874	1182	1328
PAT	2011	2282	1148	1653	1813	2380	2238	1332	2022	2155	2598	2082	3758
EPS Adjusted (Rs)	6.6	7.5	3.8	5.4	5.9	7.7	7.2	4.2	6.1	6.5	7.8	7.4	11.2
YoY Growth													
USD Revenue	16.2	13.7	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	43.0	51.8	25.1
INR Revenue	24.9	24.0	24.5	21.4	16.2	13.0	8.7	8.1	34.5	42.8	44.6	53.6	30.2
Gross profit	24.6	27.7	27.3	22.3	17.7	11.1	8.7	16.4	34.3	44.5	44.7	59.0	36.6
EBIT	29.5	19.5	21.9	11.6	(4.6)	7.0	1.4	27.9	33.0	22.5	32.0	48.2	54.6
Net Profit	37.0	24.2	(44.7)	10.4	(9.8)	4.3	94.9	(19.4)	11.5	(9.5)	16.1	56.3	85.9
QoQ growth													
USD Revenue	3.4	1.9	5.05	2.80	2.32	1.40	1.70	1.60	26.77	7.5	3.3	7.8	4.5
INR Revenue	7.1	4.9	5.6	2.4	2.5	2.1	1.5	1.8	27.6	8.4	2.8	8.2	8.1
EBIT	23.7	5.5	12.3	(23.8)	5.7	18.3	6.4	(3.9)	10.0	9.0	14.6	7.9	14.7
Net Profit	34.3	13.5	(49.7)	44.0	9.7	31.3	(6.0)	(40.5)	51.8	6.6	20.6	(19.9)	80.5
Margins													
Gross Margin	32.0	33.4	34.1	30.6	32.5	32.8	34.1	33.0	32.4	33.2	34.1	34.1	34.0
SGA	13.7	14.9	14.5	14.7	14.9	15.1	15.1	15.1	15.9	15.4	15.4	15.0	14.3
EBITDA	17.6	17.6	18.8	14.9	15.3	17.3	18.0	17.0	15.8	15.6	16.9	17.5	18.3
EBIT	14.5	14.5	15.5	11.5	11.9	13.8	14.4	13.6	11.7	11.8	13.2	13.1	14.0
PAT	10.3	11.1	5.3	7.4	8.0	10.2	9.5	5.5	6.6	6.5	7.6	5.6	9.4

Source: Company, BOBCAPS Research

Fig 19 – Key Metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
P and L (Rs mn)													
Revenue	19,594	20,558	21,700	22,210	22,762	23,233	23,585	24,008	30,623	33,182	34,099	36,886	39,857
EBITDA	3,449	3,615	4,076	3,316	3,477	4,012	4,251	4,087	4,841	5,190	5,748	6,442	7,282
PAT	2,011	2,282	1,148	1,653	1,813	2,380	2,238	1,332	2,022	2,155	2,598	2,082	3,758
Vertical Mix (%)													
BFS	32	31	31	31	32	32	34	32	29	28	30	28	28
Insurance	23	22	22	23	23	22	22	21	19	19	18	16	15
Transportation	19	19	19	19	19	18	18	18	18	18	19	23	23
Government (overseas)							8	8	8	7	7	7	7
Others	26	27	28	28	27	28	20	21	26	29	26	27	27
Geographical Mix (%)													
Americas	51	49	48	50	49	47	48	50	55	56	54	57	58
EMEA	39	40	40	39	39	40	40	39	34	34	33	30	29
APAC	10	11	12	12	12	13	12	11	11	10	13	14	13
Revenue Mix - IT Business (%)													
Onsite	50	50	49	49	48	48	48	48	46	47	47	48	48
Offshore	50	51	51	51	52	52	53	52	54	53	53	52	52
IT Utilization (%) (including trainees)	77.3	80.3	81.5	81.0	80.0	79.4	81.7	81.6	82.2	81.3	82.0	82.1	82.3
Clients Concentration (%)													
Top 5 Clients	23	24	23	25	24	23	23	21	19	20	18	21	21
Top 10 Clients	36	36	36	38	35	34	34	33	28	30	28	29	31
Number of Client													
Between 1 to 5 million	97	98	101	102	104	109	112	118	173	176	173	170	164
Between 5 to 10 million	26	23	23	24	23	23	24	25	29	31	35	40	45
Above 10 million	19	21	21	21	23	24	24	23	29	31	31	32	34
Revenue by Project type													
Fixed Price Project	50	50	50	49	49	51	52	50	43	45	46	47	46
Time & Material	50	50	50	51	51	49	49	50	58	55	54	53	54
Service Line Mix (%)													
Product Engineering	11	10	10	9	9	8	8	0	0	0	0	0	0
Data & Integration	23	24	24	24	25	26	25	27	23	22	22	20	21
Intelligent Automation	13	12	11	12	12	11	11	12	9	9	9	8	8
CIMS	18	19	19	20	19	19	19	19	17	19	16	18	17
ADM	26	27	28	26	27	27	27	0	0	0	0	0	0
BPM	10	9	9	10	10	9	9	9	8	8	8	8	8
Engineering								32	42	42	45	46	46
Employees	22,991	22,505	23,224	24,224	24,638	24,607	24,726	26,612	32,483	33,094	33,497	34,187	34,896
TTM Attrition (%) Ex BPO	16.4	15.8	14.1	13.3	13.0	12.1	11.5	11.4	11.7	11.9	10.9	11.3	11.4
Profit and Loss Statement (in USD mn)													
Revenue	247	252	264	272	278	282	287	291	369	397	410	442	462
EBIT	36	37	41	31	33	38	41	39	43	46	52	57	64
PAT	25	28	14	20	22	29	27	16	24	26	30	24	43
Productivity Metrics													
Per Capita (Annualised)													
Revenue	42,956	44,737	45,539	44,881	45,150	45,841	46,397	43,800	45,488	47,997	48,983	51,762	52,969
EBIT	6,221	6,494	7,025	5,144	5,312	6,250	6,633	5,900	5,290	5,614	6,198	6,629	7,303
PAT	4,413	4,955	2,401	3,323	3,560	4,647	4,359	2,402	2,973	3,085	3,583	2,846	4,934

Source: Company, BOBCAPS Research

Fig 20 – QoQ and YoY growth

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
QoQ Growth													
Company Growth	3.4	1.9	5.0	2.8	2.3	1.4	1.7	1.6	26.8	7.5	3.3	7.8	4.5
By Geography(%)													
Americas	3.4	(2.2)	3.1	5.8	1.7	(4.3)	4.1	6.3	40.0	9.3	(0.8)	13.7	6.7
EMEA	7.9	6.7	3.2	0.2	2.8	4.5	2.0	(1.9)	10.7	8.8	0.6	(3.5)	1.3
APAC	(11.3)	4.9	21.1	(0.6)	3.2	15.2	(7.4)	(5.1)	23.4	(5.1)	36.0	12.9	2.1
By Industry (%)													
BFS	11.1	0.0	4.7	3.1	4.0	3.3	6.4	(4.1)	17.2	0.6	13.4	(1.1)	4.1
Insurance	3.9	(2.9)	5.5	4.7	2.3	(1.3)	(0.1)	0.7	13.1	5.8	0.0	(8.1)	1.8
Transportation	2.9	1.9	2.3	1.2	2.3	(2.4)	0.6	4.5	26.8	7.5	7.3	31.4	6.3
Government (overseas)								4.3	23.5	(2.4)	9.3	6.4	0.1
Others	(4.7)	8.3	7.3	2.1	0.5	4.4	(29.4)	9.4	56.3	19.1	(8.2)	12.9	5.6
By Practice Split (%) - Reinstated													
Product Engineering	3.4	(3.9)	0.8	1.7	(3.1)	(11.1)	1.7						
Data & Integration	2.5	5.5	3.7	4.5	4.4	6.4	(0.3)	10.5	7.3	3.8	1.9	(0.4)	8.5
Intelligent Automation	3.4	(4.5)	(1.2)	6.5	7.7	(5.3)	0.8	6.1	(1.4)	5.1	1.0	4.1	(3.0)
CIMS	(0.5)	8.4	7.3	8.2	(5.4)	3.6	2.8	2.1	13.6	19.4	(12.4)	19.2	(0.2)
ADM	10.3	5.5	9.0	(5.0)	6.3	3.3	2.5						
BPM	(3.1)	(10.8)	3.9	8.5	2.3	(1.8)	3.9	1.6	9.2	0.9	4.7	5.0	8.6
Engineering								(7.1)	67.4	6.2	11.9	9.0	4.9
Revenues from Top Clients													
Top 5	4.3	5.5	1.1	12.2	(4.2)	(2.0)	3.0	(7.2)	12.9	13.8	(6.1)	24.0	6.0
Top 10	4.3	3.4	2.7	9.2	(4.5)	(1.2)	2.0	(2.8)	8.7	14.4	(4.6)	14.1	9.8
Onsite:Offshore Mix													
Onsite	(0.1)	0.5	4.6	2.2	0.2	1.0	1.1	2.7	22.0	9.1	2.6	10.4	4.5
Offshore	7.3	3.4	5.5	3.4	4.3	1.8	2.3	0.6	31.2	6.1	3.9	5.6	4.5
YoY Growth													
Company Growth	16.2	13.7	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	43.0	51.8	25.1
By Geography(%)													
Americas	14.2	4.9	10.1	10.3	8.5	6.1	7.1	7.6	48.2	69.2	61.3	72.5	31.5
EMEA	37.7	35.9	13.2	19.1	13.5	11.2	9.8	7.5	15.7	20.4	18.8	16.9	7.0
APAC	(22.5)	(8.2)	33.7	12.0	30.3	43.0	9.4	4.5	25.0	3.0	51.2	79.8	48.8
By Industry (%)													
BFS	52.9	24.5	27.3	20.0	12.3	16.0	17.9	9.6	23.6	20.3	28.2	32.2	17.4
Insurance	(7.6)	(9.7)	(1.7)	11.4	9.7	11.5	5.5	1.5	12.3	20.3	20.5	10.0	(1.1)
Transportation	20.6	19.9	6.4	8.6	8.0	3.3	1.5	4.9	30.0	43.2	52.8	92.1	61.0
Government (overseas)							NA	NA	NA	NA	37.4	40.1	13.6
Others	6.7	22.6	20.2	13.1	19.2	14.9	(24.5)	(19.0)	26.0	43.8	87.0	93.0	30.4
By Practice Split (%) - Reinstated													
Product Engineering	(3.9)	4.2	1.0	1.9	(4.5)	(11.7)	(10.9)						
Data & Integration	30.4	32.5	22.0	17.3	19.5	20.5	15.8	22.4	25.8	22.7	25.4	13.0	14.3
Intelligent Automation	2.4	(4.2)	(0.6)	3.9	8.2	7.3	9.4	9.1	(0.1)	10.9	11.1	9.0	7.2
CIMS	19.7	13.7	20.1	25.1	19.1	13.8	9.0	2.9	23.5	42.3	21.3	41.5	24.4
ADM	25.5	22.9	24.6	20.5	16.1	13.7	6.9						
BPM	4.2	(9.3)	(8.6)	(2.5)	2.9	13.3	13.3	6.1	13.3	16.3	17.2	21.1	20.5
Engineering								(1.7)	58.6	69.1	85.0	117.1	36.0
Revenues from Top Clients													
Top 5	16.8	7.8	13.3	24.8	14.6	6.4	8.5	(10.3)	5.7	22.8	11.9	49.6	40.5
Top 10	26.1	14.3	15.4	20.9	10.7	5.9	5.1	(6.4)	6.4	23.2	15.2	35.2	36.6
Onsite:Offshore Mix													
Onsite	4.2	4.2	5.8	7.3	7.7	8.2	4.5	5.0	27.8	38.2	40.3	50.9	29.2
Offshore	31.6	24.8	22.7	21.0	17.6	15.8	12.3	9.3	37.4	43.2	45.5	52.7	21.6

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**91,790**	**121,912**	**163,021**	**193,180**	**228,903**
EBITDA	14,960	18,332	29,619	35,121	42,817
Depreciation	3,186	4,580	7,032	8,332	9,872
EBIT	11,774	13,752	22,587	26,790	32,944
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(1,156)	(1,072)	(505)	(133)	71
Exceptional items	165	132	706	0	0
EBT	10,453	12,548	21,376	26,657	33,015
Income taxes	2,093	3,201	5,398	6,342	7,854
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	276	1,240	1,878	1,984	1,984
Reported net profit	**8,084**	**8,107**	**14,100**	**18,331**	**23,176**
Adjustments	0	0	0	0	0
Adjusted net profit	**8,084**	**8,107**	**14,100**	**18,331**	**23,176**

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	30,821	35,601	43,158
Provisions	1,304	1,743	2,017	2,017	2,017
Debt funds	4,153	3,502	6,021	5,221	4,421
Other liabilities	4,039	28,070	29,952	30,302	30,879
Equity capital	618	669	669	669	669
Reserves & surplus	35,648	63,123	71,169	77,757	87,512
Shareholders' fund	36,266	63,792	71,838	78,426	88,181
Total liab. and equities	**61,077**	**124,907**	**140,649**	**151,567**	**168,655**
Cash and cash eq.	3,352	8,832	7,049	10,541	14,818
Accounts receivables	18,039	25,771	34,821	40,221	48,759
Inventories	0	0	0	0	0
Other current assets	4,634	11,555	8,752	10,110	12,256
Investments	0	1,457	0	0	0
Net fixed assets	4,470	7,682	11,698	12,366	14,494
CWIP	232	24	174	174	174
Intangible assets	16,133	49,726	55,080	55,080	55,080
Deferred tax assets, net	5,583	5,470	6,155	6,155	6,155
Other assets	8,634	14,390	16,920	16,920	16,920
Total assets	**61,077**	**124,907**	**140,649**	**151,567**	**168,655**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**7,333**	**11,968**	**21,989**	**26,669**	**31,906**
Capital expenditures	(3,783)	(41,804)	(16,412)	(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)**	**(17,869)**	**(9,000)**	**(12,000)**
Equities issued/Others	0	22,400	0	0	0
Debt raised/repaid	380	(651)	2,519	(800)	(800)
Interest expenses	0	0	0	0	0
Dividends paid	(4,673)	(5,019)	(8,047)	(11,744)	(13,421)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(4,293)**	**16,730**	**(5,528)**	**(12,544)**	**(14,221)**
Chg in cash & cash eq.	**(2,435)**	**5,480**	**(1,677)**	**3,474**	**4,294**
Closing cash & cash eq.	**3,352**	**8,832**	**7,155**	**10,523**	**14,834**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.3	24.5	43.2	54.6	69.1
Adjusted EPS	26.3	24.5	43.2	54.6	69.1
Dividend per share	15.2	15.2	24.0	35.0	40.0
Book value per share	117.3	190.5	215.1	233.7	262.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	6.4	4.8	3.6	3.1	2.6
EV/EBITDA	39.3	32.2	20.0	16.8	13.9
Adjusted P/E	67.0	72.0	40.7	32.2	25.5
P/BV	15.0	9.2	8.2	7.5	6.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.3	63.9	63.9	68.8	70.2
Interest burden (PBT/EBIT)	88.1	83.0	97.6	99.5	100.2
EBIT margin (EBIT/Revenue)	12.9	12.5	13.9	13.9	14.4
Asset turnover (Rev./Avg TA)	215.5	170.7	157.6	171.1	189.6
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.5	1.5	1.4
Adjusted ROAE	24.1	16.2	20.8	24.4	27.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.5	32.8	33.7	18.5	18.5
EBITDA	6.5	22.5	61.6	18.6	21.9
Adjusted EPS	15.5	(6.9)	76.7	26.4	26.4
Profitability & Return ratios (%)					
EBITDA margin	16.3	15.0	18.2	18.2	18.7
EBIT margin	12.8	11.3	13.9	13.9	14.4
Adjusted profit margin	8.8	6.6	8.6	9.5	10.1
Adjusted ROAE	24.1	16.2	20.8	24.4	27.8
ROCE	22.3	16.0	16.5	18.1	20.8
Working capital days (days)					
Receivables	72	77	78	76	78
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	20.5	15.9	13.9	15.6	15.8
Current ratio	1.7	1.7	1.6	1.7	1.8
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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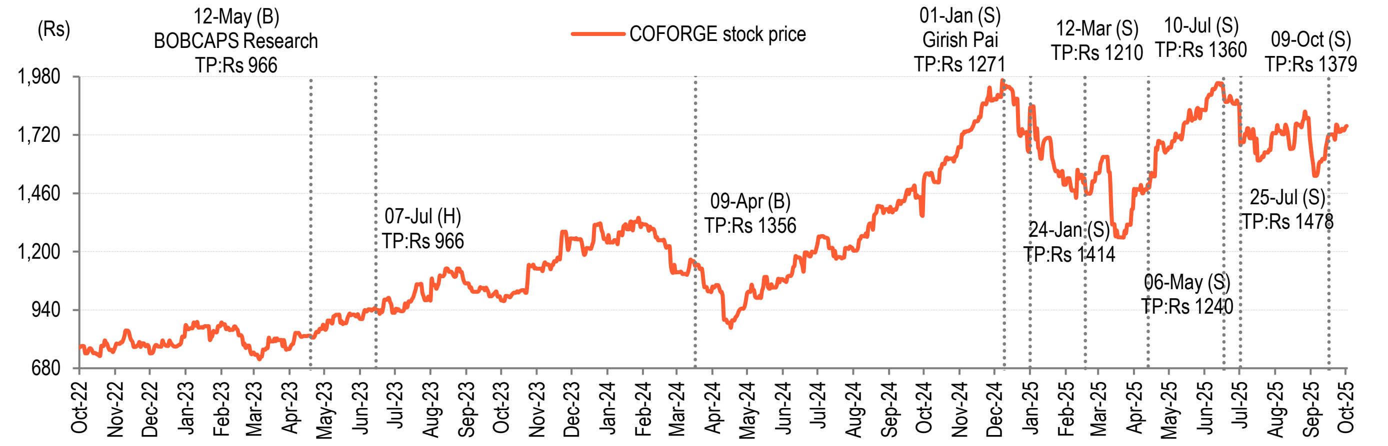

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