

SELL

TP: Rs 1,486 | ▼ 9%

COFORGE

| IT Services

| 24 January 2026

Market seems worried about equity and return dilution

- 3Q strong but largely in line. QoQ revenue growth best in the Tier-2 set thus far. But near-term numbers are likely not focus of the market
- Equity/return dilution from Encora M&A seems to be. ROIC coming off ~1500bps in 4 years. Equity dilution ~7.6x that due to Cigniti's
- Broadly maintain estimates. Retain Target PE multiple (lowered after the Encora acquisition) and Sell Rating

3Q performance outshines Tier-2 peers. Strong organic growth in FY26 likely: The 4.4% QoQ CC growth was in line with our 4.6% estimate. EBIT margin (ex-forex hedges) at 14.4% bettered estimate. The QoQ growth was driven by 'Healthcare & HiTech' and 'others'(Retail, Manufacturing and Media & Utilities) among verticals, ROW among Geos and Data & Integration, Cloud & Infrastructure Management (CIMS) and BPM among horizontals. Organic USD revenue growth for FY26 at ~25% (our estimate) will likely be the highest among Indian Tier-2 players.

The negative stock reaction to the results was likely driven by equity and return dilution concerns: We highlighted them in detail in our company note post-acquisition ([Encora – expensive buy](#)). Some of them include (1) Encora at 4x Sales, 21x EBITDA on FY26E is at a premium to Coforge for weaker organic revenue growth of 7-8% (FY24-FY26E). The supposed AI native player has not delivered better growth or margins (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 (3) While the deal may be EPS-accretive, it is significantly return-dilutive. Post tax ROIC is falling by ~15 ppt from ~25% in FY24 before Cigniti buy to ~10% level in FY28 post Encora deal (4) While Coforge has digested smaller acquisitions, this is the largest one done by any Indian player and more importantly, Encora itself in its current form has come about through multiple M&A transactions and hence value extraction could be a challenge (5) Assumption of 13-14 year amortization of intangible asset for client relationships (hence higher EBIT margin) seems optimistic. Vendor consolidation is a key theme playing out in the market now

Estimates tweaked; lower multiple and retain SELL: Consolidated Encora from 2QFY27 (adding US\$166mn to that quarter's revenue). Made it marginally EPS-accretive from FY27 itself. We lowered our target PE multiple post Encora by cutting out premium to the TCS target PE multiple of 10% that we were giving earlier due to the various risks that we perceived from the deal. We continue to have that view. Besides the issues pertaining to Encora, we are also wary of Sabre and GCC related risks highlighted in our notes (links inside).

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	COFORGE IN/Rs 1,636
Market cap	US\$ 5.9bn
Free float	100%
3M ADV	US\$ 38.2mn
52wk high/low	Rs 1,994/Rs 1,194
Promoter/FPI/DII	0%/35%/54%

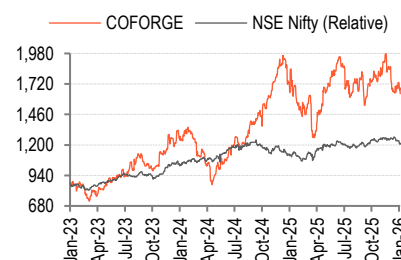
Source: NSE | Price as of 23 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	121,912	163,221	240,175
EBITDA (Rs mn)	18,332	29,471	43,746
Adj. net profit (Rs mn)	8,107	13,029	23,250
Adj. EPS (Rs)	24.5	40.1	57.6
Adj. ROAE (%)	16.2	19.1	14.3
Adj. P/E (x)	66.9	40.8	28.4
EV/EBITDA (x)	29.9	18.8	12.4
Adj. EPS growth (%)	(6.9)	64.1	43.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$ 478.2 mn, up 4.4% QoQ (in line with our estimate of 4.6%) and up 21.5% YoY in CC terms
 - Growth underpinned by large deal velocity and sustained growth in key accounts
 - Growth is broad-based across healthcare, public sector, hi-tech, banking, and travel. Coforge says that FY26 is strong, and FY27 is expected to be exceptional, supported by a robust order book, top-client relationships, and balanced account growth and the Encora Acquisition. We have assumed in our model that the Encora Acquisition will be consummated from 2QFY27.
- 3Q EBIT margin at 13.4% (against our estimate of 13.9%), down 60 bps QoQ and up 154 bps YoY
 - QoQ EBIT margin decline primarily driven by wage hike, resulting in a margin impact of 150 bps, partly offset by margin initiatives implemented over the last three quarters and lower ESOP costs
 - Ex Hedge loss Coforge says that its EBIT margin was 14.4%
- Plan to achieve 15% EBIT in 4Q, supporting full-year FY26 EBIT guidance of 14%
- Exceptional items during the quarter amounted to Rs1,470mn (~Rs1,180 mn related to the new labor code introduced by the Government of India; ~Rs135 mn of expenses related to the proposed Encora acquisition; ~Rs162 mn of legal expenses booked conservatively related to the cybersecurity incident). E&O insurance cover in place, with part of the cybersecurity-related expenses expected to be reversed upon receipt of insurance proceeds
- Headcount stood at 35,341; net addition of 445 QoQ. Continued aggressive hiring from campuses and lateral channels
- Utilization at 81.8% in 3Q, with expectation of sharp increase in 4Q
- LTM attrition at 10.9%, among the lowest in the industry
- Order Intake: US\$ 593 mn, up 15% QoQ and 18% YoY
- Executable order book for NTM at record US\$1.72 bn, up 5% QoQ and 26% YoY
 - Six large deals signed in seasonally weak 3Q.
- Market environment characterized by shift from AI experimentation to demand for measurable business impact, KPI improvement, and operational transformation
- Enterprise technology landscape at an inflection point, with AI driven by cloud and data becoming core to enterprise reinvention
- Core delivery model transformed with AI embedded across all engagements rather than positioned as a standalone offering. Shift toward hybrid delivery models combining agentic workflows with human expertise

- Commercial constructs increasingly structured around outcome-based pricing, with contractual risk-reward sharing linked to client results
- Share repurchase agreement entered for acquisition of Encora equity at an enterprise value of US\$2.35 bn
 - US\$1.89 bn to be financed through a share swap arrangement, with the balance funded through a term loan to retire Encora Group borrowings. Advanced stage of finalizing a US\$550 mn term loan for three years with a consortium of four to five banks. Decision taken that a QIP will not be required to retire the Encora term loan. In our current model, we have assumed that a term loan would be taken and a QIP would not be executed.
- Guidance of no EPS dilution in FY27 for the combined business remains unchanged even after the incremental debt
- Healthcare, high-tech, and public sector identified as key verticals for growth
 - Pre-Encora, healthcare and high-tech already contribute 10.5% of aggregate revenues
- Banking expected to potentially be the fastest-growing core vertical next year, supported by strong large deal momentum and visibility on key account growth. Banking vertical growth remains strong at over 20% YTD. Six large deals signed in 3Q, with two deals originating from the banking vertical
- Insurance delivered QoQ growth, with one of the six large deals in 3Q coming from insurance. Insurance growth outlook described as robust, with FY27 expected to deliver higher growth than FY26
 - Growth in banking and travel expected to outpace insurance
- Government outside India was the only vertical to see a QoQ decline, with expectation of closing one of the largest-ever deals in this segment in 4Q
- Life sciences and payers remain long-term focus within healthcare, with tactical wins pursued due to relatively smaller current scale
- Public sector focus remains on U.K. and Australia; no plans to enter U.S. public sector
- Expectation of a shift in the mix of large deals over time, with increasing contribution from healthcare, high-tech, and public sector alongside continued strength in core verticals
- Cigniti merger expected to be financially integrated by the time FY26 results are reported
- Financial consolidation of Encora expected to begin once approvals are received, likely in the March–April timeframe
- Sharp increase in “other expenses” in 3Q primarily due to third-party costs associated with large size deals, recorded as milestones are achieved. Third-party costs fluctuate quarter on quarter depending on project milestones

- On employee costs, the company has implemented margin improvement initiatives over the past year, including optimizing bench utilization and controlling overheads. As a result, despite wage hikes and headcount additions, overall salary costs have remained stable, supporting EBIT margin improvements, with benefits expected to continue into 4Q
- The ESOP impact on margins is expected to remain stable. While the absolute number of ESOPs may change, there won't be any incremental pool currently, so the previously guided margins will stay intact
- Wage hikes have just been implemented and no further increases are expected for at least the next four quarters. Overall, supply-side pressures are muted, supporting confidence in margin expansion in FY27
- Segmental margin volatility across geographies is largely driven by currency impacts, with hedge losses allocated primarily to Americas and Europe affecting reported EBITDA margins
- Sabre deal ramp-up is on track, with actual costs lower than planned
- Nature of contract in India business: The growth in the India business during 3Q was driven by solutions involving third-party components. Revenue and associated costs for these components are recognized when the solution is delivered, creating a seasonal spike in both other direct costs and DSOs
- The gap between revenue growth and headcount increase is due to several factors. Higher revenue per employee comes from outcome-based contracts generating more revenue without proportionally increasing headcount. Freshers are being added, which keeps utilization lower initially, but as they ramp up, productivity improves and average revenue per employee rises. These initiatives, along with automation and efficiency measures, allow revenue to grow faster than headcount
- Unbilled revenue is expected to remain manageable if key guardrails are maintained: a working capital cycle around 50 days and consistent FCF-to-PAT delivery. This allows the company to continue signing large deals that may require upfront customer investment without compromising margins
- Salesperson costs have grown slightly faster than revenue YoY, primarily due to strategic investments in the sales team, rather than increased commission payouts
- The Sabre deal has already created cross-selling opportunities with Coforge selling to some of Sabre's clients.
- The Encora integration is expected to start impacting numbers mainly in 1QFY27, following regulatory approvals by the end of March. In 4QFY26, only limited expenses will be incurred, primarily legal fees related to approvals, funding arrangements with banks, and W&I insurance. The bulk of integration related costs will likely appear in 1QFY27
- Our other recent notes on Coforge include the following
 - **Execution and proactive deal creation the mantras** - Post December 2025 investor day
 - **2Q inline. Tier-2 organic revenue growth leader in FY26** – Post 2QFY26 note

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 an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). Another report (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and (**A fourth slow year?**) talks about our continued cautious stance on the sector.

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

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: Tariffs, a wider fiscal deficit from the 'one big, beautiful bill' (OBBB), and tighter immigration rules (including the new hurdles in H1-B visas), etc., may lead to delay in decision making in the near term.

While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

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

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 24-36 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 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, as also TCS, as our industry benchmark. Target PE for TCS is 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Reason for raising Target PE multiple: With Nifty IT underperforming by ~23ppt vs the Nifty in 2025, we believe much of the downside is factored in. With a modest uptick in growth rates in FY27, we believe the stocks will trade a bit higher.

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 probability of downside risks to consensus EPS expectations for FY27.

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.

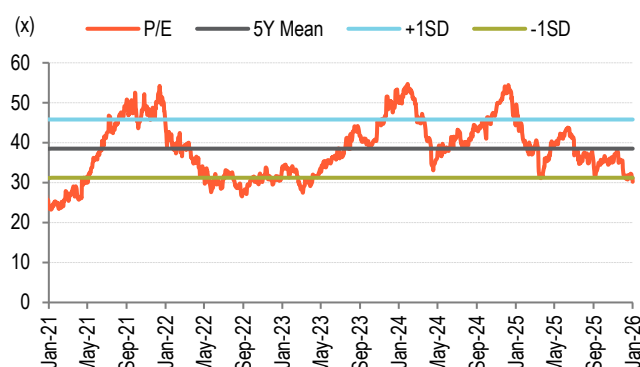
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

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.

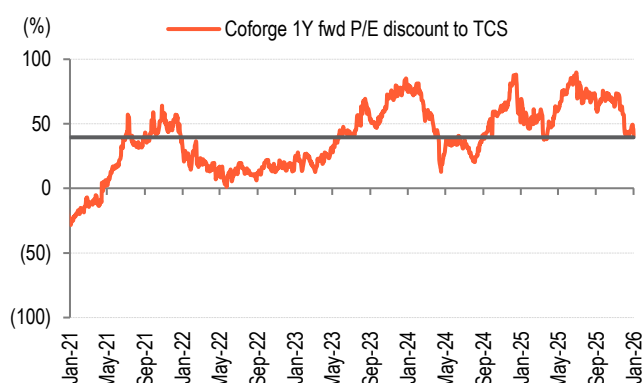
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsmn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	Dev (%)
Net Sales (USD mn)	397.1	462.1	478.2	20.4	3.5	481.1	(0.6)
Net Sales	33,182	39,857	41,881	26.2	5.1	42,862	(2.3)
Direct Cost	22,166	26,299	28,112	26.8	6.9	28,472	(1.3)
Gross Profit	11,016	13,558	13,769	25.0	1.6	14,390	(4.3)
% of Sales	33.2	34.0	32.9			33.6	
SG&A	5,126	5,715	6,023	17.5	5.4	6,270	(3.9)
% of Sales	15.4	14.3	14.4			14.6	
EBITDA	5,890	7,843	7,746	31.5	(1.2)	8,120	(4.6)
EBITDA Margin (%)	17.8	19.7	18.5			18.9	
Depreciation	1,268	1,719	1,708	34.7	(0.6)	1,714	(0.4)
Cost of ESOPs	700	561	444	(36.6)	(20.9)	429	3.6
ESOP Cost (%age of sales)	2.11	1.41	1.06			1.00	
EBIT	3,922	5,563	5,594	42.6	0.6	5,977	(6.4)
EBIT Margin (%age of sales)	11.8	14.0	13.4	(60)	154	13.9	
Other Income	(327)	19	(276)			(49)	464.9
Acquisition Related Expenses	162	-	-			-	
Profit Before Tax	3,433	5,582	5,318	54.9	(4.7)	5,928	(10.3)
Provision for Taxation - Current & Deferred	874	1,328	1,211	38.6	(8.8)	1,512	(19.9)
Effective Tax Rate	25.5	23.8	22.8			25.5	
Adjusted Net Profit	2,559	4,254	4,107	60.5	(3.5)	4,417	(7.0)
Minority Share of Net Profit	404	496	465			496	
Adjusted PAT attributable to equity shareholders after Minority Interest	2,155	3,758	3,642	69.0	(3.1)	3,921	(7.1)
Margin (%)	6.5	9.4	8.7			9.1	
Exceptional Item adjusted for taxes	-	-	1,139.8			-	
Reported PAT	2,155	3,758	2,502			3,921	(36.2)
Margin (%)	6.5	9.4	6.0			9.1	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend

Source: Company, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS

Source: Company, BOBCAPS Research

Fig 4 – Revised Estimates

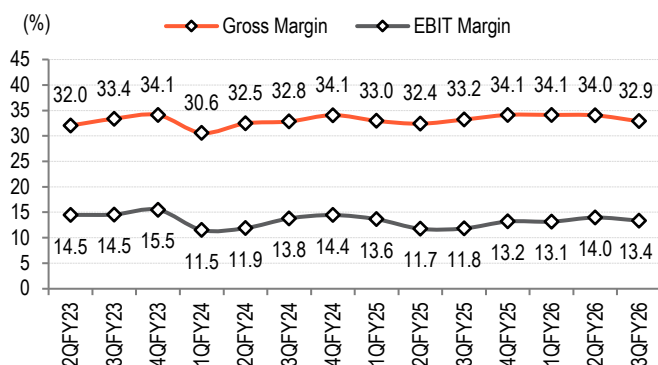
	New			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	88.0	90.0	91.1	87.8	89.4	91.1	0.3	0.7	-
USD Revenue (USD mn)	1,878	2,669	3,301	1,888	2,676	3,295	(0.5)	(0.3)	0.2
USD Revenue Growth (%)	27.9	42.1	23.7	28.6	41.7	23.2			
Revenue (Rsmn)	163,221	240,175	300,650	164,356	239,229	300,141	(0.7)	0.4	0.2
EBIT (Rsmn)	22,676	33,538	44,160	23,458	34,143	45,238	(3.3)	(1.8)	(2.4)
EBIT Margin (%)	13.9	14.0	14.7	14.3	14.3	15.1			
PAT (Rsmn)	13,029	23,250	30,826	14,510	23,012	31,127	(10.2)	1.0	(1.0)
EPS (Rs)	40.1	57.6	72.1	44.4	56.5	72.5	(9.7)	1.9	(0.5)
Adjusted PAT (Rsmn)	14,168	23,250	30,826	14,510	23,012	31,127	(2.4)	1.0	(1.0)
Adjusted EPS (Rs)	43.6	57.6	72.1	44.4	56.5	72.5	(2.0)	1.9	(0.5)

Source: BOBCAPS Research

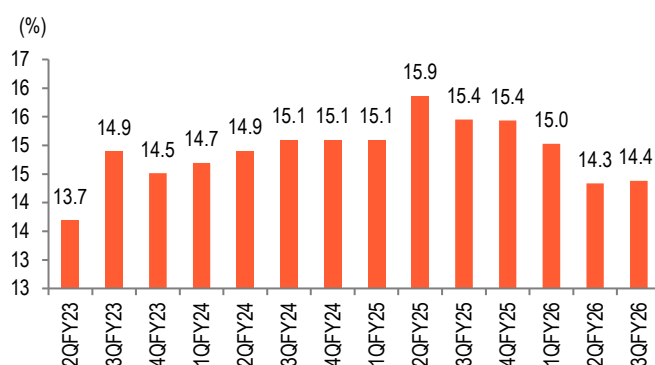
Fig 5 – P&L at a glance

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	88.0	90.0	91.1
Net sales (US\$m)	373	381	388	416	417	464	523	593	628	867	1,002	1,119	1,468	1,878	2,669	3,301
-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	27.9	42.1	23.7	
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	163,221	240,175	300,650
-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	33.9	47.1	25.2
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	108,096	160,051	200,674
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	55,125	80,124	99,976
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	33.8	33.4	33.3
SGA Expenses	3759	4368	4613	5195	5284	5723	6402	7096	6544	8527	11438	13725	18874	23569	33132	41557
% 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	14.4	13.8	13.8
Acquisition Related Expenses	-	-	-	-	-	-	-	-	46	269	9	96	1,534	43	-	-
Cost of ESOPs	-	-	-	-	-	-	-	17	481	633	587	1,061	1,737	2,042	3,246	3,736
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	29,471	43,746	54,683
% 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	18.1	18.2	18.2
Depreciation & Amortisation	567	619	916	1101	1150	1273	1248	1730	1836	2272	2585	3186	4580	6838	10207	10523
% 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	4.2	4.3	3.5
EBIT	2728	2896	2540	3632	3709	3739	5205	5468	6028	8883	11468	11774	13752	22633	33538	44160
% 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	14.0	14.7
Other income (net)	207	288	18	183	187	298	476	558	113	(266)	(630)	(1,156)	(1,072)	(702)	(610)	(1,152)
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	19,749	32,928	43,008
-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	12.1	13.7	14.3
Provision for tax	750	803	540	831	820	950	1,404	1,278	1,302	1,468	2,061	2,093	3,201	4,904	7,818	10,322
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	24.8	23.7	24.0
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	14,845	25,110	32,686
Minority Interest & share of profit/(loss) of associate	52	76	79	170	220	285	188	236	104	530	513	276	1,240	1,816	1,860	1,860
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	13,029	23,250	30,826
-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	60.7	78.5	32.6
-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	8.0	9.7	10.3
Adjusted Net 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	14,168	23,250	30,826
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	9.7	10.3

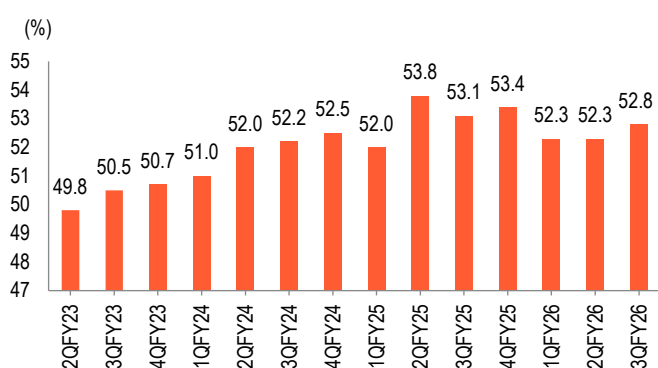
Source: Company, BOBCAPS Research

Fig 6 – Gross Margin and EBIT Margin

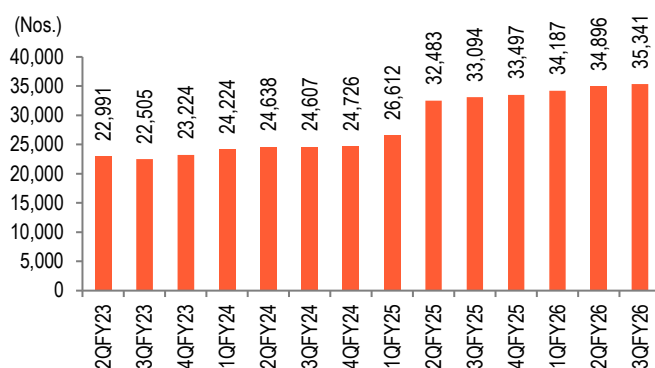
Source: Company, BOBCAPS Research

Fig 7 – SGA as % of sales

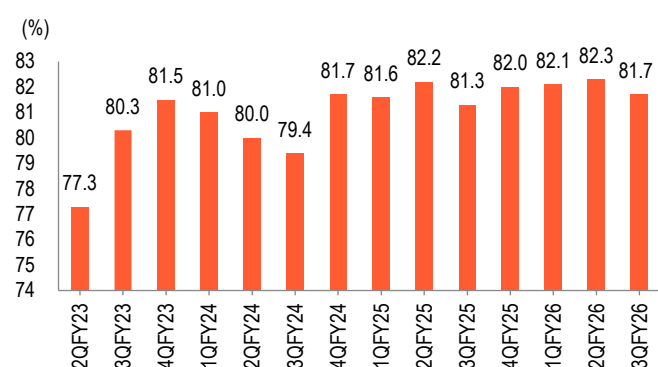
Source: Company, BOBCAPS Research

Fig 8 – Offshore contribution to revenue

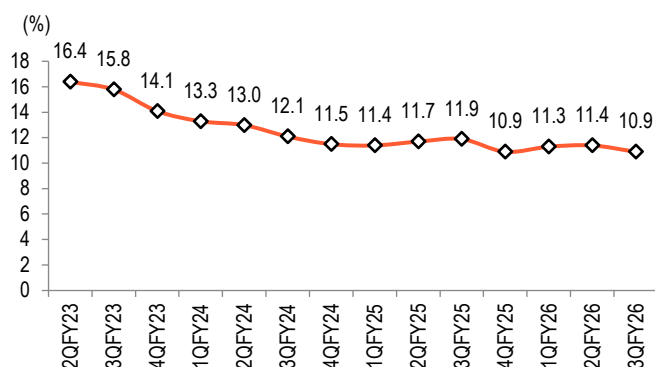
Source: Company, BOBCAPS Research

Fig 9 – Total No. of Employees

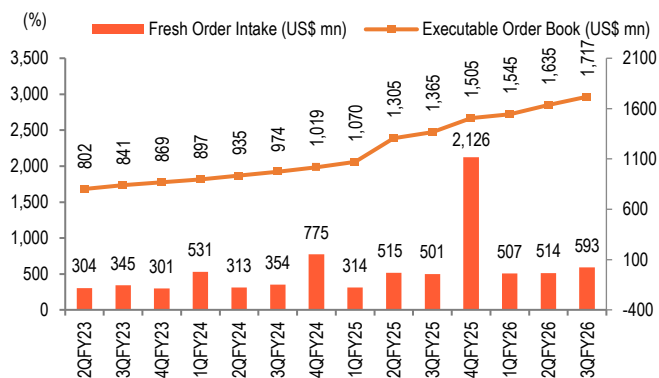
Source: Company, BOBCAPS Research

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

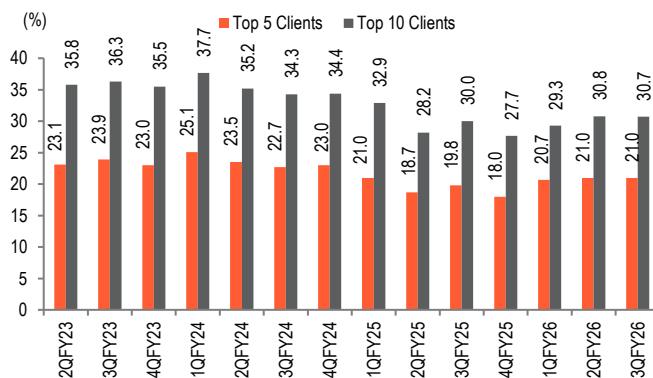
Source: Company, BOBCAPS Research

Fig 11 – TTM Attrition (%) Ex BPO

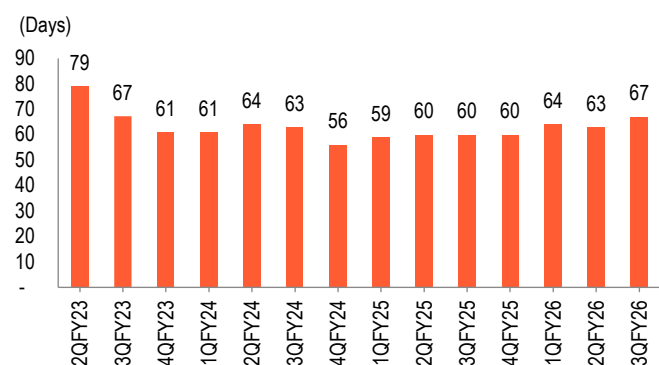
Source: Company, BOBCAPS Research

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	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Rs mn													
INR/USD	81.9	82.4	82.2	82.7	83.3	83.1	83.4	83.8	84.4	86.6	85.6	87.3	89.1
USD Revenue (USD mn)	252	264	272	278	282	287	291	369	397	410	442	462	478
INR Revenue	20558	21700	22210	22762	23233	23585	24008	30623	33182	34099	36886	39857	41881
Gross margin	6860	7394	6796	7388	7624	8034	7911	9922	11016	11628	12578	13558	13769
SGA	3063	3150	3264	3392	3508	3561	3625	4859	5126	5264	5543	5715	6023
ESOP Cost	182	168	216	519	104	222	199	222	700	616	593	561	444
EBITDA	3615	4076	3316	3477	4012	4251	4087	4841	5190	5748	6442	7282	7302
Depreciation and Amortisation	624	717	757	772	811	846	815	1243	1268	1254	1592	1719	1708
EBIT	2991	3359	2559	2705	3201	3405	3272	3598	3922	4494	4850	5563	5594
Other income	83	(487)	(152)	(295)	(257)	(452)	(272)	(173)	(327)	(300)	(447)	19	(276)
PBT	3074	1546	2242	2410	2944	2857	2047	3135	3433	3933	3654	5582	3842
Tax	715	379	485	528	516	564	654	799	874	874	1182	1328	875
PAT	2282	1148	1653	1813	2380	2238	1332	2022	2155	2598	2082	3758	2502
EPS Adjusted (Rs)	7.5	3.8	5.4	5.9	7.7	7.2	4.2	6.1	6.5	7.8	7.4	11.2	7.5
YoY Growth													
USD Revenue	13.7	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	43.0	51.8	25.1	20.4
INR Revenue	24.0	24.5	21.4	16.2	13.0	8.7	8.1	34.5	42.8	44.6	53.6	30.2	26.2
Gross profit	27.7	27.3	22.3	17.7	11.1	8.7	16.4	34.3	44.5	44.7	59.0	36.6	25.0
EBIT	19.5	21.9	11.6	(4.6)	7.0	1.4	27.9	33.0	22.5	32.0	48.2	54.6	42.6
Net Profit	24.2	(44.7)	10.4	(9.8)	4.3	94.9	(19.4)	11.5	(9.5)	16.1	56.3	85.9	16.1
QoQ growth													
USD Revenue	1.9	5.05	2.80	2.32	1.40	1.70	1.60	26.77	7.5	3.3	7.8	4.5	3.5
INR Revenue	4.9	5.6	2.4	2.5	2.1	1.5	1.8	27.6	8.4	2.8	8.2	8.1	5.1
EBIT	5.5	12.3	(23.8)	5.7	18.3	6.4	(3.9)	10.0	9.0	14.6	7.9	14.7	0.6
Net Profit	13.5	(49.7)	44.0	9.7	31.3	(6.0)	(40.5)	51.8	6.6	20.6	(19.9)	80.5	(33.4)
Margins													
Gross Margin	33.4	34.1	30.6	32.5	32.8	34.1	33.0	32.4	33.2	34.1	34.1	34.0	32.9
SGA	14.9	14.5	14.7	14.9	15.1	15.1	15.1	15.9	15.4	15.4	15.0	14.3	14.4
EBITDA	17.6	18.8	14.9	15.3	17.3	18.0	17.0	15.8	15.6	16.9	17.5	18.3	17.4
EBIT	14.5	15.5	11.5	11.9	13.8	14.4	13.6	11.7	11.8	13.2	13.1	14.0	13.4
PAT	11.1	5.3	7.4	8.0	10.2	9.5	5.5	6.6	6.5	7.6	5.6	9.4	6.0

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
P and L (Rs mn)													
Revenue	20,558	21,700	22,210	22,762	23,233	23,585	24,008	30,623	33,182	34,099	36,886	39,857	41,881
EBITDA	3,615	4,076	3,316	3,477	4,012	4,251	4,087	4,841	5,190	5,748	6,442	7,282	7,302
PAT	2,282	1,148	1,653	1,813	2,380	2,238	1,332	2,022	2,155	2,598	2,082	3,758	2,502
Vertical Mix (%)													
BFS	31	31	31	32	32	34	32	29	28	30	28	28	26
Insurance	22	22	23	23	22	22	21	19	19	18	16	15	15
Transportation	19	19	19	19	18	18	18	18	18	19	23	23	23
Government (overseas)						8	8	8	7	7	7	7	6
Others	27	28	28	27	28	20	21	26	29	26	27	27	30
Geographical Mix (%)													
Americas	49	48	50	49	47	48	50	55	56	54	57	58	57
EMEA	40	40	39	39	40	40	39	34	34	33	30	29	29
APAC	11	12	12	12	13	12	11	11	10	13	14	13	15
Revenue Mix - IT Business (%)													
Onsite	50	49	49	48	48	48	48	46	47	47	48	48	47
Offshore	51	51	51	52	52	53	52	54	53	53	52	52	53
IT Utilization (%) (including trainees)	80.3	81.5	81.0	80.0	79.4	81.7	81.6	82.2	81.3	82.0	82.1	82.3	81.7
Clients Concentration (%)													
Top 5 Clients	24	23	25	24	23	23	21	19	20	18	21	21	21
Top 10 Clients	36	36	38	35	34	34	33	28	30	28	29	31	31
Number of Client													
Between 1 to 5 million	98	101	102	104	109	112	118	173	176	173	170	164	167
Between 5 to 10 million	23	23	24	23	23	24	25	29	31	35	40	45	42
Above 10 million	21	21	21	23	24	24	23	29	31	31	32	34	36
Revenue by Project type													
Fixed Price Project	50	50	49	49	51	52	50	43	45	46	47	46	47
Time & Material	50	50	51	51	49	49	50	58	55	54	53	54	53
Service Line Mix (%)													
Product Engineering	10	10	9	9	8	8	0	0	0	0	0	0	0
Data & Integration	24	24	24	25	26	25	27	23	22	22	20	21	22
Intelligent Automation	12	11	12	12	11	11	12	9	9	9	8	8	8
CIMS	19	19	20	19	19	19	19	17	19	16	18	17	18
ADM	27	28	26	27	27	27	0	0	0	0	0	0	0
BPM	9	9	10	10	9	9	9	8	8	8	8	8	8
Engineering							32	42	42	45	46	46	44
Employees	22,505	23,224	24,224	24,638	24,607	24,726	26,612	32,483	33,094	33,497	34,187	34,896	35,341
TTM Attrition (%) Ex BPO	15.8	14.1	13.3	13.0	12.1	11.5	11.4	11.7	11.9	10.9	11.3	11.4	10.9
Profit and Loss Statement (in USD mn)													
Revenue	252	264	272	278	282	287	291	369	397	410	442	462	478
EBIT	37	41	31	33	38	41	39	43	46	52	57	64	63
PAT	28	14	20	22	29	27	16	24	26	30	24	43	28
Productivity Metrics													
Per Capita (Annualised)													
Revenue	44,737	45,539	44,881	45,150	45,841	46,397	43,800	45,488	47,997	48,983	51,762	52,969	54,124
EBIT	6,494	7,025	5,144	5,312	6,250	6,633	5,900	5,290	5,614	6,198	6,629	7,303	7,107
PAT	4,955	2,401	3,323	3,560	4,647	4,359	2,402	2,973	3,085	3,583	2,846	4,934	3,179

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth													
Company Growth	1.9	5.0	2.8	2.3	1.4	1.7	1.6	26.8	7.5	3.3	7.8	4.5	3.5
By Geography(%)													
Americas	(2.2)	3.1	5.8	1.7	(4.3)	4.1	6.3	40.0	9.3	(0.8)	13.7	6.7	1.5
EMEA	6.7	3.2	0.2	2.8	4.5	2.0	(1.9)	10.7	8.8	0.6	(3.5)	1.3	2.1
APAC	4.9	21.1	(0.6)	3.2	15.2	(7.4)	(5.1)	23.4	(5.1)	36.0	12.9	2.1	15.2
By Industry (%)													
BFS	0.0	4.7	3.1	4.0	3.3	6.4	(4.1)	17.2	0.6	13.4	(1.1)	4.1	(2.5)
Insurance	(2.9)	5.5	4.7	2.3	(1.3)	(0.1)	0.7	13.1	5.8	0.0	(8.1)	1.8	1.4
Transportation	1.9	2.3	1.2	2.3	(2.4)	0.6	4.5	26.8	7.5	7.3	31.4	6.3	1.7
Government (overseas)							4.3	23.5	(2.4)	9.3	6.4	0.1	(5.5)
Others	8.3	7.3	2.1	0.5	4.4	(29.4)	9.4	56.3	19.1	(8.2)	12.9	5.6	15.0
By Practice Split (%) - Reinstated													
Product Engineering	(3.9)	0.8	1.7	(3.1)	(11.1)	1.7							
Data & Integration	5.5	3.7	4.5	4.4	6.4	(0.3)	10.5	7.3	3.8	1.9	(0.4)	8.5	8.4
Intelligent Automation	(4.5)	(1.2)	6.5	7.7	(5.3)	0.8	6.1	(1.4)	5.1	1.0	4.1	(3.0)	3.5
CIMS	8.4	7.3	8.2	(5.4)	3.6	2.8	2.1	13.6	19.4	(12.4)	19.2	(0.2)	7.1
ADM	5.5	9.0	(5.0)	6.3	3.3	2.5							
BPM	(10.8)	3.9	8.5	2.3	(1.8)	3.9	1.6	9.2	0.9	4.7	5.0	8.6	4.8
Engineering							(7.1)	67.4	6.2	11.9	9.0	4.9	(0.3)
Revenues from Top Clients													
Top 5	5.5	1.1	12.2	(4.2)	(2.0)	3.0	(7.2)	12.9	13.8	(6.1)	24.0	6.0	3.5
Top 10	3.4	2.7	9.2	(4.5)	(1.2)	2.0	(2.8)	8.7	14.4	(4.6)	14.1	9.8	3.1
Onsite:Offshore Mix													
Onsite	0.5	4.6	2.2	0.2	1.0	1.1	2.7	22.0	9.1	2.6	10.4	4.5	2.4
Offshore	3.4	5.5	3.4	4.3	1.8	2.3	0.6	31.2	6.1	3.9	5.6	4.5	4.5
YoY Growth													
Company Growth	13.7	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	43.0	51.8	25.1	20.4
By Geography(%)													
Americas	4.9	10.1	10.3	8.5	6.1	7.1	7.6	48.2	69.2	61.3	72.5	31.5	22.1
EMEA	35.9	13.2	19.1	13.5	11.2	9.8	7.5	15.7	20.4	18.8	16.9	7.0	0.4
APAC	(8.2)	33.7	12.0	30.3	43.0	9.4	4.5	25.0	3.0	51.2	79.8	48.8	80.6
By Industry (%)													
BFS	24.5	27.3	20.0	12.3	16.0	17.9	9.6	23.6	20.3	28.2	32.2	17.4	13.9
Insurance	(9.7)	(1.7)	11.4	9.7	11.5	5.5	1.5	12.3	20.3	20.5	10.0	(1.1)	(5.2)
Transportation	19.9	6.4	8.6	8.0	3.3	1.5	4.9	30.0	43.2	52.8	92.1	61.0	52.4
Government (overseas)							NA	NA	NA	37.4	40.1	13.6	10.0
Others	22.6	20.2	13.1	19.2	14.9	(24.5)	(19.0)	26.0	43.8	87.0	93.0	30.4	25.9
By Practice Split (%) - Reinstated													
Product Engineering	4.2	1.0	1.9	(4.5)	(11.7)	(10.9)							
Data & Integration	32.5	22.0	17.3	19.5	20.5	15.8	22.4	25.8	22.7	25.4	13.0	14.3	19.3
Intelligent Automation	(4.2)	(0.6)	3.9	8.2	7.3	9.4	9.1	(0.1)	10.9	11.1	9.0	7.2	5.5
CIMS	13.7	20.1	25.1	19.1	13.8	9.0	2.9	23.5	42.3	21.3	41.5	24.4	11.6
ADM	22.9	24.6	20.5	16.1	13.7	6.9							
BPM	(9.3)	(8.6)	(2.5)	2.9	13.3	13.3	6.1	13.3	16.3	17.2	21.1	20.5	25.2
Engineering							(1.7)	58.6	69.1	85.0	117.1	36.0	27.6
Revenues from Top Clients													
Top 5	7.8	13.3	24.8	14.6	6.4	8.5	(10.3)	5.7	22.8	11.9	49.6	40.5	27.7
Top 10	14.3	15.4	20.9	10.7	5.9	5.1	(6.4)	6.4	23.2	15.2	35.2	36.6	23.2
Onsite:Offshore Mix													
Onsite	4.2	5.8	7.3	7.7	8.2	4.5	5.0	27.8	38.2	40.3	50.9	29.2	21.2
Offshore	24.8	22.7	21.0	17.6	15.8	12.3	9.3	37.4	43.2	45.5	52.7	21.6	19.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	91,790	121,912	163,221	240,175	300,650
EBITDA	14,960	18,332	29,471	43,746	54,683
Depreciation	3,186	4,580	6,838	10,207	10,523
EBIT	11,774	13,752	22,633	33,538	44,160
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(1,156)	(1,072)	(702)	(610)	(1,152)
Exceptional items	165	132	2,182	0	0
EBT	10,453	12,548	19,749	32,928	43,008
Income taxes	2,093	3,201	4,904	7,818	10,322
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	276	1,240	1,816	1,860	1,860
Reported net profit	8,084	8,107	13,029	23,250	30,826
Adjustments	0	0	0	0	0
Adjusted net profit	8,084	8,107	13,029	23,250	30,826

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	31,218	46,677	56,685
Provisions	1,304	1,743	3,989	3,989	3,989
Debt funds	4,153	3,502	6,390	45,090	24,290
Other liabilities	4,039	28,070	35,234	36,967	37,964
Equity capital	618	669	670	855	855
Reserves & surplus	35,648	63,123	72,220	251,501	265,231
Shareholders' fund	36,266	63,792	72,890	252,356	266,086
Total liab. and equities	61,077	124,907	149,721	385,078	389,014
Cash and cash eq.	3,352	8,832	20,001	23,020	11,206
Accounts receivables	18,039	25,771	31,148	46,572	56,558
Inventories	0	0	0	0	0
Other current assets	4,634	11,555	13,370	19,991	24,277
Investments	0	1,457	0	0	0
Net fixed assets	4,470	7,682	12,304	21,672	23,149
CWIP	232	24	174	174	174
Intangible assets	16,133	49,726	53,751	254,676	254,676
Deferred tax assets, net	5,583	5,470	6,314	6,314	6,314
Other assets	8,634	14,390	12,659	12,659	12,659
Total assets	61,077	124,907	149,721	385,078	389,014

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	7,333	11,968	21,590	28,731	38,945
Capital expenditures	(3,783)	(41,804)	(15,495)	(220,500)	(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)	(16,952)	(220,500)	(12,000)
Equities issued/Others	0	22,400	0	170,326	0
Debt raised/repaid	380	(651)	2,888	38,700	(20,800)
Interest expenses	0	0	0	0	0
Dividends paid	(4,673)	(5,019)	(6,682)	(14,208)	(17,096)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,293)	16,730	(3,794)	194,818	(37,896)
Chg in cash & cash eq.	(2,435)	5,480	11,169	3,020	(11,814)
Closing cash & cash eq.	3,352	8,832	20,001	23,020	11,206

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.3	24.5	40.1	57.6	72.1
Adjusted EPS	26.3	24.5	40.1	57.6	72.1
Dividend per share	15.2	15.2	20.0	35.0	40.0
Book value per share	117.3	190.5	218.2	590.4	622.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	6.0	4.5	3.4	2.3	1.8
EV/EBITDA	36.5	29.9	18.8	12.4	9.7
Adjusted P/E	62.3	66.9	40.8	28.4	22.7
P/BV	13.9	8.6	7.5	2.8	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.3	63.9	59.4	70.6	71.7
Interest burden (PBT/EBIT)	88.1	83.0	96.7	98.2	97.4
EBIT margin (EBIT/Revenue)	12.9	12.5	13.9	14.0	14.7
Asset turnover (Rev./Avg TA)	215.5	170.7	151.4	105.1	89.6
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.6	1.4	1.3
Adjusted ROAE	24.1	16.2	19.1	14.3	11.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.5	32.8	33.9	47.1	25.2
EBITDA	6.5	22.5	60.8	48.4	25.0
Adjusted EPS	15.5	(6.9)	64.1	43.5	25.2
Profitability & Return ratios (%)					
EBITDA margin	16.3	15.0	18.1	18.2	18.2
EBIT margin	12.8	11.3	13.9	14.0	14.7
Adjusted profit margin	8.8	6.6	8.0	9.7	10.3
Adjusted ROAE	24.1	16.2	19.1	14.3	11.9
ROCE	22.3	16.0	16.3	11.2	10.0

Working capital days (days)

Receivables	72	77	70	71	69
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	20.5	15.9	13.3	11.1	13.0
Current ratio	1.7	1.7	2.1	1.9	1.6
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	(0.1)	(0.2)	0.1	0.0

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

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Brand Name: **BOBCAPS**

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

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BUY – Expected return >+15%

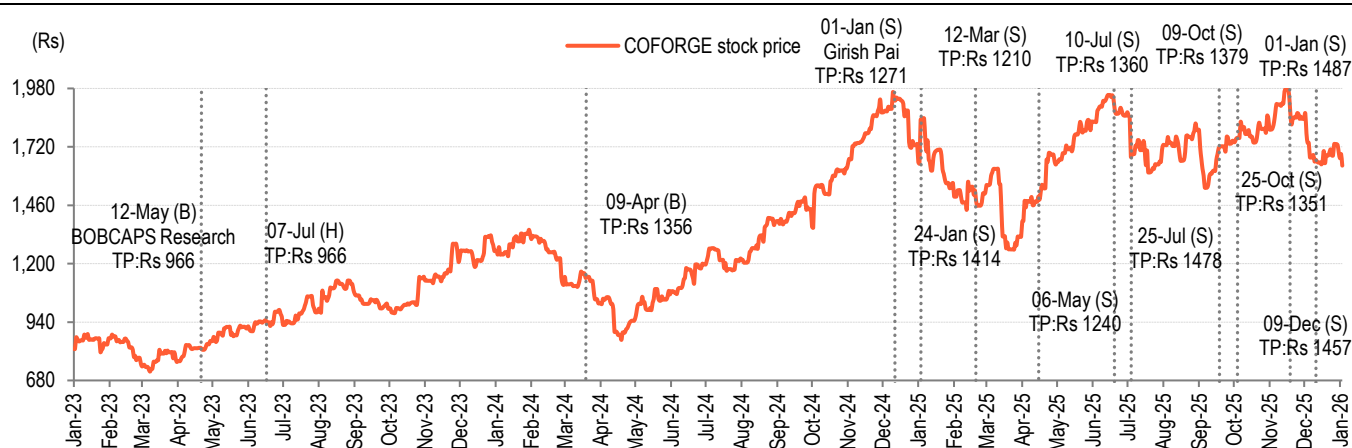
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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



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

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