

In-line Performance; Strong Revenue Visibility

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; EBIT Margin – **MISS**; PAT – **MISS**

Recommendation Rationale

- **Macro-economic outlook:** Overall macro environment remains volatile, particularly due to tariff-related discussions. Meanwhile, discretionary spending on AI initiatives continues to be weak, supporting large deals aimed at enterprise budget changes.
- **Deal wins/pipeline:** In Q4FY25, the company secured a landmark \$1.6 Bn deal - a 13-year engineering services agreement with Sabre. This deal is expected to continue a sequential ramp-up in subsequent quarters.
- **AI Implementation:** The company launched over 100 foundational agents addressing industry pain points in travel, financial services, and healthcare. The company strengthened its partnerships with ServiceNow (Dispute Accelerate, recognised as a leader in Nelson Hall's NEAT report), Zscaler (Secure Access 360 on Microsoft Azure), and Snowflake (data insights retrieval AI system on Snowflake Cortex).

Sector Outlook: **Positive**

Company Outlook & Guidance: The company's strong executable order book and client spending across verticals augur well for its business. With a strong deal pipeline across business verticals, new partnerships, and higher adoption for new-age technologies, management remains confident towards the coming quarters of FY26 and FY27.

Current Valuation: 32x FY27E P/E

Current TP: Rs 1870/share

Recommendation: Given the company's strong growth potential, backed by robust deal wins and superior execution capabilities, **we resume our coverage with a BUY rating on the stock.**

Financial performance

In Q1FY26, Coforge reported revenue of Rs 3,689 Cr vs Rs 2,401 Cr in Q1FY25, registering a growth of 54% YoY and 8.2% QoQ. In CC terms, revenue grew 51% YoY and 8% QoQ. EBIT stood at Rs 418 Cr vs Rs 212 Cr in Q1FY25, up 97.3% YoY and 4% QoQ, driven by strong topline growth. EBIT margin stood at 11.3% (incl ESOP cost) and 13.2% (excl ESOP cost). Net income came in at Rs 286 Cr vs Rs 139 Cr in Q1FY25, reflecting a growth of 105% YoY. It, however, declined 6.4% QoQ, led by an exceptional loss of Rs 25 Cr related to legal expenses of cybersecurity issues. However, attrition rose by 200 bps YoY to 13.9% from 11.9% in Q1FY25. Total order intake for the quarter exceeded \$507 Mn. Moreover, five large deals were signed during the quarter. The board recommended an interim dividend of Rs 4/share.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	3,689	8.2	53.6	3,586	2.9
EBIT	418	4.03	97.3	458	(8.7)
EBIT Margin	11.3	-45bps	250bps	12.8	(11.3)
Net Profit	286	(6.4)	105.5	346	(17.4)
EPS (Rs)	8.6	(6.9)	104.4	10.4	(17.3)

Source: Company, Axis Research

(CMP as of 24th July, 2025)

CMP (Rs)	1,676
Upside /Downside (%)	12%
High/Low (Rs)	2,005/1,120
Market cap (Cr)	56,033
Avg. daily vol. (6m)Shrs.	9,87,410
No. of shares (Cr)	34

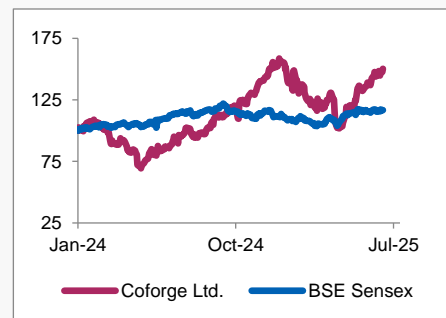
Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	0.0	0.0	0.0
FII's	42.6	40.2	37.4
MFs/UTI	35.8	36.9	37.9
Banks/FIs	0.0	0.0	0.0
Others	21.7	22.9	24.7

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	12,191	15,393	18,569
EBIT	1,217	1,958	2,522
Net Profit	935	1,471	1,937
EPS (Rs)	140	45	58
PER (x)	13.3	42.1	32.0
P/BV (x)	1.9	7.9	6.3
EV/EBITDA (x)	6.9	25.3	19.6
ROE (%)	18.7	20.7	22.0

Relative Performance



Source: AceEquity, Axis Securities

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Valuation & Recommendation

The company maintains a positive outlook, expecting recent deal wins to drive revenue growth. Management remains committed to setting new performance and capability benchmarks, aiming to be a leader in the evolving industry, especially with the pivot towards AI. Therefore, we resume our coverage with a **BUY rating on the stock** and assign a 32x P/E multiple to its FY27E earnings to arrive at a TP of Rs 1870/share, implying an upside of 12% from the CMP.

Outlook

From a long-term perspective, Coforge is well-positioned for growth, given its multiple long-term contracts with leading global brands. Improved revenue visibility instils confidence in the company's business growth moving forward.

Key highlights

- Coforge reported a sequential revenue growth of 9.6% in US dollar terms and 8.2%/8% in Q1FY26 in Indian rupee/CC terms, respectively. The growth was primarily driven by the TTH travel vertical, which grew by 32.3% QoQ in dollar terms and other emerging verticals, which include healthcare, retail, and high-tech.
- The EBIT margin for the quarter stood at 13.2% (excluding ESOPs), which remained flat QoQ. It was primarily due to higher amortisation of intangibles from recent acquisitions, increased depreciation from the AI-powered data centre deal, increased subcontractor expenses, ramp-up in the largest deal, and increased Q1 visa costs.
- In USD terms, the TTH travel vertical grew by 32.3% QoQ; other emerging verticals, which include Healthcare, Retail and High-tech, grew by 12.7% QoQ; Government, outside India, grew by 6.8% QoQ; Insurance grew by 1.1% QoQ and the BFS vertical saw a marginal decline of 1.1% QoQ.
- The total order intake during the quarter stood at \$507 Mn. Also, the company has signed five large deals during the quarter. The executable order book for the next 12 months will be \$1.6 Bn, up 46.9% YoY, which indicates strong revenue visibility. Coforge aims to close at least 20 large deals in FY26.
- Top 5 clients grew by 25.1% QoQ and 50.8% YoY, which contributed 20.8% to Q1FY26 revenue and top 10 clients grew by 15.7% QoQ and 36.8% YoY, and they contributed 29.4% in Q1FY26 revenue.
- Headcount at the end of the quarter was 34,187 with a net addition of 1,164 employees. Attrition for the last 12 months stood at similar levels of 11.3% vs 11.4% in Q1FY25.
- The SABRE deal is expected to continue a sequential ramp-up in Q2FY26, with headcount stabilising from Q3 onwards
- Q1FY26, Capex was \$65 Mn, with \$58 Mn allocated to an AI data centre project. Over the last two quarters, ~\$85 Mn was invested in this data centre, with \$62 Mn received as client advance and \$23 Mn funded by a term loan at 3.5% interest. The Capex is expected to taper down to original levels (2-3% of revenue) in FY26.
- The management is committed to achieving its ninth consecutive year of robust growth, despite prevailing macro uncertainties. The company aims to deliver 14% EBIT growth in FY26. Moreover, it aims to maintain an OCF (Operating Cash Flow) to EBITDA ratio of 65% to 70% to cover increased working capital requirements for growth.

Key Risks to our Estimates and TP

- The demand environment is uncertain because of the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.

Results Review
(Rs Cr)

Y/E March	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Net sales	3,689	3,410	8.2	2,401	53.6
Total Expenditure	3,112	2,883	7.9	2,108	47.6
EBITDA	577	527	9.5	293	96.7
<i>EBITDA margin (%)</i>	<i>15.6</i>	<i>15.5</i>	<i>19bps</i>	<i>12.2</i>	<i>343bps</i>
Depreciation	159	125	27.0	82	95.3
EBIT	418	402	4.0	211.8	97.3
<i>EBIT margin (%)</i>	<i>11.3</i>	<i>11.8</i>	<i>-45bps</i>	<i>8.8</i>	<i>250bps</i>
Interest cost	46	40	16.4	33	42.2
Other income	19	31	(40.8)	25.4	(26.8)
Exceptional item	(25)	0	NA	0	NA
PBT	365	393	(7.1)	205	78.5
Tax	79	87	(9.4)	65	21.1
Profit after tax	286	306	(6.4)	139	105.5
Reported EPS	8.6	9.2	(6.9)	4.2	104.4
Adj. PAT	311	306	1.7	139	123.3
Adj. EPS	9.3	9.2	1.2	4.2	122

Source: Company, Axis Securities

Financials (Consolidated)
Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	8,014	9,179	12,191	15,393	18,569
Change (YoY,%)	25	15	33	26	21
Operating expenses	4,827	5,507	7,316	9,179	11,048
EBITDA	1,851	2,235	3,190	3,851	4,589
Change (YoY, %)	15.3	12.4	17.3	39.9	24.5
Margin (%)	15.8	15.6	13.7	15.2	15.7
Depreciation	249	319	458	385	394
EBIT	1,022	1,109	1,217	1,958	2,522
Interest paid	81	126	135	154	142
Other income	-	-	-	-	-
Pre-tax profit	951	1,045	1,255	1,939	2,566
Tax	206	209	320	443	629
Effective tax rate (%)	22	20	26	23	25
Net profit	745	836	935	1,471	1,937
Exceptional items	(52)	12	-	(25)	-
Adjusted net profit	693	847	935	1,496	1,937
Change(YoY, %)	(3.1)	22.3	10.3	60.1	29.5
Adj.EPS	119	128	140	45	58
Dividend per share	28	33	35	11	14
Dividend Payout (%)	25	25	25	25	25

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	61	62	67	67	67
Reserves & surplus	3,021	3,565	6,312	7,783	9,720
Shareholders funds	3,083	3,627	6,379	7,850	9,787
Total Debt	338	437	701	1	1
Other liabilities	436	509	1,375	2,431	2,686
Current Liabilities & prov.	1,739	1,532	2,780	2,001	2,197
Current liabilities	1,739	1,435	2,086	2,001	2,197
Provisions	0	0	0	0	0
Total liabilities	2,514	2,381	4,162	4,432	4,884
Total equity & liabilities	5,683	6,108	12,491	14,232	16,621
Net fixed assets	446	447	768	483	189
Investments	0	0	0	0	0
Other non-current assets	2,632	3,058	6,961	6,961	6,961
Current assets	2,606	2,603	4,762	6,788	9,472
Inventories	0	0	0	0	0
Sundry Debtors	1,613	1,804	2,577	3,292	3,972
Cash & Liquid	579	335	883	2,784	4,815
Other Current Assets	415	463	1,301	712	685
Total assets	5,683	6,108	12,491	14,232	16,621

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	745	836	935	1,496	1,937
Depreciation	249	319	458	385	394
Change in working capital	300	(447)	(363)	(905)	(456)
Other operating activities	71	64	(38)	19	(44)
Cash flow from operations (a)	1,364	771	992	995	1,832
Capital expenditure	9	(55)	(551)	(100)	(100)
Change in investments	(343)	(427)	(3,903)	-	-
Other investing activities	62	50	173	136	186
Cash flow from investing (b)	(273)	(431)	(4,281)	36	86
Equity raised/(repaid)	0	1	5	-	-
Debt raised/(repaid)	(170)	75	532	1,049	256
Dividend (incl. tax)	(186)	(209)	(234)	(368)	(484)
Change in minorities	(11)	13	1,850	-	-
Other financing activities	(338)	(391)	(364)	(154)	(142)
Cash flow from financing (c)	(966)	(583)	3,836	870	114
Net change in cash (a+b+c)	125	(244)	548	1,901	2,031
Opening cash balance	454	579	335	883	2,784
Closing cash balance	579	335	883	2,784	4,815

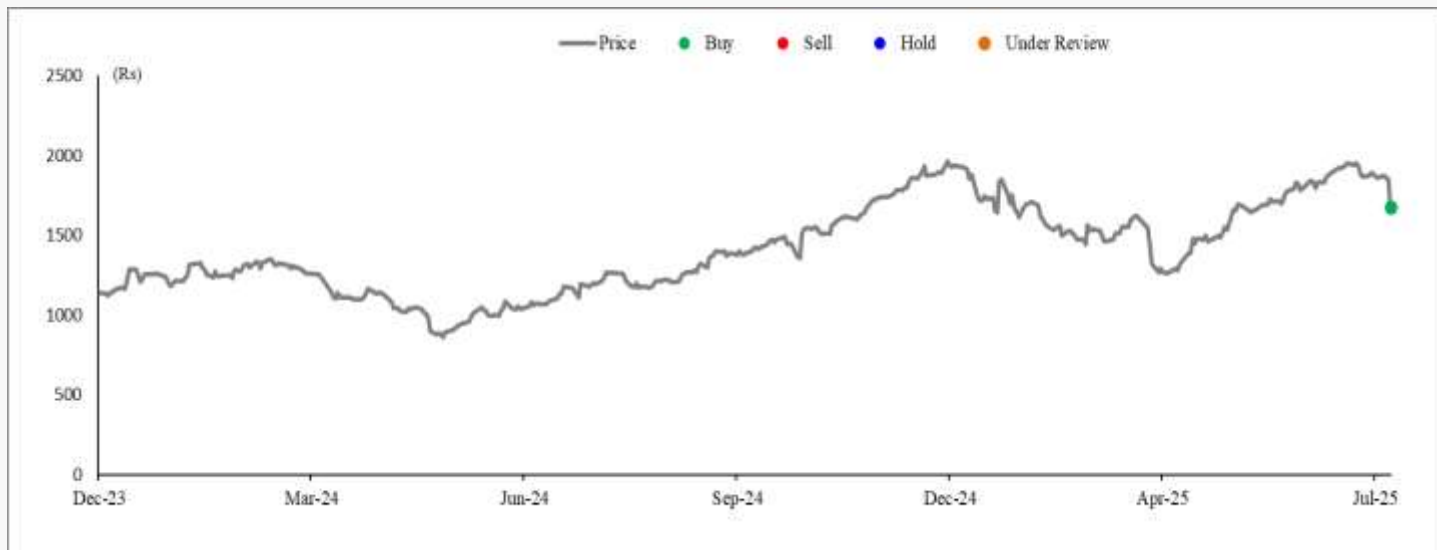
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	461	562	955	235	293
Adj EPS (Rs)	119	128	140	45	58
Adj EPS growth (%)	17	17	17	16	16
EBITDA margin (%)	16	16	14	15	16
Pre-tax margin (%)	12	11	10	13	14
Debt/Equity (x)	0	0	0	0	0
ROCE (%)	21	22	14	15	15
ROE (%)	26	25	19	21	22
Financial leverage ratios					
Debt / Equity (x)	0.1	0.1	0.0	0.0	0.0
Interest Coverage (x)	15.8	11.4	12.4	15.2	20.5
Interest / Debt (%)	0.2	0.4	0.8	0.7	0.7
Working Capital & Liquidity Ratio					
Inventory days	0	0	5	4	3
Receivable days	73	72	77	78	78
Payable days	35	38	38	38	38
Valuation ratio					
PER (x)	16.6	14.3	13.3	41.4	32.0
Adjusted PER (x)	15.5	14.5	13.3	41.4	32.0
P/BV (x)	4.0	3.3	1.9	7.9	6.3
EV/EBITDA (x)	9.4	8.3	6.9	25.3	19.6
Market Cap. / Sales (x)	1.5	1.3	1.0	4.0	3.3

Source: Company, Axis Securities

Coforge Price Chart and Recommendation History



Date	Reco	TP	Research
24-Jul-25	BUY	1,870	Result Update

Source: Axis Securities Research

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