

FY25 AR Analysis – Dissecting concerns

Investors' recent debate on Coforge has revolved around its financials, especially asset-heavy deals and weaker cash flows. We delved deeper into Coforge's FY25 annual report (AR) to look for numerical evidence, if any. Our analysis suggests that these concerns, though not completely unsubstantiated, are a bit overstated. For example, contract cost – cost associated with obtaining and fulfilling a contract – went up 82% YoY. But when seen in the context of deal wins, incremental contract cost as % of TCV was flat YoY (Exhibit 2). Similarly, growth in contract assets (+35% YoY) should be seen as an addition to receivable days. In that context, Coforge's total receivable days (Receivables + Unbilled + Contract asset days) are similar to peers (Exhibit 6). Further, Coforge's FY25 capex was up substantially by 114%. But c.56% of incremental gross block addition was spent toward the AI data centre, which the company has said was deal specific and non-recurring. Adjusted for this, Coforge's FCF/PAT was 97% vs. 69-108% for peers (Exhibit 9). Subsidiary financials reveal 16% USD revenue CAGR over FY22-25 for SLK, a mortgage BPO company acquired by Coforge in FY22. That bodes well for Coforge-Cigniti cross-sell synergies. 3x increase in Remaining Performance Obligation to be recognised over the next 12 months improves revenue visibility. On the flip side, consistent losses in India unit and 20% employee turnover (versus reported attrition of 11%) are concerning. Overall though, the FY25 AR should assuage the most pressing concerns on the company. At 32x FY27E EPS, the stock trades at sub-1x PEG. BUY.

- **Contract costs – only optically high:** Coforge's contract cost, that is, incremental cost to obtain or fulfill contracts, increased 82% YoY. Within this, cost to obtain the contract was up 2.5x to INR 5.4bn while that to fulfil the contract was broadly stable (Exhibit 2). As contract cost is a period-end figure, we estimated the flow during the year after adjusting amortisation of period beginning cost (Exhibit 2). We then compared this incremental contract cost with total contract value (TCV) won during the year. Despite the optical spike, incremental contract cost as % of TCV in FY25 was 1.6%, flat YoY. This should assuage concerns around increase in upfront payment to obtain contracts.
- **Contract assets – not ideal but within bound:** Contract assets are unbilled revenues where right to consideration is not unconditional. Coforge's FY25 contract assets grew 31% YoY, in-line with revenues. Still, given the riskier nature, we looked at two factors to assess if Coforge's revenue recognition practice is prudent or not. One, contract assets as a % of overall revenues is merely 2%, which is not material. Two, impairment as % of period-beginning contract assets – a proxy for aggressive recognition – actually declined sharply YoY to 3% (Exhibit 5). Importantly, Coforge's total receivable days (billed + unbilled + contract asset days) are similar to its peers (Exhibit 5).
- **Capex – one-off led spike:** Coforge's capex increased 114% YoY in FY25, raising concerns. However, 56% of gross block addition was towards AI data centre which is, per the company, non-recurring. Excluding this, capex remains at normalised levels. OCF/EBITDA at 73% and FCF/PAT at 71%, broadly in line with mid-cap peers. In fact, adjusting for the DC capex, FCF/PAT stands at 97%. Normalisation of capex will be a plus.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	92,060	1,21,702	1,60,307	1,83,969	2,11,477
Sales Growth (%)	14.5	32.2	31.7	14.8	15.0
EBITDA	15,343	20,014	29,037	34,218	39,796
EBITDA Margin (%)	16.7	16.4	18.1	18.6	18.8
Adjusted Net Profit	8,602	9,242	13,495	18,451	21,722
Diluted EPS (INR)	26.3	27.4	40.0	52.2	61.4
Diluted EPS Growth (%)	-4.7	4.3	46.1	30.3	17.7
ROIC (%)	29.3	19.6	18.7	20.1	22.1
ROE (%)	25.6	18.5	19.9	23.8	24.3
P/E (x)	65.9	63.2	43.3	33.2	28.2
P/B (x)	14.7	9.1	8.0	7.3	6.3
EV/EBITDA (x)	37.7	29.9	20.6	17.4	14.8
Dividend Yield (%)	3.5	4.4	1.1	1.3	1.5

Source: Company data, JM Financial. Note: Valuations as of 03/Sep/2025

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,200
Upside/(Downside)	27.0%
Previous Price Target	2,200
Change	0.0%

Key Data – COFORGE IN

Current Market Price	INR1,732
Market cap (bn)	INR579.3/US\$6.6
Free Float	92%
Shares in issue (mn)	333.5
Diluted share (mn)	337.2
3-mon avg daily val (mn)	INR3,493.6/US\$39.7
52-week range	2,005/1,191
Sensex/Nifty	80,568/24,715
INR/US\$	88.1

Price Performance

%	1M	6M	12M
Absolute	1.5	17.7	35.1
Relative*	2.1	6.6	38.1

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this
report for Important Disclosures and

Coforge: FY25 Annual Report Analysis

What is contract cost?

Exhibit 1. Definition of contract costs and accounting treatment for contract costs

Company	Definition	Accounting
Contract costs		
Coforge	Incremental costs of obtaining a contract and costs incurred in fulfilling a contract with customer are recognised as contract costs assets	-Contract costs are amortized over the term of the contract on a systematic basis. The Group pays deal bonus to its employees for contract with customers in accordance with Group's policy which is classified as cost to obtain a contract. The deal bonus is amortized over the term of the contract on a systematic basis is included as part of employee benefits expense. - Amortization costs are expensed in other production expense under other expenses (FY25: INR 453mn), employee benefit expenses (FY25: INR 289mn) and through revenue from operations (FY25: INR 539mn)
LTIM	Deferred contract costs consists of: - Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs - Fulfilment cost specifically relating to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered	- The asset so recognized is amortized on a systematic basis consistent with the transfer of goods or services to customer to whom the asset relates.
Mphasis	-Contract fulfilment costs are generally expensed as incurred except for certain costs which meet the criteria for capitalisation. -Contract acquisition costs are generally expensed as incurred except for certain costs which meet the criteria for capitalization, in particular if such costs are expected to be recovered.	-Contract acquisition costs are amortized over the contract term, consistent with the pattern of transfer of goods or services to which the asset relates. -Amortization of contract costs is included in reductions towards variable consideration components and subtracted before arriving at revenue from operations

Source: Company, JM Financial

Exhibit 2. Contract cost when compared to TCV won has been stable for Coforge Historical trend and analysis of contract costs

Particulars - INRmn	FY22	FY23	FY24	FY25
Total contract costs	1,155	1,912	4,034	7,347
Breakup of contract costs				
Current	336	734	922	1,571
Non-current	819	1,178	3,112	5,776
Total	1,155	1,912	4,034	7,347
Cost incurred in obtaining a contract	219	963	2,148	5,381
-As a % of total	19.0%	50.4%	53.2%	73.2%
Cost incurred for fulfilling a contract	936	949	1,886	1,966
-As a % of total	81.0%	49.6%	46.8%	26.8%
Total	1,155	1,912	4,034	7,347
Amortisation of contract costs				
Amortisation of contract costs	202	150	172	453
Amortisation included in Employee benefit expense			71	289
Amortisation included in Revenue from operations			240	539
Total Amortisation of contract costs	202	150	483	1,281
Incremental capitalization of contract costs				
Contract cost- Beginning	107	1,155	1,912	4,034
Amortisation	202	150	483	1,281
Incremental contract cost	1,250	907	2,605	4,594
Contract cost - Ending	1,155	1,912	4,034	7,347
Comparison with TCV won				
TCV Fresh order book - USDmn	1,154	1,265	1,973	3,456
TCV- Fresh order book- INRmn	85,687	101,295	162,362	288,796
Incremental contract costs as a % of TCV	1.5%	0.9%	1.6%	1.6%

Note: Note: Contract fulfilment costs and contract acquisition costs for Mphasis. Deferred contract costs for LTIM. Source: Company, JM Financial

Contract costs for Coforge have grown 82% YoY in FY25. However as a % of TCV won, it is stable. This can be observed from our calculation of incremental contract costs as a % of TCV.

Exhibit 3. Contract costs comparison with peers

Particulars	FY22	FY23	FY24	FY25
Total contract costs				
Coforge	1,155	1,912	4,034	7,347
Mphasis	734	1,062	799	1,072
LTIM	885	560	829	1,234
Amortisation of contract costs				
Coforge	202	150	483	1,281
Mphasis*	289	299	310	312
LTIM*	1,029	723	695	1,032
Incremental contract cost				
Coforge	1,250	907	2,294	3,766
Mphasis	23	628	47	584
LTIM	742	398	964	1,437
Incremental contract cost as a % of TCV				
Coforge	1.5%	0.9%	1.4%	1.3%
Mphasis^	0.0%	0.6%	0.0%	0.5%
LTIM		0.1%	0.2%	0.3%

Note: *Amortisation is estimated for Mphasis and LTIM. Three year straight line amortisation is used for Mphasis and 1 year straight line amortisation is used for LTIM. Contract costs for LTIM comprises mostly of fulfilment cost which is assumed to be amortised in one year.

^New TCV wins considered for Mphasis to calculate incremental contract costs as % of TCV. Source: Company, JM Financial

What are contract assets and liabilities?**Exhibit 4. Definition of contract assets and contract liabilities**

	Contract assets	Contract Liabilities
Coforge	Revenues in excess of invoicing are treated as contract assets. The Company classifies amounts due from customer as receivable or contract assets depending on whether the right to consideration is unconditional. If only the passage of time is required before payment of the consideration is due, the amount is classified as receivable. Otherwise, such amounts are classified as contract assets.	Invoicing in excess of revenues are treated as contract liabilities
Mphasis	Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.	Unearned and deferred revenue ("contract liability") is recognised when there are billings in excess of revenues.
Persistent	Contract assets are recognised when there are excess of revenues earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms	Unearned and deferred revenue ("contract liability") is recognised when there are billings in excess of revenues.
LTIM	Unbilled revenues' (contract asset) represent revenue earned in excess of billings as at the end of the reporting year.	Unearned & deferred revenue' (contract liabilities) represent billing in excess of revenue recognized.

Source: Company, JM Financial

Exhibit 5. Coforge's total receivable days including contract asset days is similar to peers

Details of contract assets – INR mn

Particulars - INR mn	FY21	FY22	FY23	FY24	FY25
Coforge					
Contract assets	717	1,282	1,613	1,894	2,485
Less: impairment for contract assets	88	98	101	103	59
Total contract assets	629	1,184	1,512	1,791	2,426
Contract asset days	5	5	6	7	6
Billed days	70	57	56	56	53
unbilled days	23	22	20	20	22
Total receivable days	98	84	82	82	81
LTIM					
Contract assets	5,335	10,402	13,353	9,368	7,183
Contract asset days	14	11	13	12	8
Billed receivable days	65	46	56	58	56
unbilled receivable days	15	12	15	15	15
Total receivable days	94	69	84	85	79
Mphasis					
Contract assets	604	1,686	1,899	143	872
Contract asset days	2	4	5	3	1
Billed receivable days	36	29	29	37	37
unbilled receivable days	35	34	35	36	38
Total receivable days	73	66	69	76	77
Persistent					
Unbilled days	18	17	17	21	24
Billed days	51	49	56	62	56
Total receivable days	69	66	73	83	80

Note: Note: Unbilled revenue dependent on completion of contractual milestones considered as contract assets for LTIM. Source: Company, JM Financial

Exhibit 6. Coforge's contract liabilities as a % of TCV is similar to that of peers

Details of contract liabilities – INR mn

Particulars - INR mn	FY21	FY22	FY23	FY24	FY25
Total contract liabilities					
Coforge	515	589	655	785	3,303
LTIM	1,697	3,057	3,273	4,368	5,624
Mphasis	1,148	1,159	1,093	1,701	1,165
Persistent	966	978	1,079	1,935	2,777
Contract liabilities as a % of revenue					
Coforge	1.1%	0.9%	0.8%	0.9%	2.7%
LTIM	1.4%	1.2%	1.0%	1.2%	1.5%
Mphasis	1.2%	1.0%	0.8%	1.3%	0.8%
Persistent	2.3%	1.7%	1.3%	2.0%	2.3%
Contract liabilities as a % of TCV					
Coforge	0.9%	0.7%	0.6%	0.5%	1.1%
LTIM			0.8%	0.9%	1.1%
Mphasis	1.4%	1.1%	1.1%	1.5%	1.1%
Persistent		1.1%	0.8%	1.3%	1.6%

Source: Company, JM Financial

Contract assets, we believe, should be looked at as another form of receivables. Contract assets add c.6 days to the receivables cycle of Coforge; for comparison, it adds c.8 days for LTIM and 1.3 days for Mphasis.

Capex and cash flow analysis

Exhibit 7. Coforge invested INR 2.5bn towards data centre in FY25; this impacted FCF
Capex analysis and Capex breakup

Particulars - INRmn	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Capex from cash flow statement	676	703	757	1,475	1,537	2,598	5,572
Capex - ex of Data Centre investment	676	703	757	1,475	1,537	2,598	3,024

FCF/PAT	91.2%	48.5%	147.3%	86.5%	106.9%	75.8%	70.6%
FCF/PAT – Adjusted for Data Centre investment	91.2%	48.5%	147.3%	86.5%	106.9%	75.8%	97.0%

Capex per incremental employee							
Number of employees	10,263	11,156	12,391	22,500	23,224	24,726	33,497
Employee addition	840	893	1,235	10,109	724	1,502	8,771
Capex per incremental employee - INRmn	0.8	0.8	0.6	0.1	2.1	1.7	0.6

Breakup of capex							
Additions to gross carrying capacity - INRmn							
Freehold land	0	0	0	0	15	0	0
Leasehold land	0	0	0	0	0	0	0
Buildings	1	0	0	1	44	0	0
Plant and machinery	0	0	0	0	0	0	0
-Computers and peripherals	184	277	406	800	355	379	815
-Assets for data center	0	0	0	0	0	0	2,548
-Office equipment	23	13	7	21	4	37	14
-Others	29	21	7	23	54	36	168
Furniture and Fixtures	36	53	6	12	31	41	104
Leasehold improvements	29	9	0	22	138	73	489
Vehicles	111	90	95	112	258	433	388
Total	413	463	521	991	899	999	4,526

Additions to gross carrying capacity - as a % of total							
Freehold land	0.0%	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%
Leasehold land	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Buildings	0.2%	0.0%	0.0%	0.1%	4.9%	0.0%	0.0%
Plant and machinery							
-Computers and peripherals	44.6%	59.8%	77.9%	80.7%	39.5%	37.9%	18.0%
-Assets for data center							56.3%
-Office equipment	5.6%	2.8%	1.3%	2.1%	0.4%	3.7%	0.3%
-Others	7.0%	4.5%	1.3%	2.3%	6.0%	3.6%	3.7%
Furniture and Fixtures	8.7%	11.4%	1.2%	1.2%	3.4%	4.1%	2.3%
Leasehold improvements	7.0%	1.9%	0.0%	2.2%	15.4%	7.3%	10.8%
Vehicles	26.9%	19.4%	18.2%	11.3%	28.7%	43.3%	8.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: FCF exclusive of acquisition spend is used in calculating FCF/PAT. Source: Company, JM Financial

Capex increased by c.3bn in FY25 as compared to FY24. A large part of the capex in FY25 went towards data centre assets (INR 2.5bn). Adjusting for data centre assets, capex reduced to INR 3bn from INR 5.5bn and FCF/PAT improved to 97% vs. 70% without adjustment.

Exhibit 8. OCF/EBITDA improved in FY25, FCF/PAT adj. for DC investment improved as well Cash flow statement analysis

cash flow items as a % of revenue	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Profit before tax	13.5%	15.3%	14.2%	12.8%	13.4%	11.9%	11.6%	10.4%
Adjustment for non-cash and non-operating items	3.4%	2.2%	3.6%	6.1%	4.9%	4.8%	5.6%	5.4%
Total working capital adjustments	-0.4%	-1.9%	-6.4%	1.1%	-2.2%	-1.3%	-3.1%	-2.2%
Income taxes paid	-3.7%	-3.2%	-4.3%	-3.6%	-4.1%	-3.5%	-4.1%	-3.3%
Net cash from operating activities	12.8%	12.3%	7.1%	16.3%	11.9%	11.9%	10.0%	10.3%
OCF/EBITDA	76.3%	69.8%	41.0%	97.8%	69.5%	74.2%	62.4%	73.0%
Net capex	-2.9%	-1.8%	-1.7%	-1.6%	-2.3%	-1.9%	-2.9%	-4.6%
Acquisition of subsidiaries	-5.5%	-4.8%	-4.7%	-0.6%	-13.3%	-1.5%	0.0%	-17.3%
FCF	9.8%	10.5%	5.4%	14.7%	9.6%	9.9%	7.1%	5.6%
-FCF/PAT	95.4%	91.2%	48.5%	147.3%	86.5%	106.9%	75.8%	70.6%
FCF-Adjusted for Data centre investments	9.8%	10.5%	5.4%	14.7%	9.6%	9.9%	7.1%	7.8%
-FCF/PAT	95.4%	91.2%	48.5%	147.3%	86.5%	106.9%	75.8%	97.0%

Source: Company, JM Financial

Exhibit 9. Cash flow metrics of Coforge is in line or better than peers Comparison of cash flow metrics with peers

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
OCF/EBITDA								
Coforge	76.3%	69.8%	41.0%	97.8%	69.5%	74.2%	62.4%	73.0%
Mphasis	80.9%	67.2%	81.0%	82.1%	81.0%	60.1%	90.0%	72.0%
LTIM	71.1%	74.1%	81.0%	88.1%	61.9%	50.7%	88.8%	70.0%
Persistent	89.9%	74.5%	65.5%	107.7%	88.2%	62.9%	70.8%	56.2%
FCF (ex-Acq.)/PAT								
Coforge	95.4%	91.2%	48.5%	147.3%	86.5%	106.9%	75.8%	70.6%
Coforge – Adj. *	95.4%	91.2%	48.5%	147.3%	86.5%	106.9%	75.8%	97.0%
Mphasis	81.4%	80.9%	101.0%	109.3%	111.6%	82.5%	134.3%	108.4%
LTIM	67.0%	81.9%	92.2%	110.1%	55.6%	49.7%	106.1%	81.3%
Persistent	110.2%	112.3%	73.0%	135.5%	67.2%	56.9%	86.2%	68.8%

Note: *Adjusted for Data Centre investment. Source: Company, JM Financial

How have subsidiaries performed over time?

Exhibit 10. SLK and Cigniti have performed well post acquisition for Coforge
 Financial performance of acquired subsidiaries

	FY22	FY23	FY24	FY25
SLK group companies*				
Turnover - USDmn	102	115	139	161
Turnover growth YoY (USDmn)		12.2%	20.6%	16.4%
Turnover - INRMn	7,607	9,205	11,407	13,479
Turnover growth YoY (INRMn)		21.0%	23.9%	18.2%
Profit before tax	347	1,738	1,943	2,350
Profit before tax margin	4.6%	18.9%	17.0%	17.4%
Coforge AdvantageGo				
Turnover - USDmn	31	13	21	24
Turnover growth YoY (USDmn)		-58.2%	61.0%	16.5%
Turnover - INRMn	2,314	1,043	1,726	2,042
Turnover growth YoY (INRMn)		-54.9%	65.4%	18.3%
Profit before tax	202	-688	-307	-550
Profit before tax margin	8.7%	-66.0%	-17.8%	-26.9%
Cigniti				
Revenue from operations – USDmn	167	206	221	241
Revenue growth - YoY		23.0%	7.2%	9.3%
Revenue from operations	12,418	16,476	18,150	20,143
Total operating expenses	10,125	14,099	15,933	17,253
EBITDA	2,293	2,377	2,218	2,890
EBITDA margin	18.5%	14.4%	12.2%	14.3%
EBIT	2,131	2,113	1,914	2,548
EBITmargin	17.2%	12.8%	10.5%	12.7%
Profit before exceptional items and tax	1,215	2,216	2,204	3,021
Profit before exceptional items and tax margin	9.8%	13.5%	12.1%	15.0%

Note: Figures obtained from form AOC-1 in Annual report. *SLK group companies' figures include financials of Coforge business process solutions pvt. Ltd (formerly SLK global solutions pvt. Ltd.), Coforge BPS America Inc. (formerly SLK global solutions America Inc.) and Coforge BPS Philippines (formerly SLK global solutions Philippines). Source: Company, JM Financial

SLK acquisition (in the BPO space) has performed well, revenue has grown at a CAGR of 16% (USD) over FY22-25 and margin is robust at c.17%.

Coforge AdvantageGo has not grown over the past 4 years and has remained a loss-making entity. AdvantageGo's business has been discontinued from FY25.

Cigniti grew 9%(USD) in FY25. Under Coforge's ownership, Cigniti saw EBIT margin expand by 220 bps.

Trends in nature of revenue

Exhibit 11. Revenue disaggregation and analysis

Particulars - INR mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Revenue as per contracted price	29,531	37,115	41,659	47,201	64,600	80,999	90,917	122,432
Hedge (loss)/gain	448	-205	235	-31	224	-239	-271	-226
Discount (including volume discount)	-65	-148	-55	-542	-504	-614	-557	-1,699
-Discount as a % of contracted price	-0.2%	-0.4%	-0.1%	-1.1%	-0.8%	-0.8%	-0.6%	-1.4%
Revenue from operations	29,914	36,762	41,839	46,628	64,320	80,146	90,089	120,507
Revenue disaggregation between products and services								
Sale of products	1,327	1,492	459	3,636	2,333	753	113	81
Sale of services	28,564	35,270	41,380	42,992	61,987	79,393	89,976	120,426
Total	29,891	36,762	41,839	46,628	64,320	80,146	90,089	120,507
As a % of total								
Sale of products - %	4.4%	4.1%	1.1%	7.8%	3.6%	0.9%	0.1%	0.1%
Sale of services - %	95.6%	95.9%	98.9%	92.2%	96.4%	99.1%	99.9%	99.9%
Revenue disaggregation by vertical								
Banking and financial services	5,081	5,928	6,754	8,135	16,420	24,619	29,557	36,213
Insurance	7,772	10,532	12,694	15,135	18,187	18,152	18,676	21,514
Travel, transportation and hospitality	8,071	9,886	11,666	8,989	12,220	15,326	16,522	22,425
All others	8,967	10,416	10,725	14,369	17,493	22,049	25,334	40,355
Total	29,891	36,762	41,839	46,628	64,320	80,146	90,089	120,507
As a % of total								
BFSI - %	17.0%	16.1%	16.1%	17.4%	25.5%	30.7%	32.8%	30.1%
Insurance - %	26.0%	28.6%	30.3%	32.5%	28.3%	22.6%	20.7%	17.9%
travel, transportation and hospitality - %	27.0%	26.9%	27.9%	19.3%	19.0%	19.1%	18.3%	18.6%
Others - %	30.0%	28.3%	25.6%	30.8%	27.2%	27.5%	28.1%	33.5%
Revenue disaggregation by Service line								
Total engineering				19,817	23,668	29,093	30,609	48,588
Cloud and infrastructure management				9,652	11,495	14,667	17,532	21,935
Business process management				793	6,853	7,934	8,628	9,942
Data and integration				9,372	13,405	18,834	22,764	28,773
Intelligent automation				6,994	8,899	9,618	10,556	11,269
Total				46,628	64,320	80,146	90,089	120,507
As a % of total								
Total engineering - %				42.5%	36.8%	36.3%	34.0%	40.3%
Cloud and infra management - %				20.7%	17.9%	18.3%	19.5%	18.2%
Business process management - %				1.7%	10.7%	9.9%	9.6%	8.3%
Data and integration - %				20.1%	20.8%	23.5%	25.3%	23.9%
Intelligent automation - %				15.0%	13.8%	12.0%	11.7%	9.4%
Revenue disaggregation by Project type								
Time and material	13,750	17,278	18,995	21,449	28,159	38,470	44,555	65,016
Fixed price	15,244	19,484	20,752	25,179	36,161	41,676	45,534	55,491
Total	28,994	36,762	39,747	46,628	64,320	80,146	90,089	120,507
As a % of total								
Time and material - %	47.4%	47.0%	47.8%	46.0%	43.8%	48.0%	49.5%	54.0%
Fixed price - %	52.6%	53.0%	52.2%	54.0%	56.2%	52.0%	50.5%	46.0%

Source: Company, JM Financial

Discounts on contracted price inched up in FY25. It reached a high of 1.4% in FY25.

Fixed price projects as a proportion of revenue declined in FY25, running counter to the broader industry commentary.

Exhibit 12. Revenue disaggregation by geography and segment EBITDA margins

Particulars - INR mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Americas	14,733	17,948	20,040	22,236	33,288	40,020	44,350	66,085
Europe, Middle East and Africa	9,274	12,227	15,638	17,181	22,771	31,175	34,459	40,534
Asia Pacific	3,103	3,577	3,817	4,036	5,439	5,817	6,360	8,590
India	2,804	3,010	2,344	3,175	2,822	3,134	4,920	5,298
Total	29,914	36,762	41,839	46,628	64,320	80,146	90,089	120,507
As a % of total								
Americas - %	49.3%	48.8%	47.9%	47.7%	51.8%	49.9%	49.2%	54.8%
Europe, Middle East and Africa - %	31.0%	33.3%	37.4%	36.8%	35.4%	38.9%	38.2%	33.6%
Asia Pacific - %	10.4%	9.7%	9.1%	8.7%	8.5%	7.3%	7.1%	7.1%
India - %	9.4%	8.2%	5.6%	6.8%	4.4%	3.9%	5.5%	4.4%
Growth YoY								
Americas	22%	12%	11%	50%	20%	11%	49%	22%
Europe, Middle East and Africa	32%	28%	10%	33%	37%	11%	18%	32%
Asia Pacific	15%	7%	6%	35%	7%	9%	35%	15%
India	7%	-22%	35%	-11%	11%	57%	8%	7%
Total	23%	14%	11%	38%	25%	12%	34%	23%
EBITDA by geography								
Americas	3,073	3,634	3,543	3,866	6,056	6,176	8,085	11,099
Europe, Middle East and Africa	1,531	2,257	3,621	3,604	4,706	6,611	7,084	7,100
Asia Pacific	459	540	335	408	590	749	481	675
India	-51	21	-302	-13	-198	-286	-828	-562
Total	5,012	6,452	7,197	7,865	11,154	13,250	14,822	18,312
EBITDA margin								
Americas	20.9%	20.2%	17.7%	17.4%	18.2%	15.4%	18.2%	16.8%
Europe, Middle East and Africa	16.5%	18.5%	23.2%	21.0%	20.7%	21.2%	20.6%	17.5%
Asia Pacific	14.8%	15.1%	8.8%	10.1%	10.8%	12.9%	7.6%	7.9%
India	-1.8%	0.7%	-12.9%	-0.4%	-7.0%	-9.1%	-16.8%	-10.6%
Overall EBITDA margin	16.8%	17.6%	17.2%	16.9%	17.3%	16.5%	16.5%	15.2%

Source: Company, JM Financial

Europe, Middle East and Africa saw the highest growth in FY25 and led in margins.

India geography has been loss making at EBITDA level for the past 5 years.

Exhibit 13. Details of RPO and revenue to be recognised over the next 12 months

Exhibit 15: Details of RPO and revenue to be recognised over the next 12 months							
Particulars - INR mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Remaining performance obligation	1,182	1,596	4,254	3,789	5,591	7,033	121,640
Revenue to be recognized over the next 12 months	1,024	1,512	2,128	2,033	3,283	3,710	14,257
- As a % of RPO	86.6%	94.7%	50.0%	53.7%	58.7%	52.8%	11.7%
- As a % of LTM total revenue	3.5%	4.1%	5.1%	4.3%	5.1%	4.6%	15.7%
Growth in RPO		35%	167%	-11%	48%	26%	1630%
Growth in Revenue to be recognized in the next 12 months		48%	41%	-4%	61%	13%	284%

Source: Company, JM Financial

RPO grew 16x in FY25, likely on the back of the Sabre deal. Revenue to be recognised over the next 12 months out of the RPO grew c.3x. However, as a % of RPO, it fell to 12% from 53% in FY24.

Turnover rate vs Attrition rate

Exhibit 14. Comparison of turnover rate and reported attrition rate					
Particulars - INR mn	FY21	FY22	FY23	FY24	FY25
Coforge					
Turnover rate (acc. to annual report)	22.8%	40.9%	24.0%	21.0%	19.0%
Attrition rate (acc. to investor presentation)	10.5%	17.7%	14.1%	11.5%	10.9%
Difference in Turnover rate and attrition rate	12.3%	23.2%	9.9%	9.5%	8.1%
LTIM					
Turnover rate (acc. to annual report)	14.90%	23.80%	20.20%	14.45%	14.35%
Attrition rate (acc. to investor presentation)	12.30%	23.80%	20.20%	14.40%	14.40%
Difference in Turnover rate and attrition rate	2.60%	0.00%	0.00%	0.05%	-0.05%
Persistent					
Turnover rate (acc. to annual report)	11.7%	26.6%	19.8%	11.5%	12.9%
Attrition rate (acc. to investor presentation)	11.7%	26.6%	19.8%	11.5%	12.9%
Difference in Turnover rate and attrition rate	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, JM Financial

AI and data deal wins

Exhibit 15. Notable AI and data deal wins highlighted in FY25 annual report		
Client	Engagement	Partner/Partner tool
Largest Australian Airline	Data Migration project leveraging inhouse accelerators like CodeXpress for Code conversion and MigXpress for Data migration from Greenplum to AWS	AWS
Leading Financial Customer in Agriculture Financing	Data Modernization and Transformation on Azure and Databricks to enable multiple business entities to streamline their reporting and analytics.	Azure and Databricks
Prominent UK public healthcare department	Upgrading customer CRM solution from SugarCRM to Pega, and migrating their SAP HANA BW instance to a Microsoft Azure Data Warehouse.	Pega, Microsoft Azure
Largest and fastest growing retail stores	Working to build Data Exchange Platform on Azure along with Report Rationalisation Programme. Standardizing data contracts, enabling multiple ingestion methods (including UI), building reusable frameworks for Ingestion and Integration	Microsoft Azure
Canada based insurance organization	strategic initiative to modernize their data landscape by consolidating existing reports and building new reports on an efficient cloud-based data platform on Azure Fabric	Azure Fabric
Leading global airline, HQ in South West US	Scaled up a Data Platform capability for BI and Analytics automation and Data Estate Transformation	Power BI
Australian Government agency	Modernizing case data management and reporting by building a secure cloud-based Data Lakehouse on Microsoft Fabric. The solution integrates dynamic Pega case data, automates updates, enables real-time reporting through Power BI, and enhances data quality. CI/CD, DataOps, and automated change detection	Pega, Microsoft Fabric
UK-based financial services firm	Enabling the transition from fragmented Google Analytics dashboards to a unified Power BI platform.	Power BI
UK financial services firm	Decommissioning its legacy EMS data warehouse by migrating critical use cases for LBC (Lloyds Bank Cardnet) to a centralized Data Analytics Platform on AWS cloud and Snowflake.	AWS, Snowflake
UK-based insurance firm	Drive data-led decision-making by modernizing their data platform on AWS. Enhancing scalability and governance through metadata-driven ingestion, harmonized data zones, and automated pipelines	Power BI

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	92,060	1,21,702	1,60,307	1,83,969	2,11,477
Sales Growth	14.5%	32.2%	31.7%	14.8%	15.0%
Other Operating Income	-1,426	-2,087	-2,262	-1,296	-1,789
Total Revenue	92,060	1,21,702	1,60,307	1,83,969	2,11,477
Cost of Goods Sold/Op. Exp	61,873	81,319	1,04,966	1,20,322	1,38,056
Personnel Cost	0	0	0	0	0
Other Expenses	14,844	20,369	26,303	29,429	33,625
EBITDA	15,343	20,014	29,037	34,218	39,796
EBITDA Margin	16.7%	16.4%	18.1%	18.6%	18.8%
EBITDA Growth	7.3%	30.4%	45.1%	17.8%	16.3%
Depn. & Amort.	3,186	4,194	7,055	8,281	9,043
EBIT	12,157	15,820	21,982	25,937	30,753
Other Income	-1,186	-736	-513	441	412
Finance Cost	0	-1,351	-1,704	-1,737	-2,201
PBT before Excep. & Forex	9,785	11,812	17,547	23,345	27,174
Excep. & Forex Inc./Loss(-)	1,186	1,921	2,218	1,296	1,789
PBT	10,971	13,733	19,765	24,641	28,963
Taxes	2,093	3,265	4,638	5,914	6,951
Extraordinary Inc./Loss(-)	-261	-1,665	-749	0	0
Assoc. Profit/Min. Int.(-)	276	1,226	1,632	277	290
Reported Net Profit	8,341	7,577	12,746	18,451	21,722
Adjusted Net Profit	8,602	9,242	13,495	18,451	21,722
Net Margin	9.3%	7.6%	8.4%	10.0%	10.3%
Diluted Share Cap. (mn)	327.4	337.4	337.2	353.8	353.8
Diluted EPS (INR)	26.3	27.4	40.0	52.2	61.4
Diluted EPS Growth	-4.7%	4.3%	46.1%	30.3%	17.7%
Total Dividend + Tax	22,463	30,858	7,712	9,368	10,645
Dividend Per Share (INR)	60.8	76.7	19.2	22.2	25.3

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	10,449	12,536	19,721	24,641	28,963
Depn. & Amort.	3,186	4,683	7,055	8,281	9,043
Net Interest Exp. / Inc. (-)	1,081	459	-794	-2,145	-2,149
Inc (-) / Dec in WCap.	-2,800	-2,689	-3,761	-5,228	-7,316
Others	779	1,341	0	0	0
Taxes Paid	-3,661	-3,959	-4,638	-5,914	-6,951
Operating Cash Flow	9,034	12,371	17,583	19,635	21,591
Capex	-2,655	-6,144	-20,357	-9,886	-10,897
Free Cash Flow	6,379	6,227	-2,774	9,749	10,694
Inc (-) / Dec in Investments	0	1,185	0	0	0
Others	177	-19,524	2,512	408	-53
Investing Cash Flow	-2,478	-24,483	-17,845	-9,477	-10,949
Inc / Dec (-) in Capital	0	22,015	3,019	10,564	11,679
Dividend + Tax thereon	-4,664	-4,976	-6,340	-7,611	-8,752
Inc / Dec (-) in Loans	967	2,323	0	0	0
Others	-1,657	-2,425	1,704	1,737	2,201
Financing Cash Flow	-5,354	16,937	-1,617	4,690	5,128
Inc / Dec (-) in Cash	1,202	4,825	-1,878	14,848	15,770
Opening Cash Balance	6,025	3,548	7,956	4,257	8,240
Closing Cash Balance	7,227	8,373	6,078	19,105	24,010

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	36,266	63,792	71,997	82,838	95,807
Share Capital	618	669	669	669	669
Reserves & Surplus	35,648	63,123	71,328	82,169	95,138
Preference Share Capital	0	0	0	0	0
Minority Interest	1,003	19,498	19,743	19,743	19,743
Total Loans	4,366	9,740	7,126	7,126	6,126
Def. Tax Liab. / Assets (-)	-5,117	3,701	1,238	238	-762
Total - Equity & Liab.	36,518	96,731	1,00,104	1,09,945	1,20,914
Net Fixed Assets	23,762	67,911	78,579	80,184	82,038
Gross Fixed Assets	7,397	18,161	24,353	25,958	27,812
Intangible Assets	16,133	49,726	54,226	54,226	54,226
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	232	24	0	0	0
Investments	0	0	0	0	0
Current Assets	31,732	51,101	51,880	65,378	78,250
Inventories	0	0	0	0	0
Sundry Debtors	14,279	29,682	28,548	32,762	37,660
Cash & Bank Balances	3,548	7,956	4,257	8,240	12,040
Loans & Advances	0	0	0	0	0
Other Current Assets	13,905	13,463	19,075	24,376	28,549
Current Liab. & Prov.	18,976	22,281	30,355	35,618	39,374
Current Liabilities	18,731	22,281	26,932	32,195	35,951
Provisions & Others	245	0	3,423	3,423	3,423
Net Current Assets	12,756	28,820	21,525	29,760	38,876
Total - Assets	36,518	96,731	1,00,104	1,09,945	1,20,914

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	9.3%	7.6%	8.4%	10.0%	10.3%
Asset Turnover (x)	2.4	1.7	1.5	1.6	1.7
Leverage Factor (x)	1.2	1.4	1.5	1.5	1.4
RoE	25.6%	18.5%	19.9%	23.8%	24.3%

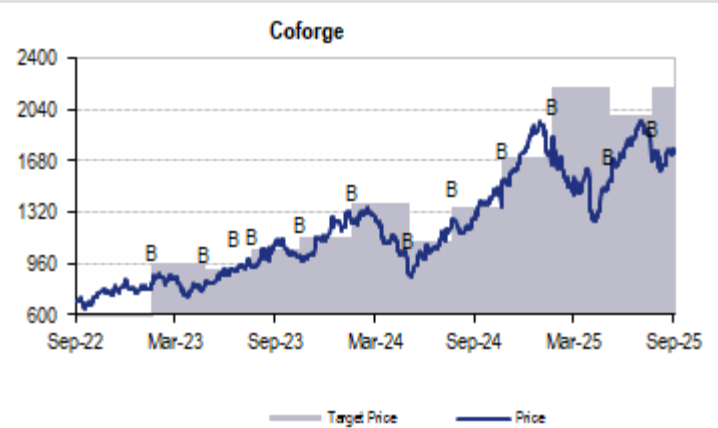
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	118.1	190.9	215.8	236.6	273.7
ROIC	29.3%	19.6%	18.7%	20.1%	22.1%
ROE	25.6%	18.5%	19.9%	23.8%	24.3%
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	-0.1
P/E (x)	65.9	63.2	43.3	33.2	28.2
P/B (x)	14.7	9.1	8.0	7.3	6.3
EV/EBITDA (x)	37.7	29.9	20.6	17.4	14.8
EV/Sales (x)	6.3	4.9	3.7	3.2	2.8
Debtor days	57	89	65	65	65
Inventory days	0	0	0	0	0
Creditor days	89	80	75	78	76

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Jan-23	Buy	958	
27-Apr-23	Buy	924	-3.5
20-Jun-23	Buy	924	0.0
21-Jul-23	Buy	1,060	14.7
19-Oct-23	Buy	1,146	8.1
23-Jan-24	Buy	1,388	21.1
3-May-24	Buy	1,114	-19.7
24-Jul-24	Buy	1,354	21.5
24-Oct-24	Buy	1,706	26.0
24-Jan-25	Buy	2,198	28.8
6-May-25	Buy	2,000	-9.0
25-Jul-25	Buy	2,200	10.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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