Coforge Ltd.

Investment Thesis

- **Strong deal momentum supports revenue visibility:** Coforge reported quarterly order intake of over US$1 Bn in Q2FY27, up 51% QoQ and 102% YoY, with a record 8 large deals signed. The next 12-month executable order book reached US$2.4 Bn, up 45% YoY, providing strong revenue visibility. Management expects to sign 8 or more large deals in Q3FY27, with most new deals ramping up almost immediately, supporting sustained growth.
- **AI-led engineering drives differentiated growth:** AI-led engineering, data integration and cloud contributed 86% of Q2FY27 revenue, supported by over 520 AI engagements across 225+ clients and more than 260 agents deployed in live operations. Coforge's Nuuron, Forge-X and Momentuum Blue capabilities position it to capture enterprise demand for AI-led workflow automation, legacy modernisation and outcome-based transformation.
- **Margin expansion creates operating leverage:** Management raised FY27 consolidated EBIT margin guidance from 15.5% to 16%, targeting 17% in Q4FY27 and at least 17% in FY28, subject to achieving the exit target. AI integration into existing fixed-price projects, G&A optimisation and improved delivery productivity are expected to drive margin expansion without cutting sales and marketing investments.
- **Encora acquisition strengthens growth and cross-selling:** Encora's margin expansion is ahead of the acquisition plan, while revenue growth is expected to mirror Coforge's from Q3FY27. Integration of complementary data, cloud, AI and engineering capabilities, alongside nearshore delivery centres across Eastern Europe and Latin America, creates cross-selling opportunities. Coforge's largest current deal opportunity is with an Encora client, strengthening the potential for incremental growth.
- **Strong client relationships and cash generation support sustainability:** The company now has two clients with annualised relationship run rates exceeding US$100 Mn, while its top 10 and top 20 accounts are growing at over 20% YoY. Management targets 100% FCF-to-PAT conversion in FY27, against 92% in H1FY27, with billing and collection normalisation expected following Encora-related contract novation and legal-entity rationalisation.

Outlook:

Coforge's outlook remains strong, supported by a record US$2.4 Bn executable order book, over US$1 Bn quarterly order intake and management's expectation of signing 8+ large deals in Q3FY27. AI-led engineering, data integration and cloud contributed 86% of Q2FY27 revenue, supporting sustained demand for enterprise AI transformation. Management raised FY27 EBIT margin guidance to 16%, targeting 17% in Q4FY27 and at least 17% in FY28, driven by AI-led efficiencies and G&A optimisation. Encora is expected to mirror Coforge's growth from Q3FY27, while the company targets 100% FCF-to-PAT conversion in FY27, supported by strong client growth and cash-flow normalisation. The FY24-FY26 Revenue/EBITDA/PAT CAGR is of 35%/42%/44%, based on conservative assumptions, we upgrade our previous estimations of 34%/34%/38% to 40%/46%/52% over FY26-FY28E with meaningful upside potential from AI monetisation, large deal wins, and Encora-led synergies.

We maintain our BUY rating on Coforge Ltd. with a revised Target Price of ₹2,524, implying an upside potential of 29%, based on the DCF methodology.

CMP: ₹1,962
Reco: BUY
Target Price: ₹2,524

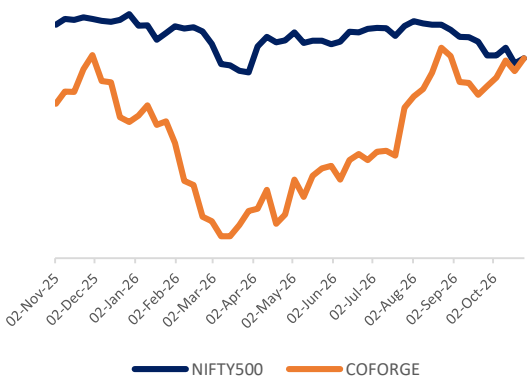
Stock Info	
BSE	532541
NSE	COFORGE
Sector	IT
Face Value (₹)	2
Equity Capital (₹ Cr)	88.6
Mkt Cap (₹ Cr)	86,916
Avg volume (1 year)	31,56,021
Dividend yield (%)	0.61
52w H/L (₹)	2,022 / 1,008

Source: Company filings, PESB research

Shareholding Pattern (Sep 2026)	
FII	24.75%
DII	43.79%
Public	31.47%

Source: Company filings, PESB research

NIFTY500 vs. Coforge



IC report (link):

Coforge Ltd. IC

Anupama Bhootra
Analyst
Siyaa Deshmukh
Associate

Concall Highlights

- **AI-led margin expansion:** Management clarified that the margin upgrade is primarily driven by AI integration into existing fixed-price projects and internal functions, rather than assumptions of better pricing on new deals. AI-led efficiencies are expected to become more visible from Q4FY27. Coforge is also shifting towards value-based, proactively solutioned deals to protect margins amid industry-wide pricing pressure, with its second $100 Mn+ annualised client relationship being one of its highest-margin accounts.
- **Gross margin improvement and Investment Strategy:** Management expects a material improvement in consolidated gross margins, potentially beginning in Q4FY27, as investments in Momentuum Blue and AI-led engineering solutions begin delivering returns. The company continues to prioritise growth and has not cut sales and marketing expenditure; instead, AI-enabled G&A optimisation has allowed it to scale without proportionate increases in support staff. Management emphasised that margin expansion will not come at the cost of growth investments.
- **Strong deal pipeline and growth outlook:** Responding to concerns about converting strong order intake into revenue, management stated that most new deals are expected to ramp up almost immediately rather than being deferred until FY28. Coforge signed 8 large deals in Q2FY27, including a US$230 Mn UK public-sector engagement, and indicated that it expects to sign 8 or more large deals in Q3FY27. Management remains confident of delivering industry-leading consolidated growth in the coming quarters.
- **Encora revenue and recovery:** Encora's revenue remained largely flat QoQ at US$147–148 Mn, in line with expectations. Management expects its growth to mirror Coforge's from Q3FY27, while margin expansion is already ahead of the acquisition plan. Coforge's largest current deal opportunity is with an Encora client.
- **Margin guidance and sustainability:** Management raised FY27 EBIT margin guidance from 15.5% to 16%, targeting 17% in Q4FY27. If achieved, FY28 EBIT margins are expected to remain at least 17%. While some AI efficiencies may be passed on to clients, management expects the overall impact on margins to remain positive.
- **Cash flow and working capital:** Management attributed temporary delays in invoicing and collections to contract novation and legal-entity rationalisation following the Encora acquisition, as contracts are being transferred from US entities to India. This has contributed to higher unbilled revenue and pressure on operating cash-flow conversion. Despite this, H1 FY27 FCF-to-PAT conversion stood at 92%, and management remains confident of achieving 100% for FY27, expecting the billing and collection cycle to normalise.
- **Encora synergies and cross-selling:** Integration is generating cost synergies and strengthening cross-selling opportunities across data, cloud, AI and engineering. Encora's nearshore capabilities in Eastern Europe and Latin America complement Coforge's delivery network, while its healthcare client base offers further growth opportunities.
- **AI adoption and EPS outlook:** Coforge has 520+ AI engagements across 225+ clients, with over 260 agents deployed in live operations. A major AI-enabled legacy-modernisation programme involves migrating 12 million lines of code over 4.5 years. Exceptional expenses are expected to be nil in Q3FY27, while hedge losses are projected to decline from US$10.2 Mn in Q2 to US$7–7.5 Mn in Q3 and US$1.2 Mn in Q4, supporting management's indicated Q4FY27 EPS potential of ₹19–20.

Management Guidance & Outlook

Coforge raised its FY27 consolidated EBIT margin guidance from 15.5% to 16%, targeting 17% EBIT margin in Q4FY27 and at least 17% in FY28, subject to achieving the exit margin. EBITDA margin guidance stands at 20.5–21%, while management targets 100% FCF-to-PAT conversion for FY27 against 92% achieved in H1FY27. Revenue growth outlook remains strong, supported by a record US$2.4 Bn executable order book, over US$1 Bn quarterly order intake and expectations of signing 8 or more large deals in Q3FY27. Encora's growth is expected to mirror Coforge's from Q3FY27. AI-led efficiencies, G&A optimisation and lower hedge losses (US$7–7.5 Mn in Q3 and US$1.2 Mn in Q4) are expected to support profitability, with management indicating potential Q4FY27 EPS of ₹19–20.

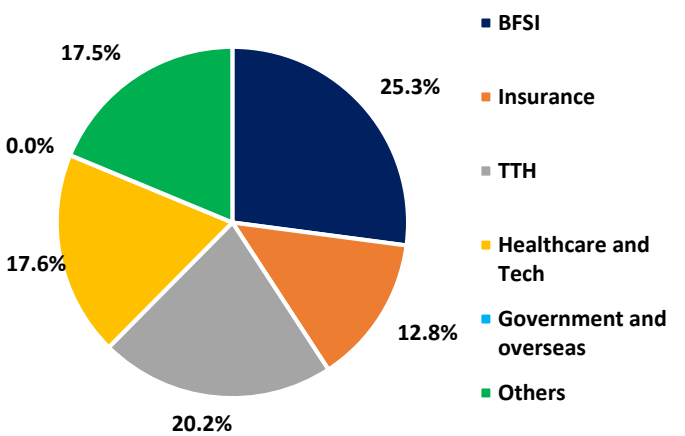
Q2FY27 Financials (Consolidated)

Particulars (₹ Mn)	Q2FY27	Q2FY26	YoY	Q1FY27	QoQ
Revenue from Operations	61,708	40,164	54%	55,277	12%
Costs	11,034	7,835	41%	10,335	7%
Employee Exp	35,363	22,723	56%	31,250	13%
Other Exp	3,079	2,014	53%	3,112	-1%
EBITDA	**12,232**	**7,592**	**61%**	**10,580**	**16%**
EBITDA Margin	***20%***	***19%***	***92bps***	***19%***	***68bps***
Depreciation & Amortization	2,850	1,719	66%	2,411	18%
EBIT	**9,382**	**5,873**	**60%**	**8,169**	**15%**
EBIT Margin	***15%***	***15%***	***58bps***	***15%***	***43bps***
Finance Cost	1,080	409	164%	866	25%
Other Income	244	118	107%	268	-9%
Exceptional Items	557	0	-	550	1%
EBT	**7,989**	**5,582**	**43%**	**7,021**	**14%**
Tax Expense	1,940	1,328	46%	1,704	14%
PAT	**6,049**	**4,254**	**42%**	**5,317**	**14%**
PAT Margin	***10%***	***11%***	***-79bps***	***10%***	***18bps***

Source: Company filings, PESB research

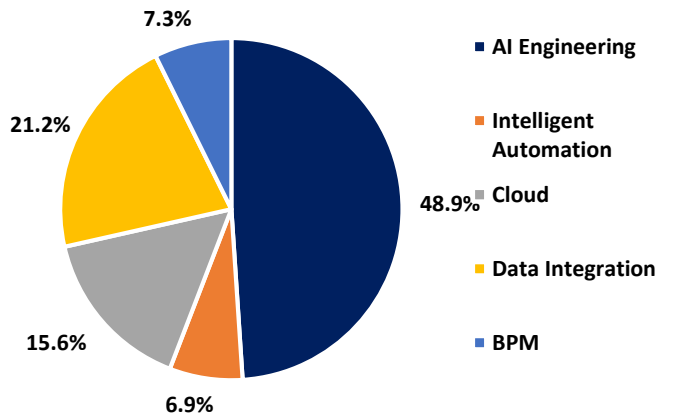
➢ KPI's (Quarterly)

Revenue mix- Vertical wise



Source: Company filings, PESB Research

Revenue mix- Service Offering



Source: Company filings, PESB Research

Consolidated Financials

Income Statement (₹Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue from Operations	80,146	90,089	1,20,733	1,64,027	2,29,817	3,22,330
Costs	13480.85	15433.82	23152	34028	44,070	61,811
Employee Exp	48,280	53,914	72,241	92,161	1,29,126	1,81,106
Other Exp	5,578	6,270	8,403	8,477	11,877	16,658
EBITDA	**12,807**	**14,471**	**16,937**	**29,361**	**44,744**	**62,755**
EBITDA Margin	**16%**	**16%**	**14%**	**18%**	**19%**	**19%**
Depreciation & Amortization	2,585	2,972	4,276	6,819	8,425	12,211
EBIT	**10,222**	**11,499**	**12,661**	**22,542**	**36,319**	**50,545**
EBIT Margin	**13%**	**13%**	**10%**	**14%**	**16%**	**16%**
Finance Cost	806	1,255	1,347	1,686	1,623	1,559
Other Income	619	338	1,647	732	1,026	1,438
Exceptional Items	523	-116	0	2260	0	0
EBT	**9,512**	**10,698**	**12,961**	**19,328**	**35,722**	**50,424**
Tax Expense	2,061	2,209	3,326	2,583	7,106	9,903
PAT	**7,451**	**8,356**	**9,361**	**17,447**	**28,616**	**40,521**
PAT Margin	**9%**	**9%**	**8%**	**11%**	**12%**	**13%**
				FY24-26		**FY26-28E**
Revenue CAGR				35%		40%
EBITDA CAGR				42%		46%
PAT CAGR				44%		52%

Source: Company filings, PESB Research

Balance Sheet (₹Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
ASSETS						
Non-Current Assets						
PPE	4,455	4,470	7,682	9,425	11,781	14,727
Other Intangible Assets	18,710	19,292	53,304	58,203	60,892	64,118
Other Non-Current Assets	7,605	11,290	16,306	22,128	22,128	22,128
Total Non-Current Assets	**30,770**	**35,052**	**77,292**	**89,756**	**94,801**	**1,00,972**
Current Assets						
Contract Assets	1,512	1,791	2,426	3,339	4,358	5,863
Trade Receivables	16,131	18,039	25,771	39,700	50,232	72,424
Cash	5,699	3,213	7,956	10,936	24,510	44,334
Other Current Assets	2,722	2,982	11,462	5,083	5,083	5,083
Total Current Assets	**26,064**	**26,025**	**47,615**	**59,058**	**84,183**	**1,27,703**
Total Assets	**56,834**	**61,077**	**1,24,907**	**1,48,814**	**1,78,983**	**2,28,675**
EQUITY						
Equity Share Capital	611	618	669	672	672	672
Other Equity	30,214	35,648	63,123	94,704	1,23,320	1,63,841
Minority Interest	874	1,003	19,498	1,430	1,430	1,430
Total Equity	**31,699**	**37,269**	**83,290**	**96,806**	**1,25,422**	**1,65,943**
LIABILITIES						
Total Borrowings	3,382	4,366	7,005	3,997	3,847	3,697
Trade Payables	6,481	8,062	9,883	17,754	19,457	28,778
Other Liabilities	15,272	11,380	24,729	30,257	30,257	30,257
Total Liabilities	**25,135**	**23,808**	**41,617**	**52,008**	**53,561**	**62,732**
Total Equity and Liabilities	**56,834**	**61,077**	**1,24,907**	**1,48,814**	**1,78,983**	**2,28,675**

Source: Company filings, PESB Research

Cash Flow Statement (₹ Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Cash Flow from Operations	9,505	9,034	12,371	17,917	28,716	39,816
Cash Flow from Investing	-2,716	-2,478	-24,483	-4,348	-13,470	-18,382
Cash Flow from Financing	-5,582	-8,870	16,753	-10,937	-1,673	-1,609

Source: Company filings, PESB Research

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
Margins Analysis						
EBITDA	16%	16%	14%	18%	19%	19%
EBIT	13%	13%	10%	14%	16%	16%
PAT	9%	9%	8%	11%	12%	13%
Profitability						
ROCE	26%	25%	13%	20%	26%	28%
ROE	24%	23%	15%	18%	23%	25%
Liquidity Ratios						
Debt to Equity (x)	0.11	0.12	0.08	0.04	0.03	0.02
Interest Turnover (x)	12.68	9.16	9.40	13.37	22.38	32.41
Current Ratio (x)	1.50	1.70	1.59	1.61	2.20	2.68
Valuation Ratios						
P/E (x)	116.65	104.02	92.85	49.82	30.37	21.45
EPS (₹)	16.82	18.86	21.13	39.38	64.60	91.47

Source: Company filings, PESB Research

Disclosures and Disclaimers:

Stock Rating	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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