Coforge (NIITEC)

CMP: ₹1,970 | Target ₹ 2,100 (7%) | Target Period: 12 months | HOLD

October 26, 2026

Record deal wins and higher margin guidance strengthen outlook

About the stock: Coforge Ltd (Coforge) is a digital services and solutions provider that leverages its domain experience across sectors such as Banking & Financial Services, Insurance, Government, Travel, Transport and Hospitality. It had a strong FY26 with revenue growth of 29.1% in US$ terms & rupee revenue growth of 35.9%.

Q2FY27 performance: Coforge reported revenue of US$652.2 mn, up 10.1% QoQ/40.1% YoY in US$ terms (+10.9% QoQ CC), including a full quarter of Encora consolidation. Organic revenue grew 3.8% QoQ CC. EBITDA margin stood at 20.6%, up 25 bps QoQ/168 bps YoY, while EBIT margin remained flat QoQ at 16%, up 134 bps YoY; organic EBIT margin stood at 17%, up ~30 bps QoQ. PAT increased 13.4% QoQ/56.5% YoY to ₹588 crore.

Investment Rationale:

- **Strong growth visibility backed by record order book and robust deal momentum:** Coforge delivered strong reported growth, supported by Encora consolidation. It reported US$1.04 bn of order intake (+50.6% QoQ/+102% YoY), with eight large deals (with expectation to sign similar large deals in Q3 as well) & its 12-M executable order book rose to US$2.38 bn (+6.7% QoQ/+45.4% YoY) with most deals having immediate ramp-ups. Deal wins were broad-based across geographies & verticals. **Management expects Coforge to remain the industry growth leader in FY27 for the third consecutive year, with Encora's growth aligning to Coforge from Q3 while integration-led margin improvements are ahead of plan.** Strong pipeline and account expansion support healthy growth visibility through the remainder of the year. **We expect US$ revenue to grow at CAGR of 26.7% over FY26-28E with organic CAGR being ~13% over the same period.**
- **AI efficiencies and integration synergies led margin improvement: Management raised FY27 consolidated EBIT margin guidance to 16% from 15.5% and targets 17% in Q4, with FY28 margin expected to be at least 17% if that exit level is achieved. EBITDA margin guidance was maintained at 20.5–21%.** AI-led efficiencies in fixed-price delivery (to reflect from Q4FY27) & G&A automation, coupled with Encora integration synergies, support further gains. Moreover, utilisation of 82.4% provides additional operating leverage over the coming quarters. **Management aims to be among the top three highest-EBIT-margin tech services firms in the medium term. We bake in EBIT margins of 16.2%/16.3% in FY27E/FY28E.**
- **AI-led capabilities expand solution differentiation: AI-led Engineering, Data & Integration and Cloud collectively contributed ~86% of Q2 revenue**, positioning Coforge to capture enterprise demand for AI-enabled workflow transformation. **It is running 520+ AI engagements across 225+ clients, with over 260 agents in live operations, supported by Neuron, Momentum Blue (FDE unit), AI Launchpad and agentic AI assets.**

Rating and Target Price: After a sharp run-up of ~65% in stock price over the last 6 months, we now downgrade to HOLD and wait for Encora synergies to play out. Thus, we value it at 27x FY28E EPS at a TP of ₹2,100.

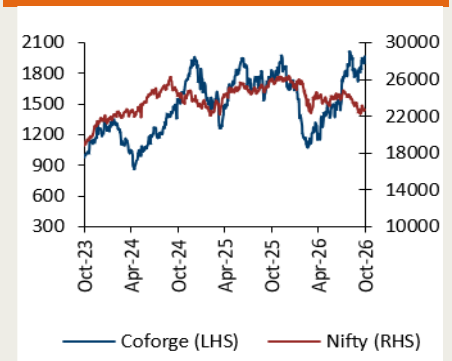
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	87,173
Total Debt (₹ Crore)	116.7
Cash & Investment (₹ Crore)	1,099.2
EV (₹ Crore)	86,190
52 week H/L	2021 / 1008
Equity capital	67.2
Face value	2.0

Shareholding pattern

	Dec-25	Mar-25	Jun-26	Sep-26
Promoters	-	-	-	-
FII	35	23	24	25
DIIs	54	44	43	44
Others	12	32	33	31

Price Chart



Key risks

- Lower than expected revenue growth and ramp up of large deal wins;
- Lower than expected synergies from Encora acquisition

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Key Financial Summary

Financials	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	9,179	12,073	16,403	NC	24,626	28,520	31.9%
EBITDA	1,505	1,722	3,046	NC	5,095	5,932	39.5%
EBITDA Margins (%)	16.4	14.3	18.6		20.7	20.8	
Net Profit	808	840	1,485	NC	2,587	3,403	51.4%
Diluted EPS (₹)	130.8	24.6	45.9		58.5	76.9	
P/E	75.3	80.1	42.9		33.7	25.6	
RoNW (%)	22.3	13.2	15.6		11.5	14.0	
RoCE (%)	23.6	13.7	19.3		13.1	16.0	

Source: Company, ICICI Direct Research; Note: FY25 numbers are excluding AdvantageGo and thus not comparable

Result Update

ICICI Securities – Retail Equity Research

Performance highlights and outlook

- **Revenue & Margin Guidance: Management raised FY27 consolidated EBIT margin guidance to 16% from 15.5%, while retaining its consolidated EBITDA margin guidance of 20.5–21%. It expects reported EBIT margin to reach 17% in Q4FY27 and indicated that FY28 EBIT margin should be at least 17% if the company exits FY27 at that level.** Management remains confident of delivering industry-leading revenue growth for the third consecutive year in FY27, with Encora's growth expected to mirror Coforge's from Q3FY27 onwards.
- **Revenue Performance:** Coforge in Q2FY27 reported revenue of US$652.2 mn, up 10.1% QoQ/40.1% YoY in US$ terms (+10.9% QoQ CC), including a full quarter of Encora consolidation. Organic revenue grew 3.8% QoQ CC. In INR terms, revenue stood at ₹6,170.8 crore, up 11.6% QoQ/53.6% YoY.
- **Geography Performance:**

Exhibit 1: Geography wise growth trend

Geography	% of revenue mix	US$ QoQ growth %	US$ YoY growth %
America	63.1	13.9	67.6
Europe/EMEA	24.6	1.9	30.8
RoW	12.3	22.6	42.6

Source: Company, ICICI Direct Research

- **Segment Performance:**

Exhibit 2: Vertical wise growth trend

Vertical	% of revenue mix	US$ QoQ growth %	US$ YoY growth %
Banking & financial services	25.3	14.3	41.1
Insurance	12.8	4.9	30.4
Travel, Transportation & Hospitality (TTH)	20.2	6.3	33.3
Healthcare and Hi-tech	17.6	13.7	169.7
Govt. outside India	6.5	20.8	43.8
Others	17.5	14.5	58.3

Source: Company, ICICI Direct Research

- **Margin performance**: EBITDA margin stood at 20.6%, up 25 bps QoQ/168 bps YoY, while EBIT margin remained flat QoQ at 16%, up 134 bps YoY. Standalone EBIT margin stood at 17%. PAT increased 13.4% QoQ/56.5% YoY to ₹588 crore.
- **Deal Pipeline:** Fresh order intake stood at US$1.04 bn, up 50.6% QoQ/ 102% YoY, with eight large deals signed - the highest number in a quarter in Coforge's history. The wins were broad-based across geographies and verticals. The 12-month executable order book rose 6.7% QoQ/45.4% YoY to a record US$2.38 bn. **Management indicated that it hopes to sign eight or more large deals in Q3FY27. Note: Q2 order intake includes Encora, whereas Q1 order intake excluded Encora; the QoQ comparison is therefore not entirely like-for-like.**
- **AI/GenAI:** AI-led Engineering, Data & Integration and Cloud contributed approximately 86% of consolidated revenue. It is running over 520 AI engagements for >225 clients, with 260+ agents deployed in live operations. Its enterprise AI capabilities include Neuron, Momentum Blue and agentic AI assets such as Forgex, Odinsight.ai and EvolvOps.ai. It also launched AI Launchpad to help enterprises select, govern & deploy open-weight AI models.
- **Encora integration & synergies:** Q2FY27 marked the first full quarter of Encora consolidation, with management reporting that margin expansion is ahead of the acquisition plan with its revenue being flat QoQ at ~US$ 147-148mn in Q2. Management highlighted cross-selling opportunities across both client portfolios, with the largest deal currently in Coforge's pipeline involving an Encora client. **Encora's revenue growth is expected**

to align with Coforge's from Q3FY27. Acquisition and integration expenses were ~US$5.9 mn in Q2, taking cumulative spending to around US$17 mn, vs the earlier US$15–16 mn estimate. **Exceptional expenses are expected to be nil in Q3 vs US$5.9 mn in Q2.**

- **Debt & cash flow:** Coforge generated free cash flow of US$53.8 mn in Q2FY27, with FCF/PAT conversion of 89%, compared with 95% in Q1FY27 and 86% in Q2FY26. H1FY27 conversion stood at 92%, and management reiterated its guidance of 100% for FY27. Borrowings stood at US$589 mn as of September 30, 2026, following the US$550 mn term loan raised to fund the Encora acquisition
- **Employee Addition & Attrition:** Total headcount increased by 1,137 QoQ to 47,365. LTM attrition stood at 10.4%, flat QoQ.

Exhibit 3: Quarter performance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue in USD	652.2	462.0	41.2	592.2	10.1	- Revenue in CC terms increased +10.9% QoQ wih organic revenues growing 3.8% QoQ CC as Q2 saw first full quarter of Encora consolidation.
Revenue in ₹	6,170.8	3,985.7	54.8	5,527.7	11.6	
Employee expenses	4,041.9	2,630.6	53.7	3,633.9	11.2	
Gross Margin	2,128.9	1,355.1	57.1	1,893.8	12.4	
Gross margin (%)	34.5	34.0	50 bps	34.3	24 bps	
SG&A expenses	859.2	626.9	37.1	770.5	11.5	
EBITDA	1,269.7	728.2	74.4	1,123.3	13.0	
EBITDA Margin (%)	20.6	18.3	231 bps	20.3	25 bps	Management retained its consolidated EBITDA margin guidance of 20.5–21%.
Depreciation & amortisation	285.0	171.9	65.8	241.1	18.2	
EBIT	984.7	556.3	77.0	882.2	11.6	
EBIT Margin (%)	16.0	14.0	200 bps	16.0	0 bps	- Management raised FY27 consolidated EBIT margin guidance to 16% from 15.5%. - It expects reported EBIT margin to reach 17% in Q4FY27 and indicated that FY28 EBIT margin should be at least 17% if the company exits FY27 at that level
Other income (less interest)	-130.1	1.8	-7,327.8	-125.1	4.0	
Exceptional items	55.7	0.0	NM	55.0	1.3	Exceptional expenses are expected to be nil in Q3 vs US$5.9 mn in Q2.
PBT	798.9	558.1	43.1	702.1	13.8	
Tax paid	194.0	132.8	46.1	170.4	13.8	
PAT	588.1	375.7	56.5	518.6	13.4	

Source: Company, ICICI Direct Research

Exhibit 4: Change in estimates

	FY27E			FY28E		
(₹ crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	2,663	2,611	-2.0	3027	3,002	-0.8
Revenue	24,894	24,626	-1.1	28301	28,520	0.8
EBIT	3,903	3,987	2.1	4443	4,649	4.6
EBIT Margin (%)	15.7	16.2	51 bps	15.7	16.3	60 bps
PAT	2,619	2,587	-1.3	3206	3,403	6.1
EPS	59.2	58.5	-1.3	72.5	76.9	6.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total op. Income	**16,403**	**24,626**	**28,520**
Growth (%)	35.9	50.1	15.8
COGS (employee expenses)	10,859	16,143	18,624
S,G&A expenses	2,503	3,388	3,964
Total Operating Expenditure	13,361	19,531	22,588
EBITDA	**3,046**	**5,095**	**5,932**
Growth (%)	76.9	67.2	16.4
Depreciation	682	1,108	1,283
Other Income (net)	(206)	(435)	(200)
PBT	2,159	3,552	4,449
Total Tax	258	805	1,010
Adjusted PAT	1,485	2,587	3,403
Growth (%)	77	74	32
Adjusted EPS (₹)	45.9	58.5	76.9
Growth (%)	86.6	27.3	31.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	2,159	3,552	4,449
Add: Depreciation	682	1,108	1,283
(Inc)/dec in Current Assets	(1,418)	(3,497)	581
Inc/(dec) in CL and Provisions	567	911	724
Taxes paid	(439)	(805)	(1,010)
CF from op.activities	**1,792**	**(10,930)**	**6,028**
(Inc)/dec in Investments	-	-	-
(Inc)/dec in Fixed Assets	(743)	(690)	(713)
Others	26	(435)	(200)
CF from inv. activities	**(435)**	**(1,125)**	**(913)**
Issue/(Buy back) of Equity	0	11,335	-
Inc/(dec) in loan funds	(105)	-	-
Dividend paid & dividend tax	(543)	(1,164)	(1,531)
CF from fin. activities	**(1,094)**	**13,171**	**(2,648)**
Net Cash flow	263	1,116	2,467
Exchange difference	35	-	-
Opening Cash	796	1,099	2,215
Closing Cash	**1,099**	**2,215**	**4,682**

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Liabilities			
Equity Capital	67	89	89
Reserve and Surplus	9,470	22,323	24,195
Total Shareholders funds	9,538	22,412	24,283
Total Debt	117	3,117	2,000
Provisions	319	319	319
Minority Interest / Other NCL	1,204	1,253	1,289
Total Liabilities	**11,177**	**27,101**	**27,891**
Assets			
Net Block	2,592	2,174	1,604
Capital WIP	3	3	3
Total Fixed Assets	2,596	2,177	1,607
Goodwill	4,167	16,373	16,373
Deferred tax assets	652	652	652
Debtors	3,970	5,960	6,903
Other Current Assets	837	2,778	1,455
Cash	1,099	2,215	4,682
Current Investments	-	-	-
Total Current Assets	**5,906**	**10,954**	**13,039**
Trade payables	1,775	1,970	2,282
Other current liabities	1,795	2,463	2,852
Short term provisions	99	148	172
Total Current Liabilities	3,669	4,581	5,305
Net Current Assets	2,236	6,373	7,735
Application of Funds	**11,177**	**27,101**	**27,891**

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Adjusted EPS (Diluted)	45.9	58.5	76.9
DPS	21	26	35
Cash per Share	34.0	50.1	105.8
BV per share (Diluted)	294.7	506.5	548.8
Operating Ratios (%)			
EBITDA Margin	18.6	20.7	20.8
PBT Margin	13.2	14.4	15.6
PAT Margin	9.1	10.5	11.9
Debtor days	88	88	88
Creditor days	40	29	29
Return Ratios (%)			
RoE	15.6	11.5	14.0
RoCE	19.3	13.1	16.0
RoIC	23.5	16.0	20.0
Valuation Ratios (x)			
P/E (Adjusted)	42.9	33.7	25.6
EV / EBITDA	28.3	17.3	14.2
EV / Net Sales	5.3	3.6	3.0
Market Cap / Sales	5.3	3.5	3.1
Price to Book Value	6.7	3.9	3.6
Solvency Ratios			
Debt/EBITDA	0.0	0.6	0.3
Debt / Equity	0.0	0.1	0.1
Current Ratio	1.3	1.9	1.6
Quick Ratio	1.3	1.9	1.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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