


Growth Momentum to Continue in FY27; Maintain BUY
Est. Vs. Actual for Q4FY26: Revenue – **INLINE**; EBIT Margin – **BEAT**; PAT – **BEAT**
Change in Estimates YoY post Q4FY26:
FY27E/FY28E: Revenue: 1.8%/0.3%; EBIT: 6.6%/2.4%, PAT: 3.3%/-0.5%

Recommendation Rationale

- **Deal Wins/Pipeline:** The company's order intake for Q4 remained at \$648 Mn, led by the closure of five large deals during the quarter and a total of 21 large deals in FY26. The 12-month executable order book has reached a record high of \$1.75 Bn (+16.4% YoY), providing robust revenue visibility for the coming quarters.
- **Key Acquisition & Merger:** The Encora acquisition was financed through a \$550 Mn term loan (three-year tenure at a headline rate of 4.5%). Regulatory approvals have been completed, and the acquisition is now integrated. Encora's high-tech business, under a new leadership team, is expected to deliver growth from Q1FY27. The Cigniti Technologies merger has been implemented, with the share allotment record date set for 16 May 2026.
- **Business Vertical Outlook:** Coforge is building upon six moats to capture AI value: deep domain expertise, strong client intimacy, reinvented delivery models via hybrid "ModSquads," agility at scale, the scalable OneAI platform, and an AI-enabled workforce of over 30,000 trained practitioners.

Sector Outlook: Cautiously Optimistic

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

Current Valuation: 26x FY28E EPS (Earlier Valuation: Unchanged)

Current TP: Rs 1,690/share (Earlier TP:1,800)

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

Financial performance

In Q4FY26, Coforge reported revenue of Rs 4,450 Cr vs Rs 3,433 Cr, registering growth of 30% YoY and 5.2% QoQ. In CC terms, revenue grew 28.7% YoY and 2% QoQ. EBIT stood at Rs 697 Cr vs Rs 402 Cr, up 73.5% YoY and 26% QoQ, driven by strong topline growth. EBIT margin stood at 15.7% vs 11.7% on a YoY basis, driven by currency tailwinds, lower operating expenses, and ESOP costs. The effective tax rate for the quarter was negative 7% due to a one-time, non-cash reversal of a deferred tax liability (Rs 181 Cr) related to the Cigniti merger. Consequently, net income grew 118% YoY and 124% QoQ to Rs 666 Cr. Attrition remained stable at 10.8%.

Key Financials (Consolidated)

(Rs Cr)	Q4FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,450	5.2	30.0	4,558	(2.4)
EBIT	697	26.0	73.5	661	5.4
EBIT Margin	15.7	259bps	392bps	14.5	116bps
Net Profit	666	124.1	117.9	479	39.1
EPS (Rs)	19.8	123.4	115.8	14.3	38.5

Source: Company, Axis Securities Research

(CMP as of 05th May, 2026)

CMP (Rs)	1,168
Upside /Downside (%)	45%
High/Low (Rs)	1,994/1,008
Market cap (Cr)	50,178
Avg. daily vol. (6m)Shrs.	27,99,150
No. of shares (Cr)	34

Shareholding (%)

	Sept-25	Dec-25	Mar-26
Promoter	0.0	0.0	0.0
FII's	34.1	34.5	30.7
MFs/UTI	38.7	38.7	40.5
Banks/FIs	0.1	0.0	0.0
Others	27.2	26.8	28.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	16,403	19,630	22,409
EBIT	2,254	2,880	3,253
Net Profit	1,675	2,108	2,378
EPS (Rs)	46	58	66
PER (x)	25.2	20.0	17.7
P/BV (x)	4.4	4.0	3.6
EV/EBITDA (x)	14.0	10.7	9.1
ROE (%)	21.0	21.0	21.3

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	1.8%	0.3%
EBIT	6.6%	2.4%
PAT	3.3%	-0.5%

Relative Performance


Source: AceEquity, Axis Securities Research

Results Gallery

[Q3FY26](#)
[Q2FY26](#)
[Q1FY26](#)

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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 to emerge as a leader in the evolving industry, particularly amid the pivot toward AI. Accordingly, **we maintain our BUY rating on the stock** and value the company at 26x its FY28E earnings to arrive at a target price of Rs 1,690/share, implying an upside of 45% 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 instills confidence in the company's business growth moving forward.

Key highlights

- **Vertical Performance:** In CC terms for FY26, Healthcare and High-tech were the standout segments, growing 98% YoY, while Travel also delivered strong growth of 62% YoY. Emerging verticals (Retail/Manufacturing) grew 27% YoY, while Government business outside India grew 17.5% YoY. Banking remained relatively weak at 12% YoY due to a specific large client issue; however, it is expected to recover strongly in FY27 following a leadership-led account restructuring.
- **Healthy Order Book:** In Q4FY26, order intake remained strong at \$648 Mn, supported by five large deal wins. The 12-month executable order book has reached a record high of \$1.75 Bn, providing solid near-term revenue visibility. In addition, the company has secured framework agreements, including a \$150 Mn five-year sole contract in the UK public sector, offering meaningful upside to FY27 revenues, although these are yet to be reflected in the current executable order book.
- **Acquisitions and Integration:** The Encora acquisition was financed through a \$550 Mn term loan (three-year tenure at a headline rate of 4.5%). Regulatory approvals have been completed and the acquisition is now integrated. Encora's high-tech business, under a new leadership team, is expected to deliver growth from Q1FY27. The Cigniti Technologies merger has been implemented, with the share allotment record date set for 16 May 2026.
- **Strategic Exit from India Business:** The company has decided to discontinue a low-margin India-based pass-through business (around \$40–45 Mn annually). This will lead to a temporary revenue impact of about \$15–20 Mn in Q1FY27, resulting in flat sequential performance. However, this move is strategic and is expected to improve margins meaningfully and support stronger, more profitable growth going forward.
- **AI Strategy & Internal Restructuring:** Coforge is building upon six moats to capture AI value: deep domain expertise, strong client intimacy, reinvented delivery models via hybrid "ModSquads," agility at scale, the scalable OneAI platform, and an AI-enabled workforce of over 30,000 trained practitioners.
- **Growth Guidance for FY27:** Management remains confident about FY27, expecting EBITDA margins of 20.5–21% on a consolidated basis. EBIT margins are guided at 16.5–17% for the standalone business and around 15.5% on a consolidated basis, factoring in Encora-related amortisation of \$40 Mn. The company has also improved its cash flow outlook, upgrading FCF-to-PAT conversion guidance to 100%+ from the earlier range of 70–80%.

Key Risks to our Estimates and TP

- The lack of demand improvement due to the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.
- Execution risks around large deal ramp-ups and seasonal factors.

Change in Estimates
(Rs Cr)

	New		Old		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	19,630	22,409	19,281	22,349	1.8%	0.3%
EBIT	2,880	3,253	2,702	3,176	6.6%	2.4%
PAT	2,108	2,378	2,041	2,391	3.3%	-0.5%

Source: Company, Axis Securities Research

Results Review
(Rs Cr)

Y/E March	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)
Net sales	4,450	4,188	5.2	3,422	30.0
Total Expenditure	3,574	3,458	1.9	2,895	23.4
EBITDA	877	730	21.2	527	66.4
<i>EBITDA margin (%)</i>	<i>19.7</i>	<i>17.4</i>	<i>260bps</i>	<i>15.4</i>	<i>430bps</i>
Depreciation	180	171	5.4	125	43.5
EBIT	697	559	26.0	402	73.5
<i>EBIT margin (%)</i>	<i>15.7</i>	<i>13.4</i>	<i>259bps</i>	<i>11.7</i>	<i>392bps</i>
Interest cost	40	42	(2.2)	40	0.8
Other income	22	14	6.8	31	(29.6)
Exceptional item	-54	-148	NM	0	NM
PBT	625	384	62.4	393	59.0
Tax	-41	88	NM	87	NM
Profit after tax	666	297	124.1	306	117.9
Reported EPS	19.8	7.5	123.4	9.2	115.8
Adj. PAT	720	250	61.8	306	135.4
Adj. EPS	21.4	7.5	61.3	9.2	133.1

Source: Company, Axis Securities Research

Financials (Consolidated)
Profit & Loss
(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Net sales	9,179	12,051	16,403	19,630	22,409
Change(yoy,%)	14.5%	31.3%	36.1%	19.7%	14.2%
Operating expenses	7,751	10,357	13,467	15,833	18,056
EBITDA	1,428	1,694	2,936	3,797	4,352
Change (yoy,%)	12.4	18.6	73.4	29.3	14.6
Margin (%)	15.6	14.1	17.9	19.3	19.4
Depreciation	319	428	682	917	1,099
EBIT	1,109	1,266	2,254	2,880	3,253
Interest paid	126	135	168	185	214
Other income	50	165	73	79	90
Exceptional items	12	-	(226)	-	-
Pre-tax profit	1,045	1,296	1,933	2,774	3,128
Tax	209	333	258	666	751
Effective tax rate (%)	20	26	13	24	24
Net profit	836	963	1,675	2,108	2,378
EPS	25	27	46	58	66
Change(yoy,%)	12.2	6.9	73.9	25.9	12.8
Adjusted net profit	847	963	1,901	2,108	2,378
Adj.EPS	25	27	53	58	66
Dividend per sh	15	15	31	31	31
Dividend Payout (%)	61	57	67	53	47

Source: Company, Axis Securities Research

Balance Sheet
(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Share capital	62	67	67	67	67
Reserves & surplus	3,565	6,312	9,470	10,461	11,721
Shareholders funds	3,627	6,379	9,538	10,528	11,788
Total Debt	437	701	400	400	400
Other liabilities	509	1,375	1,415	1,415	1,415
Current Liabilities & prov.	1,532	2,780	3,669	4,019	4,319
Current liabilities	1,435	2,086	3,310	3,659	3,960
Provisions	0	0	76	76	76
Total liabilities	2,381	4,162	5,201	5,550	5,851
Total equity & liabilities	6,108	12,491	14,882	16,221	17,782
Net fixed assets	447	768	943	1,101	1,173
Investments	0	0	0	0	0
Other non-current assets	3,058	6,961	8,033	8,033	8,033
Current assets	2,603	4,762	5,906	7,088	8,576
Inventories	0	0	0	0	0
Sundry Debtors	1,804	2,577	3,970	4,817	5,499
Cash & Liquid	335	883	1,099	1,682	2,732
Other Current Assets	463	1,301	837	589	346
Total assets	6,108	12,491	14,881	16,221	17,782

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Pre tax	836	963	1,675	2,108	2,378
Depreciation	319	428	682	917	1,099
Change in working capital	(447)	(363)	(39)	(250)	(138)
Other operating activities	64	(30)	321	106	125
Cash flow from operations (a)	771	999	2,639	2,881	3,464
Capital expenditure	(55)	(404)	(848)	(150)	(150)
Change in investments	(427)	(3,903)	(1,072)	-	-
Other investing activities	50	165	73	79	90
Cash flow from investing (b)	(431)	(4,142)	(1,847)	(71)	(60)
Equity raised/(repaid)	1	5	0	-	-
Debt raised/(repaid)	75	532	150	-	-
Dividend (incl. tax)	(508)	(548)	(1,118)	(1,118)	(1,118)
Change in minorities	13	1,850	(1,807)	-	-
Other financing activities	(391)	(489)	(168)	(1,110)	(1,236)
Cash flow from financing (c)	(583)	3,683	(568)	(2,228)	(2,353)
Net change in cash (a+b+c)	(244)	539	225	583	1,050
Opening cash balance	579	335	883	1,099	1,682
Closing cash balance	335	875	1,108	1,682	2,732

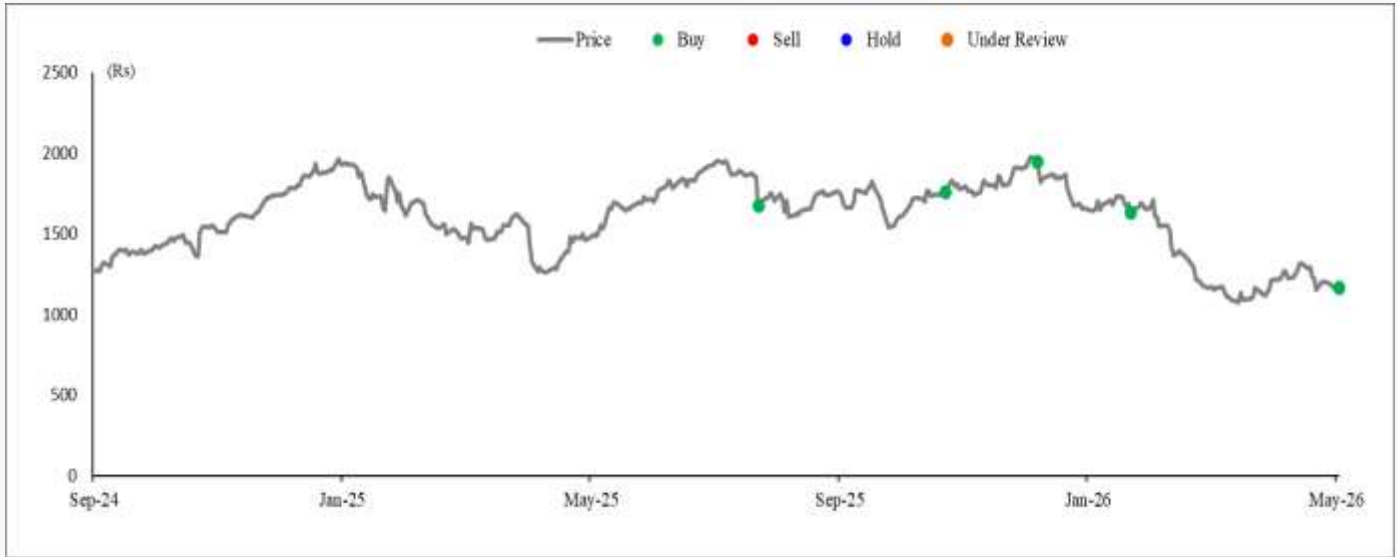
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Book Value (Rs)	108	177	265	292	327
Adj EPS (Rs)	25	27	53	58	66
Adj EPS growth (%)	17	17	16	16	14
EBITDA margin (%)	16	14	18	19	19
Pre-tax margin (%)	11	11	12	14	14
Debt/Equity (x)	0	0	0	0	0
ROCE (%)	22	15	17	19	20
ROE (%)	24.9	19	21	21	21
Financial leverage ratios					
Debt / Equity (x)	0	0	0	0	0
Interest Coverage (x)	11	13	17	21	20
Interest / Debt (%)	0	1	0	0	0
Working Capital & Liquidity Ratio					
Inventory days	0	0	0	0	0
Receivable days	71	78	88	88	88
Payable days	32	30	39	39	39
Valuation ratio					
PER (x)	47	44	25	20	18
Adjusted PER (x)	47	44	22	20	18
P/BV (x)	10.8	6.6	4.4	4.0	3.6
EV/EBITDA (x)	27.4	24.4	14.0	10.7	9.1
Market Cap. / Sales (x)	4.3	3.5	2.6	2.1	1.9

Source: Company, Axis Securities Research

Coforge Price Chart and Recommendation History



Date	Reco	TP	Research
24-Jul-25	BUY	1,870	Result Update
27-Oct-25	BUY	1,980	Result Update
9-Dec-25	BUY	2,300	Company Update
27-Jan-26	BUY	2,300	Result Update
20-Mar-26	BUY	1,800	Sector Update
06-May-26	BUY	1,690	Result Update

Source: Axis Securities Research

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