PICK OF THE WEEK

08th August, 2026

Coforge Ltd

Sector: IT Services

BUY

CMP	Target Price	Upside
1,776	1,955	10%

CMP as of 07th August, 2026 | Time horizon: 6-9 Months

Why Coforge Ltd.

- Strong Deal Pipeline and AI Capabilities Support Growth
- Margin Expansion Backed By Operational Efficiency
- Strategic Acquisitions Strengthen Growth Prospects

About the Company

Coforge Ltd is a global digital services and solutions company. It provides technology-led transformation services across key industries, including Banking, Financial Services & Insurance (BFSI), Travel, Transportation & Hospitality (TTH), Healthcare, and Hi-Tech. The company combines deep domain expertise with capabilities in cloud, enterprise applications, data & analytics, and AI-led platforms to help clients accelerate their digital transformation journey.

Investment Rationale

A. Strategic AI-Led Growth Focus

- Generative AI is most effective for accelerating software development and data lifecycle management. The company expects AI-driven legacy modernisation to become a significant growth opportunity over the next two to three years, especially in sectors with heavily customised software environments such as financial services and healthcare. In terms of new opportunities, an installed base of private data centers is expected to be established in the next five years, which will require a technology refresh to support AI workloads, although large-scale traction in this area is still at a nascent stage.

B. AI Investments Driving Delivery Efficiency

- Coforge continues to strengthen its AI capabilities with the launch of Nuuron, an AI platform that helps clients move from pilot projects to enterprise-scale AI adoption. The company now has over 11,000 AI and data professionals, eight AI platforms, 22 AI assets, and more than 100 reusable AI agents, backed by nearly $58 Mn of AI investments in FY26. Around 30% of active projects already leverage AI in delivery, improving productivity and execution, while outcome-based contracts now contribute 6–7% of overall revenue.

C. Encora Integration Delivering Synergy Benefits

- The Encora integration is progressing ahead of schedule, with all 45 legal entities successfully migrated to SAP S/4HANA from 1st May, creating a unified operating and reporting platform. G&A costs have been reduced by 40%, bringing Encora's margins in line with Coforge, while management expects its growth profile to converge with the core business from Q3FY27. Integration costs of $6.5 Mn were incurred in Q1, well within the planned $15 Mn budget, with only limited expenses remaining in Q2. Notably, one Encora client has already become a top-10 customer of the combined entity and is expected to generate over $50 Mn in annual revenue over the next 12–18 months.

Outlook & Valuation

- Management maintained its FY27 guidance of 20.5–21.0% EBITDA margin, 16.5–17.0% standalone EBIT margin, 15.5%+ consolidated EBIT margin, and FCF/PAT above 100%.
- We remain positive towards the company's long-term growth outlook over the coming quarters. We value the company at 26x FY28E EPS, reflecting a conservative approach despite its differentiated AI platform capabilities, accelerating synergy realisation from the Encora acquisition, strong balance sheet, healthy cash generation, and compelling long-term AI growth opportunity.

Analyst Insights

We recommend a **BUY** on the stock with a target price of Rs 1,955/share, implying an upside of ~10% from the CMP.

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Financial Summary

	FY26A	FY27E	FY28E
Net Sales (Rs Cr)	16,403	23,825	28,610
EBIT (Rs Cr)	2,254	3,658	4,530
Net Profit (Rs Cr)	1,675	2,737	3,352
EPS (Rs)	46	62	76
PER (x)	38.6	28.6	23.3
EV/EBITDA (x)	20.4	15.8	12.9
P/BV (x)	6.4	6.9	5.8
RoE (%)	21	27	28

Market Data

No. of Shares	34 Cr
Market Cap (Rs Cr)	78,618
52-week High	1,990
52-week Low	1,008
PER(x)	41
BSE Code	532541
NSE Code	COFORGE

Source: Axis Securities Research

About Pick of the Week

| Product Objective

The Pick of the Week (POW) is our flagship high-conviction weekly investment recommendation, designed to identify companies that offer an attractive combination of **earnings visibility, strong business fundamentals, reasonable valuations, and identifiable near-to-medium-term catalysts.** The objective is to provide investors with **timely, actionable, and high-conviction investment ideas** that can generate superior risk-adjusted returns while maintaining a disciplined investment approach.

| Why Pick of the Week?

Markets constantly create opportunities through earnings upgrades, valuation mismatches, sector rotation, policy developments, and company-specific catalysts. While hundreds of listed companies compete for investors' attention, only a select few offer the right balance of quality, growth, valuation, and timing.

Our **Pick of the Week** aims to simplify this selection process by identifying those companies where:

- Earnings visibility has materially improved.
- Business fundamentals continue to strengthen.
- Valuations remain attractive relative to growth prospects.
- Multiple positive catalysts are expected over the next few quarters.
- The risk-reward profile appears favourable versus peers and the broader market.

Each recommendation is therefore intended to represent one of our **highest-conviction investment ideas** available at that point in time.

| Investment Horizon

The recommended investment horizon for **Pick of the Week** ideas is **6–9 months**, allowing sufficient time for business fundamentals and identified catalysts to be reflected in stock prices. However, depending on market conditions, earnings announcements, or company-specific developments, some recommendations may achieve their target returns over a shorter period.

| Risk–Return Profile

Pick of the Week recommendations represent our **highest-conviction research ideas** and are selected based on an attractive balance between expected returns and investment risk.

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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Note: Returns stated in the rating scale are our internal benchmark.