

SELL**TP: Rs 1,457 | ▼ 25%****COFORGE**

| IT Services

| 09 December 2025

Execution and proactive deal creation the mantras

- No medium-term revenue goal indicated unlike in June 2023 when a US\$2bn goal was set. A minimum EBIT margin of 14% indicated
- Besides strength in Travel and BFSI, growth will come through focus on new Verticals (payer, Hi-tech and consumer) and new Geos
- We are cautious. Key worries - exposure to Sabre and GCCs which could drag growth. Retain Sell with TP of Rs1457 (21.9x Dec '27 EPS)

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No new revenue goal publicly articulated: Unlike in the investor meet in June 2023 when Coforge put out a target of achieving US\$2bn in revenue within 5 years after having achieved US\$1bn target in FY23, at the investor meet held in Mumbai on 8 December 2025, it did not put out any medium term revenue target. However, Coforge said that it would strive for a minimum of 14% EBIT margin (post all costs) from hereon. The intent of the meet was to showcase its capabilities in both Tech and in domains and strategies to drive growth.

Execution rigor and proactive deal creation seem key: Being close to the customer has resulted in better pipeline to TCV and then TCV to revenue conversion. So, while most of its peers also talk about proactive deal construction, Coforge seems to be fairly successful in having a big number of its large deals come from this effort. And conversion appears better. Healthcare (payers), public sector, Hitech, Consumer and retail and geographic expansion into US West coast, mid-west and ANZ are the likely growth drivers over the medium term. Cross sell to the Cigniti clients has headroom from our conversation with Preeti Singh, the US geo head and the person responsible for value extraction from the merger with Cigniti.

Tweak up margins post the meet: We have maintained our revenue estimates from post 2QFY26 levels, while we have tweaked up our EBIT margin estimates by 20-30bps leading to a ~2-3% EPS upgrade for FY27/FY28.

Maintain sell call: Our cautious view is based on discomfort with its current valuation (39x 12- month forward Bloomberg consensus EPS estimates) which we believe does not capture medium-term growth risks that come from its exposure to Sabre and its largish exposure to GCCs and generally heightened competitive intensity in the sector. Our TP is at Rs1457 (21.9x Dec '27 EPS). The target PE multiple is at 15% premium to that accorded to our sector benchmark, TCS. We believe the lack of growth across various industry players is leading to a crowding in of investor money into the very few that are showing good growth- currently.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	COFORGE IN/Rs 1,951
Market cap	US\$ 7.2bn
Free float	99%
3M ADV	US\$ 32.5mn
52wk high/low	Rs 2,005/Rs 1,194
Promoter/FPI/DII	0%/37%/52%

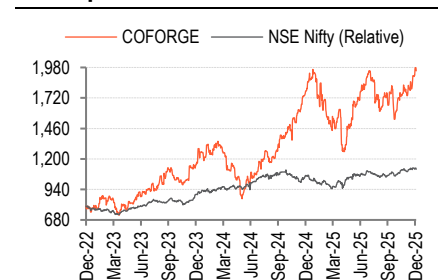
Source: NSE | Price as of 8 Dec 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,21,912	1,63,709	1,93,135
EBITDA (Rs mn)	18,332	29,788	35,806
Adj. net profit (Rs mn)	8,107	14,207	18,863
Adj. EPS (Rs)	24.5	43.5	56.2
Consensus EPS (Rs)	24.5	43.4	53.8
Adj. ROAE (%)	16.2	20.9	25.0
Adj. P/E (x)	79.8	44.8	34.7
EV/EBITDA (x)	35.7	22.0	18.3
Adj. EPS growth (%)	(6.9)	78.0	29.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



- **Unwilling to comment much on industry growth in 2026:** CEO, Sudhir Singh – in our interaction with him on the sidelines - was not willing to commit to saying that 2026 is going to be a better year. This is after 3 consecutive years of weak growth for the industry in 2023, 2024 and 2025. Mohit Joshi, CEO of Tech Mahindra, at its analyst meet recently had indicated that it saw a small pick up (~200bps) in growth rate in 2026 versus 2025. While Coforge's view was that customer spend in 2026 is unlikely to be lower than in 2025, its view was that for players like Coforge, which are executing well and proactively delivering solutions to its clients, customers are willing to be flexible with budgets. However, his view was that 'order takers' – those getting business through the RFP route - are facing significant pressure.
- Unlike in June 2023 when Coforge put out a medium-term target of achieving US\$2bn in revenue within 5 years after having achieved US\$1bn target in FY23, at the investor meet held in Mumbai on 8 December 2025, Coforge did not put out any medium revenue target in the public domain.
- Coforge is likely to hit US\$500m quarterly revenue run rate by 4QFY26 and TTM revenue run rate of US\$2bn by 2QFY27, based on our estimates
- We would like to highlight a few points as to why we are more cautious on the stock than the street and these we have been reiterating in our notes on Coforge
 - Risks from potential loss or weaker revenue from SABRE corporation (**a likely top 3 customer with revenue exposure of ~7-8% going** by current quarterly revenue number of Coforge and assuming straight line execution of the 13 year US\$1.56bn deal). Sabre which is in a bad financial situation as illustrated on page 8 of our 2QFY26 results note (**2Q inline. Tier-2 organic revenue growth leader in FY26**) has been making attempts to pare its debt through asset sales etc.
 - But going by the recent stock price action of Sabre (**it was down ~8% on 8 December 2025 and likely hit its life time low**) the US stock market seems unconvinced. **Sabre stock is already down ~60% in CYTD2025 and down ~95% from its all-time high.**
 - While we do not expect a bad debt problem on the Sabre front, as we believe Coforge has likely taken steps to protect itself, we believe a loss of the Sabre business or a material slowdown could dent its image of a high growth company leading to lowering of consensus revenue and earnings estimates and PE multiples accorded to it.
 - A key reason why multiples of Tier-2 stocks like Coforge and Persistent Systems have become elevated in recent years has been the weaker growth in its peer set and crowding of money into IT services stocks that are exhibiting strong growth. There is no room for any error in execution in our view at current valuation multiples for both of these companies.
 - We think it is unlikely that any of its Indian listed peers (both among Tier-1 and Tier-2) would have a financially fragile customer like Sabre corporation in its top 5.
 - We are also worried about Coforge's relatively high exposure to the GCC business – which based on its own admission constituted ~10% of its revenue in the not-too-distant past- which we believe is among the highest in its peer set.

- Insourcing has been a perennial problem for the Indian vendors in such circumstances and believe that will likely be so even for Coforge in the times ahead despite claims to the contrary.

Drivers of growth

- North America, Coforge's largest market is at ~60% of revenue compared to 80% at immediate peers (Mphasis, Persistent, Hexaware). Also, with in the USA, Coforge is largely an east coast player and wants to diversify its revenue base. Coforge currently works with only 16 out of 216 Fortune 1000 companies headquartered in West Coast, indicating room for expansion. Similarly, Australia and New Zealand are new areas to look at.
- Amongst verticals, while some were incubated about 3 years back like Healthcare and Public sector and have reached critical mass, new areas like Hi-Tech and consumer and retail will now be targeted.
- With in Healthcare the focus would be the largest segment- payers, whereas there are other segments like Med-tech, life sciences and providers to look at. While Coforge is a likely late entrant in the healthcare payer space, there seems to be fatigue with the incumbent players which are working with legacy platforms.

Fig 1 – Change in estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.4	89.3	91.1	87.1	89.3	91.1	0.4	-	-
USD Revenue (USD mn)	1,888	2,164	2,514	1,888	2,164	2,513	0.0	(0.0)	0.0
USD Revenue Growth (%)	28.6	14.6	16.2	28.6	14.6	16.1			
Revenue (Rsmn)	1,63,709	1,93,135	2,28,944	1,63,021	1,93,180	2,28,903	0.4	(0.0)	0.0
EBIT (Rsmn)	22,769	27,476	33,408	22,630	26,790	32,944	0.6	2.6	1.4
EBIT Margin (%)	13.9	14.2	14.6	13.9	13.9	14.4			
PAT (Rsmn)	14,207	18,863	23,553	14,100	18,331	23,176	0.8	2.9	1.6
EPS (Rs)	43.5	56.2	70.2	43.2	54.6	69.1	0.7	2.9	1.6

Source: Company, BOBCAPS Research

Fig 2 – Variance between our numbers and consensus (as of 8 December 2025)

	Consensus			BOBCAPS			BOBCAPS/Consensus (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (Rsmn)	1,61,669	1,89,576	2,18,839	1,63,709	1,93,135	2,28,944	101	102	105
EBIT (Rsmn)	22,006	26,445	30,952	22,769	27,476	33,408	103	104	108
PAT (Rsmn)	14,811	18,492	22,039	14,207	18,863	23,553	96	102	107
EPS (Rs)	43.4	53.8	64.1	43.5	56.2	70.2	100	104	110
EBIT Margin (%)	13.6	13.9	14.1	13.9	14.2	14.6			

Source: Company, BOBCAPS Research

Fig 3 – Summary P&L

(YE March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.3	60.5	61.2	64.4	67.0	64.5	70.2	70.5	74.2	74.2	80.0	82.8	84.5	87.4	89.3	91.1
Net sales (US\$mn)	373	381	388	416	417	464	523	593	628	867	1,002	1,119	1,468	1,888	2,164	2,514
-Growth (%)		2.3	1.8	7.3	0.2	11.2	12.8	13.4	5.8	38.0	15.6	11.7	31.2	28.6	14.6	16.2
Net Sales	20,213	23,050	23,724	26,824	27,958	29,914	36,762	41,839	46,628	64,320	80,146	91,790	1,21,912	1,63,709	1,93,135	2,28,944
-Growth (%)		28.2	14.0	2.9	13.1	4.2	7.0	22.9	13.8	11.4	37.9	24.6	14.5	32.8	34.3	18.0
Direct cost	13,159	15,167	15,655	16,896	17,815	19,179	23,907	27,528	31,693	43,736	54,059	61,948	81,435	1,07,707	1,27,539	1,51,469
Gross Profit	7,054	7,883	8,069	9,928	10,143	10,735	12,855	14,311	14,935	20,584	26,087	29,842	40,477	56,002	65,595	77,475
Gross Margin (%)	34.9	34.2	34.0	37.0	36.3	35.9	35.0	34.2	32.0	32.0	32.5	32.5	33.2	34.2	34.0	33.8
SGA Expenses	3759	4368	4613	5195	5284	5723	6402	7096	6544	8527	11438	13725	18874	24163	28081	32484
% of sales	18.6	19.0	19.4	19.4	18.9	19.1	17.4	17.0	14.0	13.3	14.3	15.0	15.5	14.8	14.5	14.2
Acquisition Related Expenses	-	-	-	-	-	-	-	-	46	269	9	96	1,534	43	-	-
Cost of ESOPs	-	-	-	-	-	-	-	17	481	633	587	1,061	1,737	2,008	1,709	1,709
EBITDA	3,295	3,515	3,456	4,733	4,859	5,012	6,453	7,198	7,864	11,155	14,053	14,960	18,332	29,788	35,806	43,282
% of sales	16.3	15.2	14.6	17.6	17.4	16.8	17.6	17.2	16.9	17.3	17.5	16.3	15.0	18.2	18.5	18.9
Depreciation & Amortisation	567	619	916	1101	1150	1273	1248	1730	1836	2272	2585	3186	4580	7062	8330	9874
% of sales	2.8	2.7	3.9	4.1	4.1	4.3	3.4	4.1	3.9	3.5	3.2	3.5	3.8	4.3	4.3	4.3
EBIT	2728	2896	2540	3632	3709	3739	5205	5468	6028	8883	11468	11774	13752	22726	27476	33408
% of sales	13.5	12.6	10.7	13.5	13.3	12.5	14.2	13.1	12.9	13.8	14.3	12.8	11.3	13.9	14.2	14.6
Other income (net)	207	288	18	183	187	298	476	558	113	-266	-630	-1,156	-1,072	-503	-122	101
Exceptional Items	-	-	800	13	221	-	56	71	180	-	1,326	165	132	706	-	-
PBT	2,935	3,184	1,758	3,802	3,675	4,037	5,625	5,955	5,961	8,617	9,512	10,453	12,548	21,517	27,355	33,509
-PBT margin (%)	14.5	13.8	7.4	14.2	13.1	13.5	15.3	14.2	12.8	13.4	11.9	11.4	10.3	13.1	14.2	14.6
Provision for tax	750	803	540	831	820	950	1,404	1,278	1,302	1,468	2,061	2,093	3,201	5,432	6,508	7,972
Effective tax rate (%)	25.6	25.2	30.7	21.9	22.3	23.5	25.0	21.5	21.8	17.0	21.7	20.0	25.5	25.2	23.8	23.8
Net profit	2,185	2,381	1,218	2,971	2,855	3,087	4,221	4,677	4,659	7,149	7,451	8,360	9,347	16,085	20,847	25,537
Minority Interest & share of profit/(loss) of associate	52	76	79	170	220	285	188	236	104	530	513	276	1,240	1,878	1,984	1,984
Net reported profit	2,133	2,305	1,139	2,801	2,635	2,802	4,033	4,441	4,555	6,619	6,938	8,084	8,107	14,207	18,863	23,553
-Growth (%)	8.2	8.1	-50.6	145.9	-5.9	6.3	43.9	10.1	2.6	45.3	4.8	16.5	0.3	75.2	32.8	24.9
-Net profit margin (%)	10.6	10.0	4.8	10.4	9.4	9.4	11.0	10.6	9.8	10.3	8.7	8.8	6.6	8.7	9.8	10.3

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	91,790	1,21,912	1,63,709	1,93,135	2,28,944
EBITDA	14,960	18,332	29,788	35,806	43,282
Depreciation	3,186	4,580	7,062	8,330	9,874
EBIT	11,774	13,752	22,726	27,476	33,408
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(1,156)	(1,072)	(503)	(122)	101
Exceptional items	165	132	706	0	0
EBT	10,453	12,548	21,517	27,355	33,509
Income taxes	2,093	3,201	5,432	6,508	7,972
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	276	1,240	1,878	1,984	1,984
Reported net profit	8,084	8,107	14,207	18,863	23,553
Adjustments	0	0	0	0	0
Adjusted net profit	8,084	8,107	14,207	18,863	23,553

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	15,315	27,800	30,973	35,544	43,165
Provisions	1,304	1,743	2,017	2,017	2,017
Debt funds	4,153	3,502	6,021	5,221	4,421
Other liabilities	4,039	28,070	29,965	30,298	30,880
Equity capital	618	669	669	669	669
Reserves & surplus	35,648	63,123	71,277	78,396	88,527
Shareholders' fund	36,266	63,792	71,946	79,065	89,196
Total liab. and equities	61,077	1,24,907	1,40,923	1,52,144	1,69,679
Cash and cash eq.	3,352	8,832	7,136	11,226	15,860
Accounts receivables	18,039	25,771	34,993	40,158	48,768
Inventories	0	0	0	0	0
Other current assets	4,634	11,555	8,796	10,094	12,258
Investments	0	1,457	0	0	0
Net fixed assets	4,470	7,682	11,668	12,339	14,464
CWIP	232	24	174	174	174
Intangible assets	16,133	49,726	55,080	55,080	55,080
Deferred tax assets, net	5,583	5,470	6,155	6,155	6,155
Other assets	8,634	14,390	16,920	16,920	16,920
Total assets	61,077	1,24,907	1,40,923	1,52,144	1,69,679

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	7,333	11,968	22,063	27,285	32,258
Capital expenditures	(3,783)	(41,804)	(16,412)	(9,000)	(12,000)
Change in investments	0	1,457	(1,457)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(3,783)	(40,347)	(17,869)	(9,000)	(12,000)
Equities issued/Others	0	22,400	0	0	0
Debt raised/repaid	380	(651)	2,519	(800)	(800)
Interest expenses	0	0	0	0	0
Dividends paid	(4,673)	(5,019)	(8,047)	(11,744)	(13,421)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,293)	16,730	(5,528)	(12,544)	(14,221)
Chg in cash & cash eq.	(2,435)	5,480	(1,696)	4,090	4,635
Closing cash & cash eq.	3,352	8,832	7,136	11,226	15,860

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.3	24.5	43.5	56.2	70.2
Adjusted EPS	26.3	24.5	43.5	56.2	70.2
Dividend per share	15.2	15.2	24.0	35.0	40.0
Book value per share	117.3	190.5	215.4	235.6	265.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	7.1	5.4	4.0	3.4	2.9
EV/EBITDA	43.6	35.7	22.0	18.3	15.3
Adjusted P/E	74.3	79.8	44.8	34.7	27.8
P/BV	16.6	10.2	9.1	8.3	7.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.3	63.9	63.9	69.0	70.3
Interest burden (PBT/EBIT)	88.1	83.0	97.6	99.6	100.3
EBIT margin (EBIT/Revenue)	12.9	12.5	13.9	14.2	14.6
Asset turnover (Rev./Avg TA)	215.5	170.7	158.1	170.5	188.3
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.5	1.5	1.4
Adjusted ROAE	24.1	16.2	20.9	25.0	28.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.5	32.8	34.3	18.0	18.5
EBITDA	6.5	22.5	62.5	20.2	20.9
Adjusted EPS	15.5	(6.9)	78.0	29.1	24.9
Profitability & Return ratios (%)					
EBITDA margin	16.3	15.0	18.2	18.5	18.9
EBIT margin	12.8	11.3	13.9	14.2	14.6
Adjusted profit margin	8.8	6.6	8.7	9.8	10.3
Adjusted ROAE	24.1	16.2	20.9	25.0	28.0
ROCE	22.3	16.0	16.6	18.5	20.9

Working capital days (days)

Receivables	72	77	78	76	78
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	20.5	15.9	14.0	15.7	15.8
Current ratio	1.7	1.7	1.6	1.7	1.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	(0.1)	0.0	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

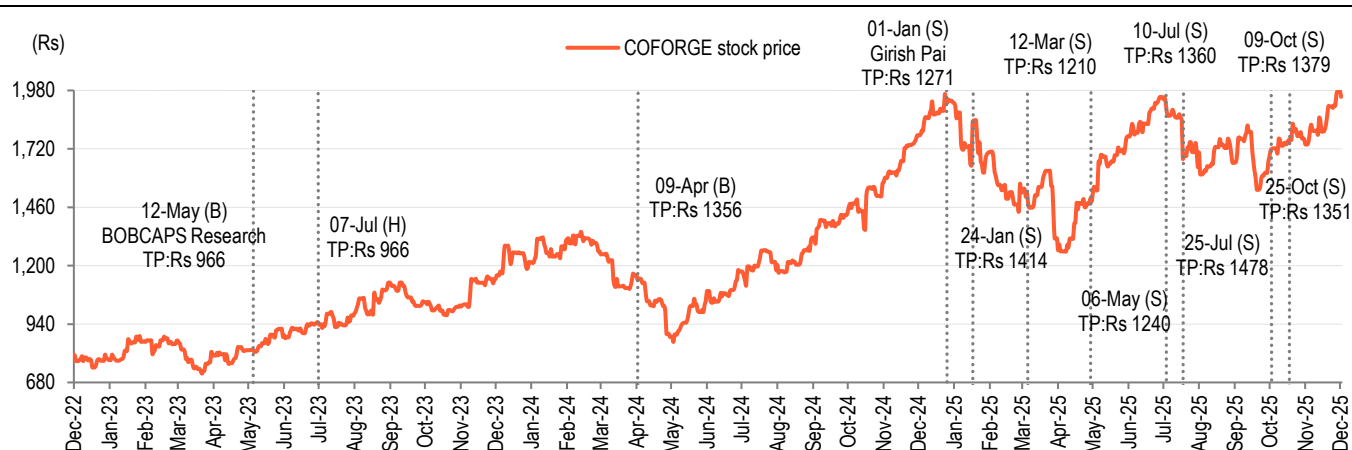
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): COFORGE (COFORGE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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