RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD

TP: Rs 1,300 | ▲ 11%

COFORGE | IT Services | 06 May 2026

Likely in leaders quadrant on FY27 organic growth

- **4Q weaker on revenue but better on margins. FY26 showed strong organic growth of ~25%. Expect organic growth of ~13% in FY27**

  Management guides EBIT margin of 15.5% in FY27 (14.4% in FY26) and FCF to improve to 100% of PAT in FY27 earlier guide of 70-80%

- **Raise FY28/FY29 EPS on margin uplift. Maintain Target multiple at 16.8x and rating at HOLD**

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Strong organic growth in FY26: The 2% QoQ CC growth in 4Q was weaker than the 3.6% that we estimated. EBIT margin (ex-forex hedges) at 16.6% bettered estimate of 14.4% on lower-than-expected SGA and better gross margins on AI benefits. FY26 USD revenue growth was strong at 29.2%. We believe organic growth was ~25%, the highest among Indian Tier-2 companies. Growth in FY26 for Coforge was driven by the Sabre deal (estimate ~900bps YoY) and strong cross sell into the Cigniti client base (a big surprise from an execution perspective). BFS growth was subpar in FY26 due to a client specific issue. Which seems sorted out.

Expect FY27 USD revenue growth at ~45% of which ~13% will be organic. Should be in the leader's quadrant on growth but we are cautious on stock: Encora is being consolidated for 11 months of FY27. We have had a negative opinion about the Encora deal (**An expensive buy**) as (1) Encora at 4x Sales, 21x EBITDA on FY26E was an expensive buy for weaker organic revenue growth of 7-8% (FY24-FY26E). (2) 50%/100% of the equity held by investors in Encora (~21.5% post transaction) can come to market at 6/12-month intervals from deal closure. This is post sell down by Barings of its entire 70% stake and a QIP post the Cigniti deal (3) While the deal may be EPS-accretive, it is significantly return-dilutive. Post tax ROIC is falling by ~15 ppt from~ 25% in FY24 (before Cigniti buy) to ~10% level in FY28 (4) Assumption of 13–14-year amortization of intangible asset for client relationships (hence higher EBIT margin) seems optimistic. Vendor consolidation is a key theme playing out in the market now

EPS estimate for FY28/FY29 raised due to better margin guidance. Retain multiple and HOLD rating: We raise estimates as Coforge says it has lifted EBIT margin on a structural basis on lower SGA and better gross margin (benefits of AI on both). Post steep stock price cut we raised rating from SELL to HOLD through our 6 April 2026 note (**Narrative of FY27 set for its first test**). We maintain our target PE multiple at 16.8x (same as that given to our sector benchmark TCS). Besides the issues pertaining to Encora, we are also wary of Sabre and GCC related risks. On the AI front, we cannot make out the difference in Coforge's strategy from that of its peers. Effectiveness will be determined by extent of organic growth going forward.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	COFORGE IN/Rs 1,169
Market cap	US$ 4.1bn
Free float	100%
3M ADV	US$ 45.7mn
52wk high/low	Rs 1,994/Rs 1,008
Promoter/FPI/DII	0%/23%/44%

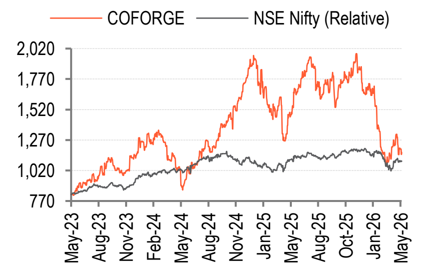
Source: NSE | Price as of 5 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	163,562	255,009	297,461
EBITDA (Rs mn)	30,585	50,309	56,140
Adj. net profit (Rs mn)	14,899	26,960	33,297
Adj. EPS (Rs)	44.3	62.7	77.4
Consensus EPS (Rs)	44.3	54.0	64.6
Adj. ROAE (%)	18.7	14.2	11.3
Adj. P/E (x)	26.4	18.7	15.1
EV/EBITDA (x)	13.0	7.7	6.8
Adj. EPS growth (%)	81.1	41.5	23.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

4QFY26

- Revenue stood at US$489.1mn, growing 2% (against our estimate of 3.6%) QoQ and 28.7% YoY on a CC basis
- EBIT Margin stood at 16.6% (beating our estimate of 14.4%), up 231 bps QoQ and 306 bps YoY
    - QoQ growth tailwinds: SG&A leverage contributed 100 bps; Forex movement contributed 80 bps; Direct cost reduction from third-party costs contributed 50 bps; Lower marketing spend contributed 40 bps; Lower ESOP cost contributed 20 bps
    - QoQ growth headwind: Provision for doubtful debts created a headwind of 60 bps
    - 4Q EBIT margin expansion characterized as a structural reset driven by automation and AI-led interventions along with strategy to hold G&A costs constant in absolute terms enabled by AI
    - Believe the EBIT margin in 4Q and FY26 has seen an uplift also from the reclassification of hedge losses/gains from the revenue line to 'other income' line.
- Order Intake: US$640mn (9.3% growth QoQ and 69.5% decline YoY); five large deals signed in the quarter
- Executable Order Book over next twelve months: at US$1.75 bn, a 2% QoQ growth and 16.4% YoY growth
    - Material framework agreements already signed with additional larger agreements in near-final stages of closure. Framework agreements defined as contracts without specified value in MSA and hence excluded from reported order executable
- Headcount stood at 35,777, net addition of 436 sequentially; LTM attrition rate stood at 10.8%
- Deferred tax reversal credited to provision for tax in 4Q FY26 resulting in reported effective tax rate of negative 7% for the quarter. Normalized effective tax rate for the quarter at 22% excluding one-time deferred tax adjustment

FY26

- Revenue stood at US$1,870.3mn, up 29.2% YoY in USD terms. FY26 had one extra quarter of Cigniti as it was consolidated from 2QFY25. Our estimate is that Coforge delivered organic growth of ~25% in FY26 with a very large part of it coming from (1) execution of the Sabre deal (2) cross sell to Cigniti's clients which were only buying Testing services from it.
- EBIT Margin stood at 14.4%, growing by 370 bps YoY

- Reported effective tax rate for FY26 at 13% versus normalized effective tax rate of 23%

FY27 Guidance

- CEO stated that revenue growth would be robust without giving a specific number. However in his opening remarks he commented that he expected his 10th year of CEOship should lead to Coforge delivering a revenue near about US$2.8bn (as he said it would be 7x that of the US$400mn number when he had joined the company). We have in this report assumed that Coforge would hit a revenue of US$2716mn.
- FY27 EBITDA margin guidance at 20.5%–21% on consolidated basis including Encora
- FY27 EBITDA margin guidance at 16.5%–17% on standalone basis excluding Encora
- FY27 EBIT margin guidance at 15.5% on consolidated basis including Encora
- Steady-state effective tax rate guidance for FY27 indicated at 23%–24%
- Guidance for FCF to PAT ratio at 100% from FY27 onwards versus earlier guidance of 70%–80%
- Expected G&A synergies of 20%–25% in combined business driven by Encora acquisition
- Planned closure of US$20mn low-margin portfolio in India business contributing to margin improvement
- Discontinuation of India low-margin business expected to result in revenue impact of ~US$15–20 mn in 1Q as pass-through. Revenue decline from discontinued business expected to be offset by contribution from new deal wins and existing order book. Net impact expected to result in flat QoQ revenue in 1Q on reported basis
- Growth expected to accelerate sharply from 2QFY27 onwards
- Broad-based strength expected across travel, healthcare, banking, insurance, public sector, and high-tech verticals in FY27

Other Points

- Revenue growth confidence supported by balanced portfolio across travel, healthcare, banking, and insurance rather than dependence on a single vertical
- FCF to PAT guidance increased from earlier 70%–80% to 100%+ driven by improved execution rigor. Key drivers include tighter collections processes, better management of payables, and improved contract structuring
- Starting in FY27, management expects to retain revenue growth leadership while emerging as one of the highest EBITDA and EBIT performers across the mid-cap segment

- EBIT margin guidance for FY27 positioned as minimum threshold with expectation of further improvement in FY28
- Near-term outlook for travel vertical remains strong with no visible slowdown despite ongoing geopolitical concerns and crude price volatility.
  - Impact from Spirit Airlines indicated as negligible with budgeted contribution of ~10 bps to FY27 revenue
- Hi-tech business within Encora expected to grow from 1Q onwards with strong momentum through FY27
- Banking vertical growth slowdown in FY26 attributed to one large (in the top three) client-specific issue. Issue not related to GCC or captive expansion trends. Issue apparently sorted out.
  - Management expects stronger banking growth in FY27
- ESOP cost expected to remain stable at ~0.7%-0.9% of revenue
  - No expected increase in ESOP costs despite integration of Encora leadership

- AI-driven disruption creating new value pools similar to cloud transition phase
  - Emerging client requirements include AI-ready data pipelines, agent lifecycle management, and recurring high-margin managed services for monitoring models and governing agents
  - Six strategic moats identified for capturing AI opportunity, with proprietary assets built across each
    - Deep domain expertise
    - Strong client intimacy, emphasizing importance of trust and business context
    - Reinvented delivery models combining human expertise with AI agents through hybrid AI Mod Squads. Mod Squads structured as delivery units of AI agents and senior AI specialists delivering 40%–50% faster time-to-market for clients
    - Agility at scale through AI-first offerings, internal adoption of agentic AI, and lean talent pool
    - Scalable AI platform with purpose-built agents, enterprise-grade governance
    - AI-enabled workforce
  - Five emerging opportunities across growth vectors or value pools:
    - Mod Squad monetization;
    - Upstream advisory;
    - Brownfield modernization;
    - AI-led engineering transformation;
    - Agentic AI platform-ready opportunity

- AI embedded across SDLC and internal operations
  - Development productivity improvements of 25%–35%, code generation productivity gains of 40%–60% and modernization timelines accelerated by up to 10x
- Industry outlook indicated as structurally positive for tech services driven by AI adoption. Client environments characterized by application entanglement creating significant opportunity for brownfield modernization and migration. Agentic AI systems require integration with existing enterprise systems creating incremental opportunity. Responsible AI and governance highlighted as non-negotiable requirement especially in regulated industries
- AI-led systems expected to create large recurring managed services opportunity including monitoring models, retraining agents, and ensuring governance. Managed services layer positioned as recurring high-margin revenue pool
- Four strategic priorities outlined for execution
  - Building pipeline momentum in AI transformation deals across key verticals;
  - Expanding AI client base through new client acquisition and deeper penetration within existing clients;
  - Scaling vertical-specific agent workflows across industries such as banking, insurance, and airlines;
  - Continued investment in talent

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

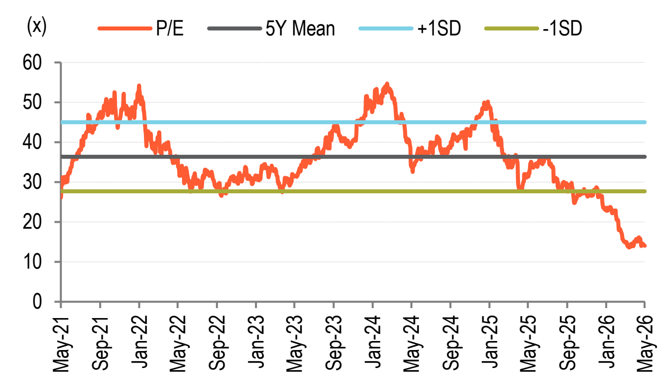
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsmn)	4QFY25	3QFY26	4QFY26	YoY(%)	QoQ (%)	4QFY26E	Dev(%)
Net Sales (USD mn)	**403.5**	**480.9**	**489.1**	**21.2**	**1.7**	**496.3**	**(1.5)**
Net Sales	**34,222**	**42,315**	**44,504**	**30.0**	**5.2**	**45,416**	**(2.0)**
Direct Cost	22,483	28,112	29,204	29.9	3.9	30,038	(2.8)
Gross Profit	11,739	14,203	15,300	30.3	7.7	15,377	(0.5)
% of Sales	34.3	33.6	34.4			33.9	
SG&A	5,252	6,023	5,751	9.5	(4.5)	6,539	(12.1)
% of Sales	15.3	14.2	12.9			14.4	
EBITDA	6,487	8,180	9,549	47.2	16.7	8,838	8.0
EBITDA Margin (%)	19.0	19.3	21.5			19.5	
Depreciation	1,254	1,708	1,800	43.5	5.4	1,852	(2.8)
Cost of ESOPs	616	444	381	(38.1)	(14.2)	444	(14.2)
ESOP Cost (%age of sales)	1.80	1.05	0.86			0.98	
EBIT	**4,617**	**6,028**	**7,368**	**59.6**	**22.2**	**6,542**	**12.6**
EBIT Margin	**13.5**	**14.2**	**16.6**	**306**	**231**	**14.4**	
Other Income	(262)	(276)	(582)			2	
Acquisition Related Expenses	422	-	-			-	
Exceptional Items	-	1,476	536			-	
Profit Before Tax	3,933	5,752	6,786	72.5	18.0	6,544	3.7
Provision for Taxation - Current & Deferred	874	1,177	(447)			1,490	
Effective Tax Rate	22.2	20.5	(6.6)			22.8	
Adjusted Net Profit	3,059	4,575	7,233	136.5	58.1	5,053	43.1
Minority Share of Net Profit	461	465	539			465	
Adjusted PAT attributable to equity shareholders after Minority Interest	2,598	4,110	6,694	157.7	62.9	4,588	45.9
Margin (%)	7.6	9.7	15.0			10.1	
Exceptional Item adjusted for taxes	-	1,174.0	571.3			-	
Reported PAT	**2,598**	**2,936**	**6,123**			**4,588**	
Margin (%)	**7.6**	**6.9**	**13.8**			**10.1**	

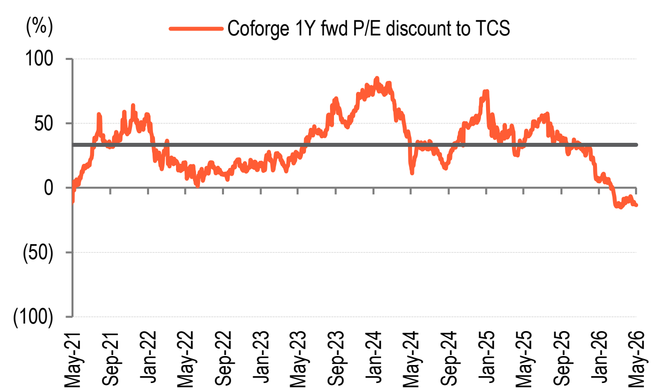
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			% Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	93.9	94.9	95.9	93.9	94.9	95.9	-	-	-
USD Revenue (USD mn)	2,716	3,135	3,572	2,643	3,129	3,570	2.7	0.2	0.0
USD Revenue Growth (%)	44.9	15.4	13.9	40.7	18.4	14.1			
Revenue (Rsmn)	255,009	297,461	342,516	248,238	296,880	342,352	2.7	0.2	0.0
EBIT (Rsmn)	39,471	45,729	52,416	35,234	43,416	50,559	12.0	5.3	3.7
EBIT Margin (%)	15.5	15.4	15.3	14.2	14.6	14.8			
PAT (Rsmn)	26,960	33,297	39,327	24,473	30,249	36,047	10.2	10.1	9.1
EPS (Rs)	62.7	77.4	91.4	60.5	70.8	84.3	3.6	9.4	8.4

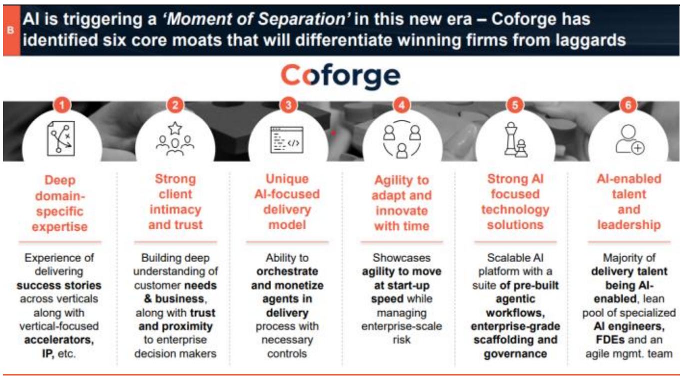
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	61.2	64.4	67.0	64.5	70.2	70.5	74.2	74.2	80.0	82.8	84.5	88.3	93.9	94.9	95.9
Net sales (US$mn)	**388**	**416**	**417**	**464**	**523**	**593**	**628**	**867**	**1,002**	**1,119**	**1,461**	**1,875**	**2,716**	**3,135**	**3,572**
-Growth (%)	**1.8**	**7.3**	**0.2**	**11.2**	**12.8**	**13.4**	**5.8**	**38.0**	**15.6**	**11.7**	**30.6**	**28.3**	**44.9**	**15.4**	**13.9**
Net Sales	23,724	26,824	27,958	29,914	36,762	41,839	46,628	64,320	80,146	91,790	122,035	163,562	255,009	297,461	342,516
-Growth (%)	2.9	13.1	4.2	7.0	22.9	13.8	11.4	37.9	24.6	14.5	33.0	34.0	55.9	16.6	15.1
Direct cost	15,655	16,896	17,815	19,179	23,907	27,528	31,693	43,736	54,059	61,948	81,447	107,923	170,834	200,020	229,695
Gross Profit	8,069	9,928	10,143	10,735	12,855	14,311	14,935	20,584	26,087	29,842	40,588	55,639	84,176	97,441	112,821
Gross Margin (%)	34.0	37.0	36.3	35.9	35.0	34.2	32.0	32.0	32.5	32.5	33.3	34.0	33.0	32.8	32.9
SGA Expenses	4613	5195	5284	5723	6402	7096	6544	8527	11438	13725	18862	23032	31571	38624	45335
% of sales	19.4	19.4	18.9	19.1	17.4	17.0	14.0	13.3	14.3	15.0	15.5	14.1	12.4	13.0	13.2
Acquisition Related Expenses	-	-	-	-	-	-	46	269	9	96	1,738	43	-	-	-
Cost of ESOPs	-	-	-	-	-	17	481	633	587	1,061	1,737	1,979	2,295	2,677	3,083
EBITDA	3,456	4,733	4,859	5,012	6,453	7,198	7,864	11,155	14,053	14,960	18,251	30,585	50,309	56,140	64,404
% of sales	14.6	17.6	17.4	16.8	17.6	17.2	16.9	17.3	17.5	16.3	15.0	18.7	19.7	18.9	18.8
Depreciation & Amortisation	916	1101	1150	1273	1248	1730	1836	2272	2585	3186	4580	6819	10838	10411	11988
% of sales	3.9	4.1	4.1	4.3	3.4	4.1	3.9	3.5	3.2	3.5	3.8	4.2	4.3	3.5	3.5
EBIT	**2540**	**3632**	**3709**	**3739**	**5205**	**5468**	**6028**	**8883**	**11468**	**11774**	**13671**	**23766**	**39471**	**45729**	**52416**
% of sales	**10.7**	**13.5**	**13.3**	**12.5**	**14.2**	**13.1**	**12.9**	**13.8**	**14.3**	**12.8**	**11.2**	**14.5**	**15.5**	**15.4**	**15.3**
Other income (net)	18	183	187	298	476	558	113	(266)	(630)	(1,156)	(1,034)	(1,286)	(3,339)	(1,259)	(13)
Exceptional Items	800	13	221	-	56	71	180	-	1,326	165	89	2,718	-	-	-
PBT	1,758	3,802	3,675	4,037	5,625	5,955	5,961	8,617	9,512	10,453	12,548	19,762	36,132	44,469	52,403
-PBT margin (%)	7.4	14.2	13.1	13.5	15.3	14.2	12.8	13.4	11.9	11.4	10.3	12.1	14.2	14.9	15.3
Provision for tax	540	831	820	950	1,404	1,278	1,302	1,468	2,061	2,093	3,201	2,973	8,672	10,673	12,577
Effective tax rate (%)	30.7	21.9	22.3	23.5	25.0	21.5	21.8	17.0	21.7	20.0	25.5	15.0	24.0	24.0	24.0
Net profit	1,218	2,971	2,855	3,087	4,221	4,677	4,659	7,149	7,451	8,360	9,347	16,789	27,460	33,797	39,827
Minority Interest & share of profit/(loss) of associate	79	170	220	285	188	236	104	530	513	276	1,240	1,890	500	500	500
Net reported profit	**1,139**	**2,801**	**2,635**	**2,802**	**4,033**	**4,441**	**4,555**	**6,619**	**6,938**	**8,084**	**8,107**	**14,899**	**26,960**	**33,297**	**39,327**
-Growth (%)	**-50.6**	**145.9**	**-5.9**	**6.3**	**43.9**	**10.1**	**2.6**	**45.3**	**4.8**	**16.5**	**0.3**	**83.8**	**81.0**	**23.5**	**18.1**
-Net profit margin (%)	**4.8**	**10.4**	**9.4**	**9.4**	**11.0**	**10.6**	**9.8**	**10.3**	**8.7**	**8.8**	**6.6**	**9.1**	**10.6**	**11.2**	**11.5**

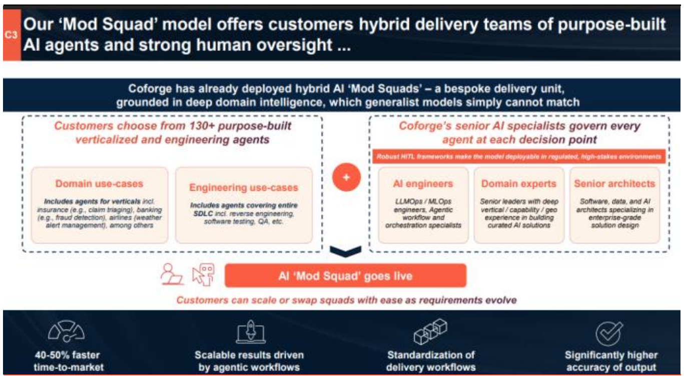
Source: Company, BOBCAPS Research

Fig 6 – 6 core moats identified



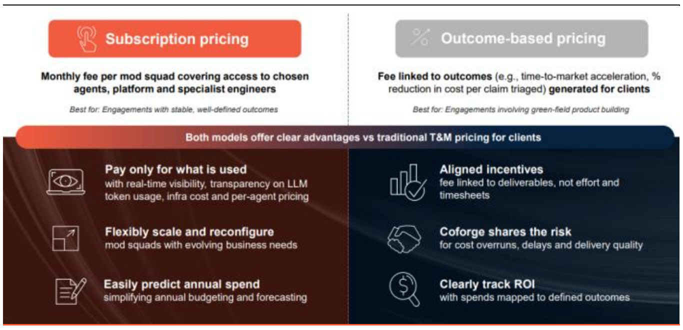
Source: Company, BOBCAPS Research

Fig 7 – 'Mod Squad' Model



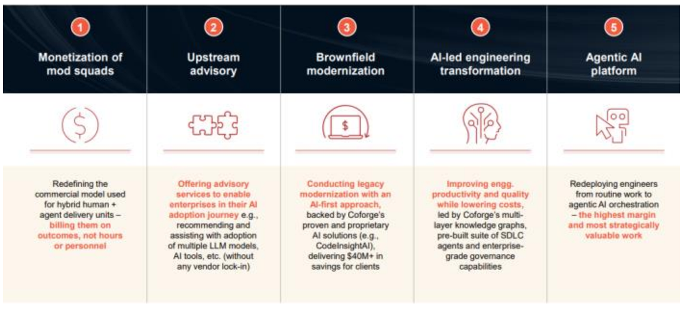
Source: Company, BOBCAPS Research

Fig 8 – Flexibility of choosing from pricing models



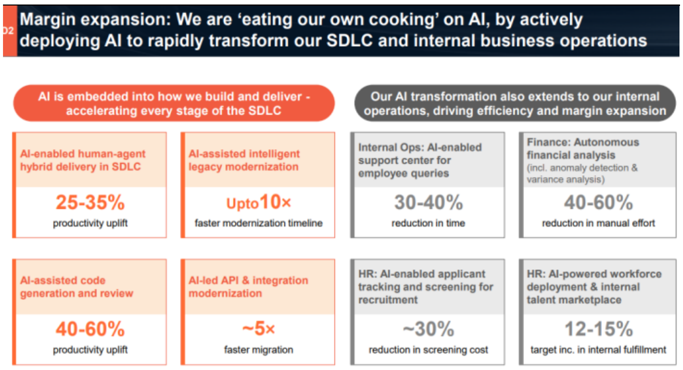
Source: Company, BOBCAPS Research

Fig 9 – Capturing and delivering on AI-first opportunities across 5 core levers



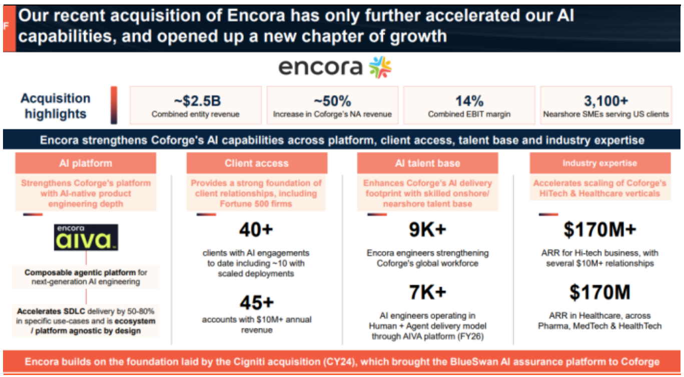
Source: Company, BOBCAPS Research

Fig 10 – Deploying AI to transform SDLC and internal business operations



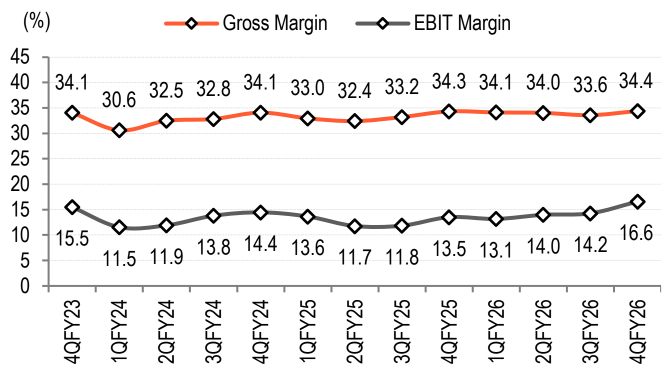
Source: Company, BOBCAPS Research

Fig 11 – Encora



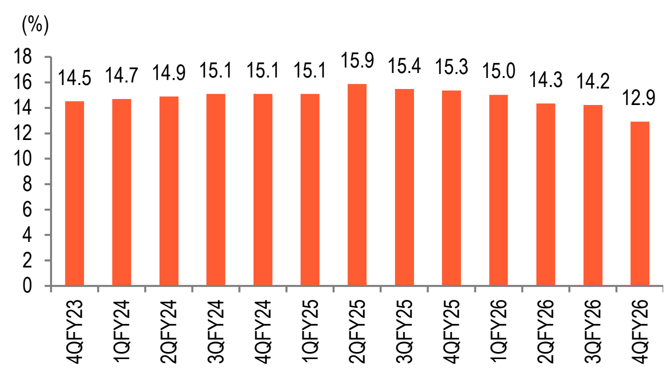
Source: Company, BOBCAPS Research

Fig 12 – Gross Margin and EBIT Margin



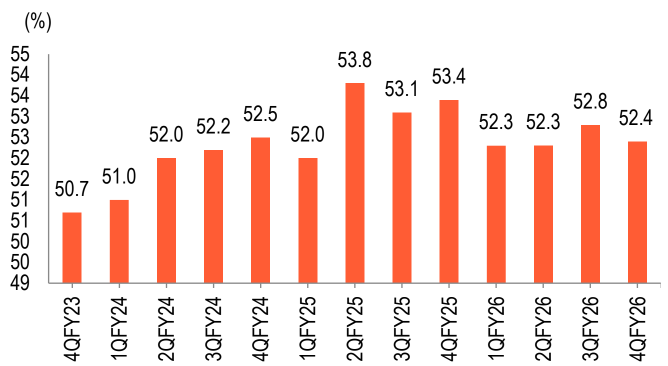
Source: Company, BOBCAPS Research

Fig 13 – SGA as % of sales



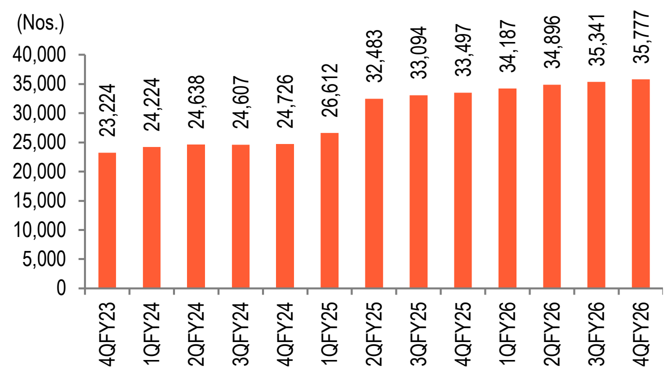
Source: Company, BOBCAPS Research

Fig 14 – Offshore contribution to revenue



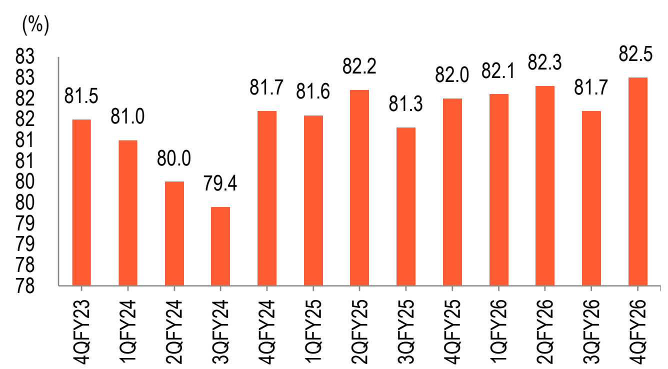
Source: Company, BOBCAPS Research

Fig 15 – Total No. of Employees



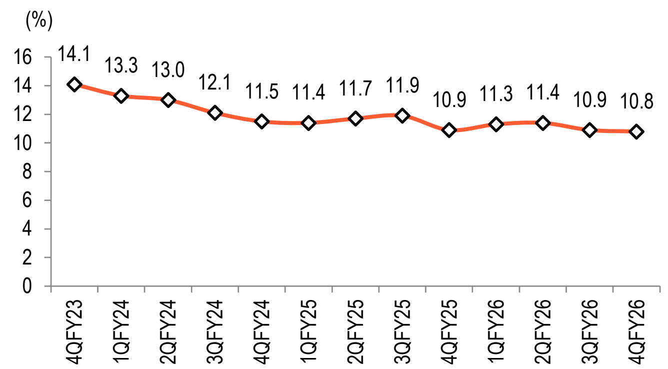
Source: Company, BOBCAPS Research

Fig 16 – IT Utilization (%) (including trainees)



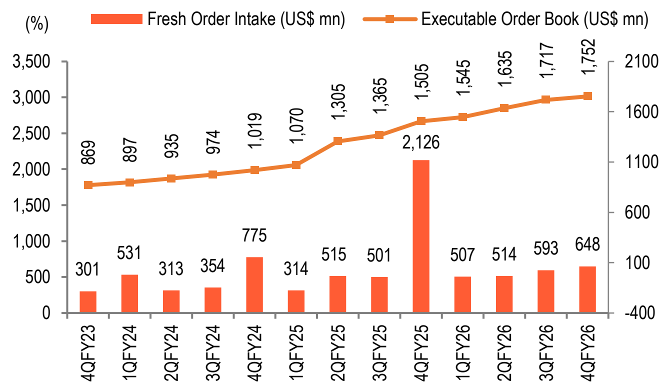
Source: Company, BOBCAPS Research

Fig 17 – TTM Attrition (%) Ex BPO



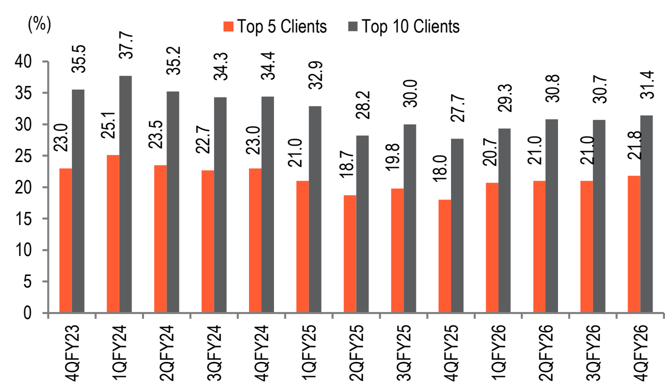
Source: Company, BOBCAPS Research

Fig 18 – Fresh Order Intake (US$ mn) and Executable Order Book over next 12 months (US$ mn)



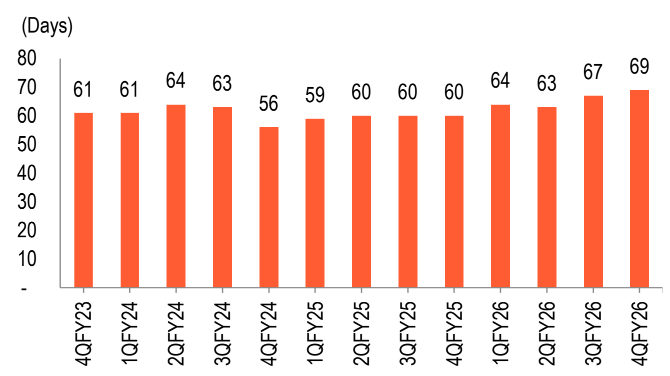
Source: Company, BOBCAPS Research

Fig 19 – Client concentration (% of revenue) over the quarters



Source: Company, BOBCAPS Research

Fig 20 – DSO trend



Source: Company, BOBCAPS Research

Fig 21 – Quarterly Snapshot

Year to 31 March	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Rs mn													
INR/USD	82.4	82.2	82.7	83.3	83.1	83.4	83.8	84.4	86.6	85.6	87.3	89.1	91.1
USD Revenue (USD mn)	264	272	278	282	287	291	369	397	404	442	462	481	489
INR Revenue	21700	22210	22762	23233	23585	24008	30623	33182	34222	36886	39857	42315	44504
Gross margin	7394	6796	7388	7624	8034	7911	9922	11016	11739	12578	13558	14203	15300
SGA	3150	3264	3392	3508	3561	3625	4859	5126	5252	5543	5715	6023	5751
ESOP Cost	168	216	519	104	222	199	222	700	616	593	561	444	381
EBITDA	4076	3316	3477	4012	4251	4087	4841	5190	5871	6442	7282	7736	9168
Depreciation and Amortisation	717	757	772	811	846	815	1243	1268	1254	1592	1719	1708	1800
EBIT	3359	2559	2705	3201	3405	3272	3598	3922	4617	4850	5563	6028	7368
Other income	-487	-152	-295	-257	-452	-272	-173	-327	-262	-447	19	-276	-582
PBT	1546	2242	2410	2944	2857	2047	3135	3433	3933	3654	5582	4276	6250
Tax	379	485	528	516	564	654	799	874	874	1182	1328	875	-412
PAT	1148	1653	1813	2380	2238	1332	2022	2155	2598	2082	3758	2936	6123
EPS Adjusted (Rs)	3.8	5.4	5.9	7.7	7.2	4.2	6.1	6.5	7.8	7.4	11.2	7.5	18.2
YoY Growth													
USD Revenue	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	40.7	51.8	25.1	21.1	21.2
INR Revenue	24.5	21.4	16.2	13.0	8.7	8.1	34.5	42.8	45.1	53.6	30.2	27.5	30.0
Gross profit	27.3	22.3	17.7	11.1	8.7	16.4	34.3	44.5	46.1	59.0	36.6	28.9	30.3
EBIT	21.9	11.6	(4.6)	7.0	1.4	27.9	33.0	22.5	35.6	48.2	54.6	53.7	59.6
Net Profit	(44.7)	10.4	(9.8)	4.3	94.9	(19.4)	11.5	(9.5)	16.1	56.3	85.9	36.2	135.7
QoQ growth													
USD Revenue	5.05	2.80	2.32	1.40	1.70	1.60	26.77	7.5	1.6	9.6	4.5	4.1	1.7
INR Revenue	5.6	2.4	2.5	2.1	1.5	1.8	27.6	8.4	3.1	7.8	8.1	6.2	5.2
EBIT	12.3	(23.8)	5.7	18.3	6.4	(3.9)	10.0	9.0	17.7	5.0	14.7	8.4	22.2
Net Profit	(49.7)	44.0	9.7	31.3	(6.0)	(40.5)	51.8	6.6	20.6	(19.9)	80.5	(21.9)	108.5
Margins													
Gross Margin	34.1	30.6	32.5	32.8	34.1	33.0	32.4	33.2	34.3	34.1	34.0	33.6	34.4
SGA	14.5	14.7	14.9	15.1	15.1	15.1	15.9	15.4	15.3	15.0	14.3	14.2	12.9
EBITDA	18.8	14.9	15.3	17.3	18.0	17.0	15.8	15.6	17.2	17.5	18.3	18.3	20.6
EBIT	15.5	11.5	11.9	13.8	14.4	13.6	11.7	11.8	13.5	13.1	14.0	14.2	16.6
PAT	5.3	7.4	8.0	10.2	9.5	5.5	6.6	6.5	7.6	5.6	9.4	6.9	13.8

Source: Company, BOBCAPS Research

Fig 22 – Key Metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
P and L (Rs mn)													
Revenue	21,700	22,210	22,762	23,233	23,585	24,008	30,623	33,182	34,222	36,886	39,857	42,315	44,504
EBITDA	4,076	3,316	3,477	4,012	4,251	4,087	4,841	5,190	5,871	6,442	7,282	7,736	9,168
PAT	1,148	1,653	1,813	2,380	2,238	1,332	2,022	2,155	2,598	2,082	3,758	2,936	6,123
Vertical Mix (%)													
BFS	31	31	32	32	34	32	29	28	30	28	28	26	25
Insurance	22	23	23	22	22	21	19	19	18	16	15	15	15
Transportation	19	19	19	18	18	18	18	18	19	23	23	23	23
Government (overseas)					8	8	8	7	7	7	7	6	8
Others	28	28	27	28	20	21	26	29	26	27	27	30	29
Geographical Mix (%)													
Americas	48	50	49	47	48	50	55	56	54	57	58	57	57
EMEA	40	39	39	40	40	39	34	34	33	30	29	29	28
APAC	12	12	12	13	12	11	11	10	13	14	13	15	15
Revenue Mix - IT Business (%)													
Onsite	49	49	48	48	48	48	46	47	47	48	48	47	48
Offshore	51	51	52	52	53	52	54	53	53	52	52	53	52
IT Utilization (%) (including trainees)	81.5	81.0	80.0	79.4	81.7	81.6	82.2	81.3	82.0	82.1	82.3	81.7	82.5
Clients Concentration (%)													
Top 5 Clients	23	25	24	23	23	21	19	20	18	21	21	21	22
Top 10 Clients	36	38	35	34	34	33	28	30	28	29	31	31	31
Number of Client													
Between 1 to 5 million	101	102	104	109	112	118	173	176	173	170	164	167	167
Between 5 to 10 million	23	24	23	23	24	25	29	31	35	40	45	42	42
Above 10 million	21	21	23	24	24	23	29	31	31	32	34	36	36
Revenue by Project type													
Fixed Price Project	50	49	49	51	52	50	43	45	46	47	46	47	46
Time & Material	50	51	51	49	49	50	58	55	54	53	54	53	54
Service Line Mix (%)													
Product Engineering	10	9	9	8	8	0	0	0	0	0	0	0	0
Data & Integration	24	24	25	26	25	27	23	22	22	20	21	22	21
Intelligent Automation	11	12	12	11	11	12	9	9	9	8	8	8	8
CIMS	19	20	19	19	19	19	17	19	16	18	17	18	18
ADM	28	26	27	27	27	0	0	0	0	0	0	0	0
BPM	9	10	10	9	9	9	8	8	8	8	8	8	8
Engineering						32	42	42	45	46	46	44	45
Employees	23,224	24,224	24,638	24,607	24,726	26,612	32,483	33,094	33,497	34,187	34,896	35,341	35,777
TTM Attrition (%) Ex BPO	14.1	13.3	13.0	12.1	11.5	11.4	11.7	11.9	10.9	11.3	11.4	10.9	10.8
Profit and Loss Statement (in USD mn)													
Revenue	264	272	278	282	287	291	369	397	404	442	462	481	489
EBIT	41	31	33	38	41	39	43	46	53	57	64	68	81
PAT	14	20	22	29	27	16	24	26	30	24	43	33	67
Productivity Metrics													
Per Capita (Annualised)													
Revenue	45,539	44,881	45,150	45,841	46,397	43,800	45,488	47,997	48,183	51,762	52,969	54,430	54,683
EBIT	7,025	5,144	5,312	6,250	6,633	5,900	5,290	5,614	6,367	6,629	7,303	7,658	9,042
PAT	2,401	3,323	3,560	4,647	4,359	2,402	2,973	3,085	3,583	2,846	4,934	3,730	7,515

Source: Company, BOBCAPS Research

Fig 23 – QoQ and YoY growth of various parameters

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
QoQ Growth													
Company Growth	5.0	2.8	2.3	1.4	1.7	1.6	26.8	7.5	1.6	9.6	4.5	4.1	1.7
By Geography(%)													
Americas	3.1	5.8	1.7	(4.3)	4.1	6.3	40.0	9.3	(2.4)	15.6	6.7	2.1	1.5
EMEA	3.2	0.2	2.8	4.5	2.0	(1.9)	10.7	8.8	(1.1)	(1.9)	1.3	2.6	1.0
APAC	21.1	(0.6)	3.2	15.2	(7.4)	(5.1)	23.4	(5.1)	33.8	14.7	2.1	15.9	3.8
By Industry (%)													
BFS	4.7	3.1	4.0	3.3	6.4	(4.1)	17.2	0.6	11.6	0.6	4.1	(2.0)	(2.6)
Insurance	5.5	4.7	2.3	(1.3)	(0.1)	0.7	13.1	5.8	(1.6)	(6.6)	1.8	2.0	1.7
Transportation	2.3	1.2	2.3	(2.4)	0.6	4.5	26.8	7.5	5.5	33.6	6.3	2.3	3.9
Government (overseas)						4.3	23.5	(2.4)	7.5	8.1	0.1	(5.0)	21.1
Others	7.3	2.1	0.5	4.4	(29.4)	9.4	56.3	19.1	(9.7)	14.8	5.6	15.6	(0.3)
By Practice Split (%) - Reinstated													
Product Engineering	0.8	1.7	(3.1)	(11.1)	1.7								
Data & Integration	3.7	4.5	4.4	6.4	(0.3)	10.5	7.3	3.8	0.3	1.2	8.5	9.0	(4.3)
Intelligent Automation	(1.2)	6.5	7.7	(5.3)	0.8	6.1	(1.4)	5.1	(0.7)	5.9	(3.0)	4.1	9.5
CIMS	7.3	8.2	(5.4)	3.6	2.8	2.1	13.6	19.4	(13.8)	21.1	(0.2)	7.7	1.7
ADM	9.0	(5.0)	6.3	3.3	2.5								
BPM	3.9	8.5	2.3	(1.8)	3.9	1.6	9.2	0.9	2.9	6.8	8.6	5.4	3.0
Engineering						(7.1)	67.4	6.2	10.1	10.8	4.9	0.2	3.3
Revenues from Top Clients													
Top 5	1.1	12.2	(4.2)	(2.0)	3.0	(7.2)	12.9	13.8	(7.6)	26.1	6.0	4.1	5.6
Top 10	2.7	9.2	(4.5)	(1.2)	2.0	(2.8)	8.7	14.4	(6.2)	16.0	9.8	3.7	4.0
Onsite:Offshore Mix													
Onsite	4.6	2.2	0.2	1.0	1.1	2.7	22.0	9.1	1.0	12.2	4.5	3.0	2.6
Offshore	5.5	3.4	4.3	1.8	2.3	0.6	31.2	6.1	2.2	7.4	4.5	5.1	0.9
YoY Growth													
Company Growth	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	40.7	51.8	25.1	21.1	21.2
By Geography(%)													
Americas	10.1	10.3	8.5	6.1	7.1	7.6	48.2	69.2	58.7	72.5	31.5	22.8	27.7
EMEA	13.2	19.1	13.5	11.2	9.8	7.5	15.7	20.4	16.8	16.9	7.0	0.9	3.0
APAC	33.7	12.0	30.3	43.0	9.4	4.5	25.0	3.0	48.8	79.8	48.8	81.7	40.9
By Industry (%)													
BFS	27.3	20.0	12.3	16.0	17.9	9.6	23.6	20.3	26.1	32.2	17.4	14.5	(0.1)
Insurance	(1.7)	11.4	9.7	11.5	5.5	1.5	12.3	20.3	18.5	10.0	(1.1)	(4.7)	(1.4)
Transportation	6.4	8.6	8.0	3.3	1.5	4.9	30.0	43.2	50.3	92.1	61.0	53.2	50.9
Government (overseas)					NA	NA	NA	NA	35.1	40.1	13.6	10.6	24.5
Others	20.2	13.1	19.2	14.9	(24.5)	(19.0)	26.0	43.8	84.0	93.0	30.4	26.6	39.8
By Practice Split (%) - Reinstated													
Product Engineering	1.0	1.9	(4.5)	(11.7)	(10.9)								
Data & Integration	22.0	17.3	19.5	20.5	15.8	22.4	25.8	22.7	23.4	13.0	14.3	20.0	14.6
Intelligent Automation	(0.6)	3.9	8.2	7.3	9.4	9.1	(0.1)	10.9	9.3	9.0	7.2	6.1	17.0
CIMS	20.1	25.1	19.1	13.8	9.0	2.9	23.5	42.3	19.3	41.5	24.4	12.2	32.4
ADM	24.6	20.5	16.1	13.7	6.9								
BPM	(8.6)	(2.5)	2.9	13.3	13.3	6.1	13.3	16.3	15.2	21.1	20.5	25.9	25.9
Engineering						(1.7)	58.6	69.1	82.0	117.1	36.0	28.3	20.4
Revenues from Top Clients													
Top 5	13.3	24.8	14.6	6.4	8.5	(10.3)	5.7	22.8	10.1	49.6	40.5	28.4	46.8
Top 10	15.4	20.9	10.7	5.9	5.1	(6.4)	6.4	23.2	13.3	35.2	36.6	23.9	37.4
Onsite:Offshore Mix													
Onsite	5.8	7.3	7.7	8.2	4.5	5.0	27.8	38.2	38.0	50.9	29.2	21.9	23.8
Offshore	22.7	21.0	17.6	15.8	12.3	9.3	37.4	43.2	43.1	52.7	21.6	20.4	18.9

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**122,035**	**163,562**	**255,009**	**297,461**	**342,516**
EBITDA	18,251	30,585	50,309	56,140	64,404
Depreciation	4,580	6,819	10,838	10,411	11,988
EBIT	13,671	23,766	39,471	45,729	52,416
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(1,034)	(1,286)	(3,339)	(1,259)	(13)
Exceptional items	89	2,718	0	0	0
EBT	12,548	19,762	36,132	44,469	52,403
Income taxes	3,201	2,973	8,672	10,673	12,577
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,240	1,890	500	500	500
Reported net profit	**8,107**	**14,899**	**26,960**	**33,297**	**39,327**
Adjustments	0	0	0	0	0
Adjusted net profit	**8,107**	**14,899**	**26,960**	**33,297**	**39,327**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	27,800	36,694	56,536	64,307	74,568
Provisions	1,743	3,189	3,189	3,189	3,189
Debt funds	3,502	5,051	46,501	25,701	4,901
Other liabilities	28,070	8,504	9,570	9,978	9,978
Equity capital	669	672	860	860	860
Reserves & surplus	63,123	94,704	283,300	305,411	332,691
Shareholders' fund	63,792	95,376	284,160	306,271	333,551
Total liab. and equities	**124,907**	**148,814**	**399,956**	**409,446**	**426,188**
Cash and cash eq.	8,832	10,992	27,981	25,703	28,991
Accounts receivables	25,771	39,700	61,167	69,575	80,677
Inventories	0	0	0	0	0
Other current assets	11,555	8,366	12,890	14,662	17,001
Investments	1,457	0	0	0	0
Net fixed assets	7,682	9,425	16,662	18,251	18,263
CWIP	24	33	33	33	33
Intangible assets	49,726	55,114	256,039	256,039	256,039
Deferred tax assets, net	5,470	6,870	6,870	6,870	6,870
Other assets	14,390	18,314	18,314	18,314	18,314
Total assets	**124,907**	**148,814**	**399,956**	**409,446**	**426,188**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**12,129**	**25,980**	**32,149**	**41,800**	**48,634**
Capital expenditures	(41,804)	(13,461)	(219,000)	(12,000)	(12,000)
Change in investments	1,457	(1,457)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(40,347)**	**(14,918)**	**(219,000)**	**(12,000)**	**(12,000)**
Equities issued/Others	22,400	0	170,326	0	0
Debt raised/repaid	(651)	1,549	41,450	(20,800)	(20,800)
Interest expenses	0	0	0	0	0
Dividends paid	(5,019)	(4,244)	(8,604)	(11,186)	(12,046)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**16,730**	**(2,695)**	**203,172**	**(31,986)**	**(32,846)**
Chg in cash & cash eq.	**5,480**	**2,160**	**16,989**	**(2,278)**	**3,288**
Closing cash & cash eq.	**8,832**	**10,992**	**27,981**	**25,703**	**28,991**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	24.5	44.3	62.7	77.4	91.4
Adjusted EPS	24.5	44.3	62.7	77.4	91.4
Dividend per share	15.2	12.0	20.0	26.0	28.0
Book value per share	190.5	285.5	660.5	711.9	775.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.2	2.4	1.5	1.3	1.2
EV/EBITDA	21.7	13.0	7.7	6.8	6.3
Adjusted P/E	47.8	26.4	18.7	15.1	12.8
P/BV	6.1	4.1	1.8	1.6	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	64.2	66.3	74.6	74.9	75.0
Interest burden (PBT/EBIT)	82.0	94.4	91.5	97.2	100.0
EBIT margin (EBIT/Revenue)	12.6	14.6	15.5	15.4	15.3
Asset turnover (Rev./Avg TA)	170.8	156.3	112.0	86.4	98.3
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.2	1.2	1.1
Adjusted ROAE	16.2	18.7	14.2	11.3	12.3

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	33.0	34.0	55.9	16.6	15.1
EBITDA	22.0	67.6	64.5	11.6	14.7
Adjusted EPS	(6.9)	81.1	41.5	23.5	18.1
Profitability & Return ratios (%)					
EBITDA margin	15.0	18.7	19.7	18.9	18.8
EBIT margin	11.2	14.5	15.5	15.4	15.3
Adjusted profit margin	6.6	9.1	10.6	11.2	11.5
Adjusted ROAE	16.2	18.7	14.2	11.3	12.3
ROCE	16.1	19.7	13.2	10.1	11.4
Working capital days (days)					
Receivables	77	89	88	85	86
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	15.9	17.4	15.3	16.3	18.8
Current ratio	1.7	1.6	1.8	1.7	1.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	0.1	0.0	(0.1)

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

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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

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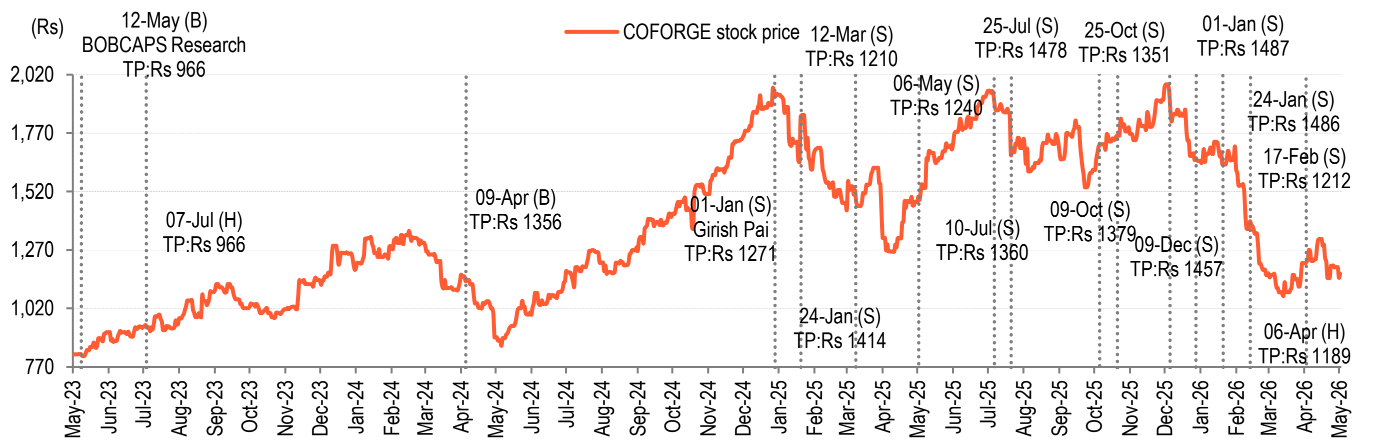

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