

**CMP: INR 1,948**

**Rating: Accumulate**

**Target Price: INR 2,220**

**Stock Info**

BSE	532541
NSE	COFORGE
Bloomberg	COFORGE:IN
Reuters	COFORGE.BO
Sector	Computers-Software
Face Value (INR)	2
Equity Capital (INR mn)	669
Mkt Cap (INR Bn)	653
52w H/L (INR)	2,005 / 1,194
Avg Yearly Vol (in 000')	709

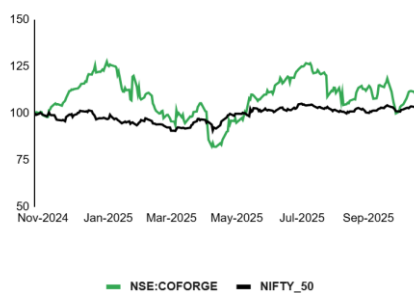
**Shareholding Pattern %**

(As on Jul, 2025)

FII	34.09
DII	54.87
Public	8.17
Others	2.87

	1m	3m	12m
Coforge	8.3	5.0	14.2
Nifty 50	2.9	2.9	5.7

**Coforge Vs Nifty 50**



We attended Coforge's Investor Day, where the company expects steady double-digit growth over the next 3 to 5 years. This growth comes from strong expertise in specific areas and the high demand for large, complex modernization projects. The Travel sector is entering a multi-year upgrade cycle, providing long-term revenue visibility and more business from existing clients. In Insurance, growth will stem from ongoing platform migrations, AI-driven changes in underwriting, and rollouts in multiple countries. The momentum in BFSI is strong as banks speed up core modernization and adopt AI-driven software development automation. The Healthcare and MedTech sectors are expanding due to device connectivity, interoperability, and digital patient workflows. Cloud and AI will keep driving growth across sectors, supported by proprietary AI tools and partnerships with leading cloud providers. Coforge's execution model shows high customer retention and focused delivery, which helps secure new deals. Margins are expected to stay strong, remaining above the 14% EBIT floor. With ongoing momentum in various sectors and visibility in large deals, the company aims to reach its USD 2 billion revenue goal by FY27a. Hence, we expect Revenue & EPS to grow at a CAGR of 13.3% & 17.9% over FY26e-FY28e. We value, Coforge at a PE of 35x its FY28E EPS of 63.4, which yields a target price of INR 2,220 per share. We maintain our an Accumulate rating on the stock.

**Healthcare & MedTech Emerging as a Long-Term Growth Driver:** Coforge's Healthcare & Life Sciences vertical size of <USD 100 mn in revenue, making it an early-stage but high-potential segment. The US healthcare market is ~20% of GDP (~USD 4.5 tn), providing a massive expansion runway. The company also gains access to 54 mn patient records through partnerships and is scaling fast in Med-Tech, including clients whose revenues have grown 3x in three years.

**Focus on Large Deals Supporting Long-Term Revenue Visibility:** Coforge's growing focus on large, multi-year transformation deals is strengthening revenue visibility and driving sustainable growth. The company is executing highly complex programs, including the \$1.56B airline reservation modernization and multi-country insurance platforms spanning 3–7 years. Cloud and AI-led modernization form part of two of the three largest deals signed this year, reflecting strong traction in high-value engagements. These large deals unlock deeper mining potential across cloud, data, engineering and AI services. With rising deal sizes in the pipeline, Coforge is well positioned for consistent double-digit growth and improving margin leverage.

**Hyper-Specialization Model Driving Differentiated Deal Wins:** Strong focus on hyper-specialisation across Travel, Insurance, BFSI, Public Sector and Healthcare is translating into high credibility with CXOs. Its deep domain knowledge, supported by 30+ accelerators and advanced AI/engineering tools, enables the company to deliver clear, business-first transformation outcomes. This specialization has helped Coforge outperform larger peers in competitive RFPs, adding 10+ new logos in about 2.5 quarters. As enterprises shift toward domain-rich and AI-led modernization, Coforge is positioned to benefit from a 20–25% improvement in win rates and rising deal intensity over the next 2–3 years. It is targeting a US\$2bn revenue run-rate by FY27 and has recently been closing about US\$500mn in TCV every quarter.

**Strong Delivery Culture, High Talent Retention, and Margin Focus:** The company's delivery culture is a valuable asset, featuring an employee net promoter score near 60 and top retention rates, even in high-demand digital and engineering roles. The office-first model promotes closer collaboration, quicker decision-making, and better quality control on critical programs. The company has over 1,500 engineers aligned with specific domains working on major transformation initiatives, backed by ongoing investments in domain and AI skills development. It continues to reiterate its outlook of delivering EBIT margins above 14% in the coming period (after ESOPS).

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## Coforge- Investor Day KTAs

### Travel & Hospitality

It is one of the most specialized global partners in this field. The company leads some of the world's most complex travel tech modernization programs. This includes a multi-billion-dollar, multi-year transformation of a global airline reservation system that handles one in three airline bookings, contains over 12 mn lines of code, and manages large-scale real-time transactions. Its engineering expertise covers reservation systems, pricing engines, loyalty platforms, crew operations, and passenger experience systems. Coforge continues to provide "zero downtime" upgrades and redesigns, an area where very few IT companies have shown capability. Travel is still a central part of Coforge's identity and a major source of long-term strategic accounts.

**Outlook:** Travel is entering a 5 to 10 year global modernization cycle. This will create ongoing opportunities for revenue growth. Airlines and hospitality companies are replacing outdated systems with real-time architecture, AI-driven pricing, disruption management, and cloud-native scalability. Coforge's deep expertise and successful track record in large, high-stakes programs put it in a strong position to win a significant share of transformation deals. Deal sizes in this sector are expected to rise steadily, supporting multi-year growth.

### Insurance

Insurance business is one of its most established segments, with solid skills in P&C, Life, Specialty, and Reinsurance. The company has also developed strong expertise in Duck Creek, Guidewire, and Sapiens. Coforge has created over 30 accelerators and reusable tools to speed up implementations, legacy migrations, and multi-country rollouts. Its strengths in underwriting, policy administration modernization, and claims optimization have been demonstrated through large-scale programs. A notable example is a rollout of a 17-country underwriting platform that launched over 40 products and expanded premium scale from \$1 mn to \$7 Bn. AI-driven solutions automate submission intake, triage, and underwriting bottlenecks, improving throughput and decision accuracy. This sector also benefits from Coforge's extensive partner network with hyperscalers and insurance-core platforms.

**Outlook:** Insurers worldwide are speeding up platform modernization, AI-based underwriting, automation of submission workflows, and digital claims processing. Coforge is well positioned to take advantage of the increasing shift to cloud-first solutions, regulatory digitization, and the complexity of specialty insurance. Growth is expected to remain steady with larger deals, particularly in platform migration and AI-enabled underwriting transformation.

### Banking & Financial Services (BFS)

In BFS, Coforge stands out through its strong engineering and full lifecycle automation capabilities. The company has shown unique skills in end-to-end SDLC transformation with its Blue Swan AI-led testing and orchestration platform. This platform automates requirements, test creation, execution, governance, and reporting. A major success story includes reviving a large bank's stalled modernization project. Coforge delivered a working solution in three months, where competitors had struggled for over two years. BFS projects cover payments, cards, lending platforms, fraud systems, compliance workflows, and essential application modernization. Coforge excels in deep architectural re-engineering and operational optimization.

**Outlook:** Banks around the globe are just beginning their core platform modernization, driven by regulatory pressures, cloud migration, AI-based compliance, and cost reduction. Coforge's AI-led SDLC automation positions it well for gaining market share as BFS clients look for faster transformation timelines and greater operational efficiency. Increased momentum in engineering-led and cloud modernization projects is expected over the next 2 to 3 years.

### Healthcare & MedTech

Healthcare and MedTech are becoming key growth areas, making use of Coforge's engineering expertise and growing domain knowledge. In Healthcare, the company is building skills in provider automation, patient engagement, scheduling, revenue cycle optimization, and interoperability (FHIR/HL7). AI-led solutions aim to speed up prior authorization, automate claims, optimize clinical documents, and enhance the omnichannel patient experience. In MedTech, Coforge focuses on connected devices and the Internet of Medical Things (IoMT), device telemetry, cloud connectivity, firmware updates, validation and verification, and regulatory compliance. These capabilities draw on the company's strong engineering foundation and create opportunities in device connectivity, AI-based diagnostics, and platform updates for global medical device makers.

**Outlook:** Healthcare and MedTech are entering a growth cycle driven by regulatory requirements (HIPAA, interoperability), improving patient digital experiences, connected devices, and real-time clinical insights. As MedTech transitions to connected ecosystems, Coforge is set to grow quickly in device engineering, IoMT cloud solutions, and AI-based analytics. This sector is expected to be a strong contributor to growth in the medium term.

**Public Sector**

Public Sector engagements focus on large-scale citizen-service platforms, case management systems, compliance frameworks, and cloud modernization for government agencies. Coforge's work covers digital identity, healthcare enrollment, licensing workflows, and foundational systems that need high reliability and strict business logic. The company's domain-driven engineering approach works well in this area. Coforge also uses AI to simplify workflows that involve lots of documents, process eligibility, and connect multiple agencies.

**Outlook:** The Public Sector is expected to stay stable with moderate growth. This growth is supported by increasing government spending on cloud transformation, cybersecurity, citizen digital experiences, and AI for regulatory workflows. Coforge's expertise in complex, rule-based systems and long contract durations positions it for consistent growth and improved wallet share in existing accounts.

**Cloud, Data & AI**

Cloud and AI are key parts of every vertical and have become major revenue sources for the company. Coforge has formed exclusive high-level partnerships with Microsoft, AWS, Google, and major platform vendors like Pega, ServiceNow, and Salesforce. The company is also involved in a special HP-NVIDIA program that includes around six global players and focuses on AI engineering. Coforge's cloud teams have achieved significant measurable benefits, including over \$100 million in annual savings for a travel client through cloud optimization and redesign. AI-led code analysis, FinOps, test automation, and enterprise modernization are central to its differentiation.

**Outlook:** Enterprises are shifting toward cloud re-architecture, AI-native design, FinOps automation, and modernization of legacy systems into real-time platforms. Coforge's blend of strong AI tools and solid partnerships positions it to secure larger, multi-year modernization deals. This segment is likely to grow faster than the company average.

**Retail/CPG:** Rebound visible; GenAI-enabled store operations show 15%+ reduction in inventory costs.

**Manufacturing:** Focus on aftermarket revenue transformation (prediction, next-best offer, part personalisation).

**Public Sector & ANZ:** Strong traction driven by cloud & AI modernization mandates.

**M&A Strategy: Focus on Semi-stressed Assets:** Coforge will pursue acquisitions selectively—targeting distressed or semi-stressed assets that can turn profitable within a year (similar to NIIT acquisition). Not focused on acquiring capability and rather acquisitions are used to access accounts and complement vertical expansion.

**AI strategy**

An integral part of its delivery model. The company has made significant investments to create value for clients and improve operational efficiency. It is building an AI ecosystem through platforms like Quasar AI, Agent Sphere, and the AI Marketplace. At the same time, it is developing domain-specific LLMs for specific industries. Its AI Ops engine, EvolveOps.AI, has made a real difference, achieving over 1mn automated resolutions and a 99% noise reduction, which greatly improves service quality and reduces manual effort. Coforge is also increasingly using AI-as-a-service and outcome-based commercial structures, which are resonating well with clients. These models help manage tech spending efficiently while expanding Coforge's share of client budgets.

**Geographic Expansion**

Large Headroom in North America West & Midwest Coforge currently works with only 16 Fortune 1000 clients in these regions, representing just 14% of revenue. TAM includes 216 potential targets. Focus sectors include Retail, CPG, Manufacturing, where GenAI-led store optimisation, supply chain visibility, and aftermarket transformation present strong opportunities.

**Retention**

11.4% attrition and employee satisfaction of 81%.

**Cigniti Acquisition**

Cigniti improves Coforge's capabilities in Quality Engineering, Digital Assurance, AI-led testing, and IP-led validation, particularly in BFSI, Healthcare, Retail, and Travel. The acquisition opens up opportunities for cross-selling. It also drives 8 to 10 percent revenue growth through integrated AI-QE platforms and automation. Additionally, it expands delivery scale for larger end-to-end deals. Margin improvements are expected in 12 to 18 months through reducing overhead.

## Key Financials

Income Statement (INR Mn)				
Year End-March	FY25	FY26E	FY27E	FY28E
<b>Revenue (Mn USD)</b>	<b>1455</b>	<b>1842</b>	<b>2081</b>	<b>2376</b>
<i>Change (%)</i>	<b>31.5%</b>	<b>26.6%</b>	<b>13.0%</b>	<b>14.1%</b>
<b>Revenues</b>	1,20,507	1,55,527	1,78,996	1,99,566
<i>Change (%)</i>	33.8%	29.1%	15.1%	11.5%
<b>Direct Cost</b>	80,017	88112	114062	125889
<i>Direct Cost to revenue %</i>	66.4%	56.7%	63.7%	63.1%
<b>Gross Profit</b>	<b>40,490</b>	<b>67,387</b>	<b>64,451</b>	<b>73,193</b>
<b>GM%</b>	33.6%	43.3%	36.0%	36.7%
<b>Selling / General And Administration</b>	18,777	26648	32609	37345
<i>SG&amp;A to Revenue %</i>	15.6%	17.1%	18.2%	18.7%
<b>Cost ESOP</b>	1,731	2,658	2,923	3,216
<b>EBITDA</b>	19,982	28,026	32,326	36,332
<b>EBITDA Margin</b>	16.6%	18.0%	18.1%	18.2%
<b>Depreciation and Amortization</b>	4,278	4,835	5,633	6,574
<b>EBIT</b>	15,704	21,312	24,815	27,881
<b>EBIT Margin</b>	13.03%	13.70%	13.86%	13.97%
<b>PBT</b>	<b>12,961</b>	<b>22,386</b>	<b>27,739</b>	<b>31,096</b>
<b>PBT %</b>	<b>10.8%</b>	<b>14.39%</b>	<b>15.50%</b>	<b>15.58%</b>
<b>Provision for Tax</b>	3,326	5,221	8,322	7,682
<b>PAT (Excl Minority)</b>	9,635	18,538	19,417	23,414
<b>PAT%</b>	8.0%	11.9%	10.8%	11.7%
<b>Adj. PAT (Excl Minority)</b>	10,873	15,274	17,337	21,214
<b>Adj. PAT%</b>	9.0%	9.8%	9.7%	10.6%
<b>EPS</b>	<b>25</b>	<b>46</b>	<b>52</b>	<b>63</b>

Cash Flow Statement (INR Mn)				
Year End-March	FY25	FY26E	FY27E	FY28E
<b>PBT</b>	<b>12,961</b>	<b>44,208</b>	<b>36,355</b>	<b>41,117</b>
<b>Depreciation</b>	4,276	6,039	6,220	6,400
<b>Interest &amp; others</b>	940	-27	-255	-454
<b>Cash flow before WC changes</b>	18,177	50,221	42,320	47,064
<b>(Inc)/dec in working capital</b>	<b>7,608</b>	<b>-2,516</b>	<b>514</b>	<b>451</b>
<b>Operating CF after WC changes</b>	25,785	47,704	42,834	47,514
<b>Less: Taxes</b>	-3,326	-4,664	-5,523	-6,445
<b>Operating Cash Flow</b>	<b>22,459</b>	<b>43,040</b>	<b>37,311</b>	<b>41,070</b>
<b>(Inc)/dec in F.A + CWIP</b>	-29,821	-696	-695	-694
<b>Cash Flow from Investing</b>	<b>-29,821</b>	<b>-696</b>	<b>-695</b>	<b>-694</b>
<b>Free Cash Flow (FCF)</b>	<b>21,762</b>	<b>42,344</b>	<b>36,616</b>	<b>40,376</b>
<b>Loan raised/(repaid)</b>	-4,299	3	3	3
<b>Equity raised</b>	51.00	-	-	-
<b>Interest &amp; others</b>	20,513	-33,586	-22,318	-20,804
<b>Dividend</b>	-1,271	-1,271	-1,271	-1,271
<b>Cash Flow from Financing Activities</b>	<b>14,994</b>	<b>-34,854</b>	<b>-23,586</b>	<b>-22,072</b>
<b>Net inc /(dec) in cash</b>	<b>7,632</b>	<b>7,490</b>	<b>13,031</b>	<b>18,304</b>
<b>Opening balance of cash</b>	2,918	10,550	18,040	31,070
<b>Closing balance of cash</b>	10,550	18,040	31,070	49,374

Balance Sheet (INR Mn)				
Year End-March	FY25	FY26E	FY27E	FY28E
<b>Sources of Funds</b>				
Share Capital	669	669	669	669
Reserves & Surplus	63,123	75,127	89,575	1,06,646
<b>Net Worth</b>	<b>63,792</b>	<b>75,796</b>	<b>90,244</b>	<b>1,07,315</b>
<b>Loan Funds</b>	<b>67</b>	<b>70</b>	<b>73</b>	<b>76</b>
MI, Deferred Tax & other Liabilities	12,903	9,836	8,415	9,708
<b>Capital Employed</b>	<b>76,762</b>	<b>85,701</b>	<b>98,732</b>	<b>1,17,098</b>
<b>Application of Funds</b>				
Gross Block	22,532	23,228	23,923	24,617
Less: Depreciation	4,276	6,039	6,220	6,400
<b>Net Block</b>	<b>18,256</b>	<b>17,189</b>	<b>17,703</b>	<b>18,217</b>
CWIP	24	24	24	24
Deferred Tax Assets	5,470	5,470	5,470	5,470
<b>Net Fixed Assets</b>	<b>29,663</b>	<b>28,596</b>	<b>29,110</b>	<b>29,624</b>
<b>Investments</b>	-	-	-	-
Debtors	29,682	34,940	40,213	44,834
Inventories	-	-	-	-
Cash & Bank Balance	7,956	15,446	28,477	46,781
Loans & Advances & other CA	6,638	6,638	6,638	6,638
<b>Total Current Assets</b>	<b>44,276</b>	<b>57,025</b>	<b>75,328</b>	<b>98,253</b>
Current Liabilities	35,607	38,349	44,136	49,208
Provisions	-	-	-	-
<b>Net Current Assets</b>	<b>8,669</b>	<b>18,675</b>	<b>31,192</b>	<b>49,045</b>
<b>Total Assets</b>	<b>76,762</b>	<b>85,701</b>	<b>98,732</b>	<b>1,17,098</b>

Key Ratios				
Year End-March	FY25	FY26E	FY27E	FY28E
<b>Per share (INR)</b>				
EPS	25.4	45.6	51.8	63.4
CEPS	226.5	442.8	347.3	389.3
BVPS	953.5	1133.0	1348.9	1604.1
DPS	19.0	19.0	19.0	19.0
Div. Payout (%)	0.1	0.1	0.1	0.1
P/E	76.6	42.7	37.6	30.7
P/CEPS	9.6	6.7	5.9	5.3
P/BV	2.0	1.7	1.4	1.2
EV/EBITDA	7.2	4.8	3.7	2.7
Dividend Yield (%)	1.0%	1.0%	1.0%	1.0%
<b>Return ratio (%)</b>				
EBIDTA Margin	14.05%	15.40%	15.20%	15.40%
EBIT Margin	10.5%	11.5%	11.5%	11.7%
PAT Margin	7.8%	8.5%	8.8%	9.2%
ROE	14.7%	17.5%	17.4%	17.1%
ROCE	16.5%	20.9%	21.3%	20.8%
<b>Turnover Ratios</b>				
Asset Turnover (x)	1.6	1.8	1.8	1.7
Inventory Days	0	0	0	0
Receivable Days	90	82	82	82
Payable days	108	90	90	90

Source: Arianth Research, Company Filings

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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