COFORGE LTD.

IT | RETAIL IDEA

Forging On to Growth

DALAL & BROACHA

Equity Research Desk

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Company Background:

Coforge is a mid-tier Indian IT services company, formerly known as NIIT Technologies, which was renamed following its acquisition by Barings Private Equity Asia. Under the leadership of Mr. Sudhir Singh, the company has undergone transformational changes and has emerged as one of the fastest-growing mid-tier IT services firms in India.

In FY25, Coforge reported revenues of ₹120,507 Mn, a 33.8% YoY increase. The business is well diversified across industries, with Banking & Financial Services (29.6%) and Insurance (19.2%) together forming nearly half of revenues, complemented by Travel, Transportation & Hospitality (18.3%), Government (7.4%), and Others (25.6%), which include retail, healthcare, hi-tech, and manufacturing. On the services side, Engineering (41.3%) remains the largest contributor, followed by Data & Integration (23.5%), Cloud & Infrastructure Management (17.9%), Intelligent Automation (9.2%), and BPM (8.1%). Geographically, revenue is led by the Americas (53.9%), with EMEA (34.7%) and the Rest of World (11.3%) also contributing meaningfully.

The company's order book executable over the next 12 months stood at $1.5 Bn in FY25, up 47.7% YoY, with repeat business accounting for 94%, reflecting strong client stickiness and revenue visibility. Looking ahead, Coforge has set ambitious goals of achieving $2 Bn in revenues by FY27 and expanding further to $5 Bn by 2032. With its solutions-led execution, diversified mix, and strong client relationships, the company is well positioned to sustain industry-leading growth.

One Year Performance

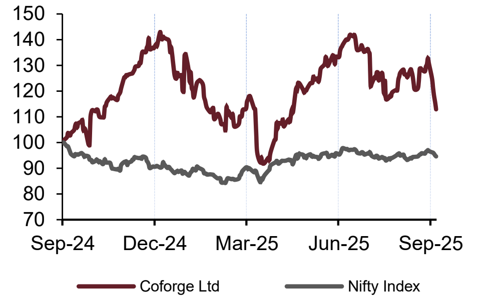
Rating	TP (Rs)	Up/Dn (%)
BUY	**2,000**	**29**

Market data		
Current price	**Rs**	**1,552**
Market Cap (Rs.Bn)	(Rs Bn)	519
Market Cap (US$ Mn)	(US$ Mn)	5,855
Face Value	Rs	2
52 Weeks High/Low	Rs ?005.36 / 1190.84	
Average Daily Volume	('000)	1,520
BSE Code		**532541**
Bloomberg		COFORGE.IN

Source: Bloomberg

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Jun-25**	**Mar-25**
Promoters	0	0
Public	100	100
Total	**100**	**100**

Source: Bloomberg

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What We Think?

We believe Coforge is well placed to remain one of the fastest-growing companies in the IT services sector, even against a difficult macro backdrop. Any meaningful correction in the stock driven by macroeconomic concerns or US-related negative news flow should, in our view, be seen as an opportunity to add. This confidence is underpinned by the company's strong execution capabilities, supported by a solutions-led approach that allows it to win deals in a tough environment. A robust and executable order book provides growth visibility, while the outlook for discretionary spending is improving as US interest rate cuts begin to revive client budgets. In addition, Coforge has a significant opportunity to cross-sell its services to Cigniti's client base, further enhancing growth prospects. Together, these factors position the company to continue delivering strong performance despite short-term uncertainties..

Why We Think So?

Order Book Visibility & Strong Deal Inflows: At the end of FY25, Coforge's executable order book stood at US$ 1.5 billion, providing revenue visibility over the next 12 months. This represents a growth of more than 3x from FY20 levels (US$ 468 million) and 1.75x from FY23 levels (US$ 869 million). The expansion has been driven by strong order inflows, with fresh bookings of US$ 3.45 billion in FY25, including a landmark US$ 1.56 billion multi-year deal with Sabre, a leading US travel technology company.

Management commentary suggests that deal momentum remains robust, with the company targeting closure of 20 large deals (US$ 20+ million each) in FY26, compared to 14 such deals in FY25. Notably, five large deals have already been announced in Q1FY26, underscoring the strong pipeline. Backed by this healthy intake and visibility, Coforge is well positioned to deliver low to mid-teens organic revenue growth in the coming year.

<u>Interest Rate Cuts in the US:</u> On 17th September, the US Federal Reserve initiated its rate cut cycle with a 25 bps reduction. This development is particularly positive for IT services companies like Coforge, which rely on clients' discretionary technology spending. Lower interest rates improve liquidity and capital availability for enterprises—especially within the BFSI sector—enabling them to step up investments in digital and technology initiatives. This, in turn, supports a stronger deal pipeline for Coforge.

Cigniti Cross-Sell Opportunity: In May 2024, Coforge announced the acquisition of Cigniti Technologies, a move that strategically expanded its vertical presence. The deal marked Coforge's entry into Retail, where it previously had no footprint, and also strengthened its positioning in Healthcare and Hi-Tech, where exposure had been limited. On the capability side, Cigniti added strong functional testing expertise. However, the bigger value lies in the cross-sell opportunity—Coforge expects to leverage Cigniti's client relationships to win larger deals across these new verticals, thereby broadening its growth engine beyond its existing core segments.

Impact of AI:

Coforge views artificial intelligence as a key long-term growth driver. However, most client projects in this space are still at the proof-of-concept (POC) stage, limiting near-term revenue upside. In the short to medium term, the primary benefit for Coforge is expected to come from efficiency gains across delivery and operations, with material growth contributions likely to emerge over time as enterprise adoption scales.

Valuation:

Coforge currently trades at 29.8x FY27E Bloomberg consensus EPS of ₹52.1. With a strong growth outlook—anchored by low to mid-teens organic revenue growth in constant currency, a robust deal pipeline, and healthy win rates—we expect the stock to sustain its premium valuation relative to peers. Applying a target multiple of 38.4x FY27E Bloomberg consensus EPS, **we arrive at a target price of ₹2,000 per share**, implying an upside potential of 29% from current levels.

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