26 December 2025
Company Update | Sector: Technology

Coforge

BSE Sensex	S&P CNX
85,041	26,042

Bloomberg	COFORGE IN
Equity Shares (m)	335
M.Cap.(INRb)/(USDb)	560.4 / 6.2
52-Week Range (INR)	2005 / 1191
1, 6, 12 Rel. Per (%)	-10/-13/-22
12M Avg Val (INR M)	4110

Financials & Valuations (INR b)

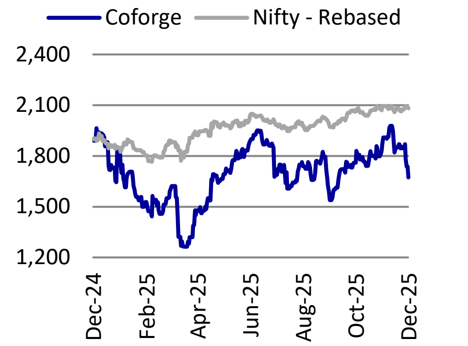
Y/E Mar	FY26E	FY27E	FY28E
Sales	164.9	208.7	266.0
EBIT Margin (%)	13.8	14.0	14.4
PAT	15.2	20.3	26.8
EPS (INR)	44.7	59.5	78.6
Adj. PAT	15.9	20.3	26.8
Adj. EPS (INR)	46.9	59.5	78.6
Adj. EPS Gr. (%)	86.1	26.8	32.2
BV/Sh. (INR)	214.4	243.9	283.3
Ratios			
RoE (%)	17.4	21.0	24.8
RoCE (%)	16.9	18.5	21.2
Payout (%)	50.0	50.0	50.0
Valuations			
P/E (x)	37.4	28.1	21.3
P/BV (x)	7.8	6.9	5.9
EV/EBITDA (x)	18.2	14.4	11.0
Div Yield (%)	1.3	1.8	2.3

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	0.0	0.0	0.0
DII	54.9	52.3	48.2
FII	34.1	37.4	42.1
Others	11.0	10.3	9.8

FII includes depository receipts

Stock's performance (one-year)



CMP: INR1,673 TP: INR2,500 (+49%) Buy

Our view on Coforge's Encora acquisition

Encora to add capability and depth, but integration will be a key monitorable

- **Coforge announced the acquisition of Encora, a US-based engineering and AI-led services firm with revenue of ~USD500m, adding ~26% to Coforge's FY26E revenue base. Encora has ~9,300 employees, implying revenue per employee of ~USD74k vs. ~USD69k for Coforge, and operates at higher margins than Coforge. The vertical mix, primarily Hi-Tech and Healthcare, is a positive, especially given Coforge's strategic intent to scale these segments. Management has indicated that the transaction could be EPS accretive from day one. While there is limited clarity at this stage on the integration approach, past evidence is supportive: SLK Global was ~9-11% of Coforge revenue at the time of acquisition, while Cigniti was ~16%. That said, earlier acquisitions were largely client-led, whereas this transaction is more capability- and leadership-driven, making talent retention and execution discipline more critical given the larger scale of the deal.**
- **Transaction details:** Coforge will acquire 100% of Encora for an enterprise value of USD2.35b through an all-equity share-swap arrangement, with equity consideration of ~USD1.89b and the balance to be used to retire Encora's existing debt via a bridge loan and/or potential QIP. The transaction will result in the issuance of ~21.25% of post-issue equity to Encora shareholders, with no change in control, though investors will have the right to nominate two directors to the Board.
- Encora reported revenue of USD516m in FY25 (USD481m in FY24), with FY26E revenue guided at ~USD600m and an adjusted EBITDA margin of ~19%. The combined entity is expected to operate at ~14% EBIT margin post-amortization of intangibles, and the transaction is likely to close in 4-6 months, subject to shareholder and regulatory approvals.
- We note that the scale of the transaction is large; therefore, execution remains critical. Integration, leadership retention, margin management post-integration, and amortization will be the key monitorables.
- We believe Coforge's strong executable order book and resilient client spending across verticals bode well for its organic business. This acquisition expands Coforge's presence in the Hi-Tech and Healthcare verticals, though we have not yet incorporated Encora's numbers into our valuation. We continue to view Coforge as a structurally strong mid-tier player well-placed to benefit from vendor consolidation/cost-takeout deals and digital transformation. We value Coforge at 32x (considering a potential dilution) FY28E EPS with a TP of INR2,500, implying a 49% potential upside. **Reiterate BUY.**

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Rationale for acquisition – AI-driven engineering services

- The acquisition is strategically anchored around AI-led engineering services, an area where Encora already has meaningful AI-native capabilities, including proprietary agentic platforms and AI-embedded delivery models.
- From a vertical perspective, the deal materially strengthens Coforge's Hi-Tech and Healthcare exposure, with both verticals expected to scale meaningfully after the acquisition. This is aligned with Coforge's longer-term intent to deepen its presence in higher-growth, engineering-intensive verticals, where spend visibility and relevance of AI use cases are structurally stronger.

Price Paid- Relative valuation context

- The transaction values Encora at an implied ~4.5-4.0x EV/sales, which is based on FY25/FY26 revenue. The valuation sits within the range for scaled digital engineering assets. For context, listed digital engineering peers such as EPAM and Globant currently trade at 2.0/1.3x EV/sales (trailing). In comparison, Altran, which was acquired by Capgemini, was valued at ~1.2-1.3x EV/sales at the time of acquisition.

Integration – Evidence supportive, execution is the key

- While management has not yet outlined detailed integration mechanics, historical evidence is supportive. Prior acquisitions such as SLK Global and Cigniti—accounting for ~9-11% and ~16% of Coforge's revenue at the time of acquisition, respectively—were integrated successfully, with subsequent client mining and margin improvement.
- That said, this transaction is structurally different: unlike earlier, client-centric acquisitions, Encora is primarily a capability- and leadership-led acquisition. Making senior talent retention, cultural alignment, and platform monetization more critical, particularly given the larger scale.

Better revenue per employee metrics despite nearshore presence

- Encora's revenue per employee stands at ~USD74k vs. ~USD69k for Coforge. For a broader context, revenue per employee among digital engineering peers such as PSYS, EPAM, and Globant ranges from ~USD66k to ~USD90k.
- The above figures for Encora are notable, considering that it has a nearshore concentration, which typically results in lower bill rates compared to Coforge, which has a presence in the US and UK.

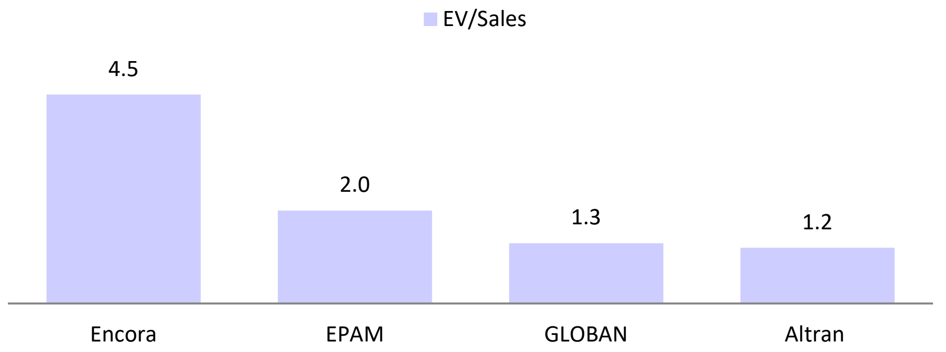
Details of the transaction

- Coforge will acquire 100% of Encora for an enterprise value of USD2.35b, funded through equity consideration of ~USD1.89b through a share swap, with the balance covered by a bridge loan and/or a potential QIP to retire Encora's existing debt. The transaction will result in the issuance of ~21.25% of post-issue equity to Encora shareholders, with no change in control; however, investors will have the right to nominate two directors to the Board.
- Encora reported a revenue of USD516m in FY25 (FY24: USD481m), with FY26 revenue guidance of ~USD600m and an adjusted EBITDA margin of ~19%. The combined entity is expected to operate at ~14% EBIT margin post-amortization of intangibles. The closing is anticipated within four to six months, subject to shareholder and regulatory approvals.

Valuation and view

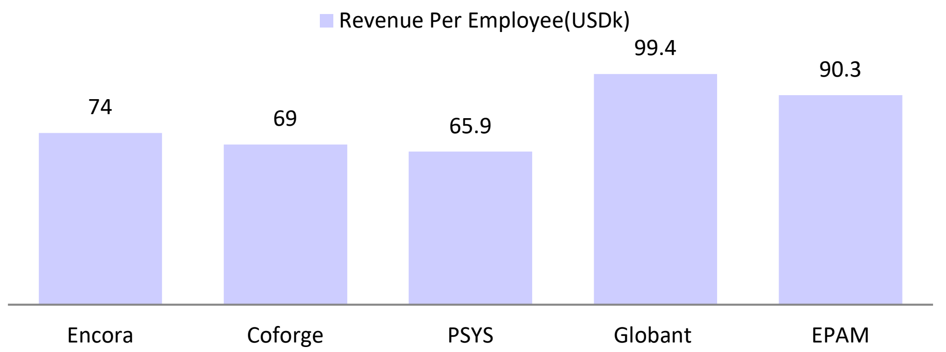
- We believe Coforge’s strong executable order book and resilient client spending across verticals bode well for its organic business. This acquisition expands Coforge’s presence in the Hi-Tech and Healthcare verticals, though we have not yet incorporated Encora's numbers into our valuation. We continue to view Coforge as a structurally strong mid-tier player well-placed to benefit from vendor consolidation/cost-takeout deals and digital transformation. We value Coforge at 32x (considering a potential dilution) FY28E EPS with a TP of INR2,500, implying a 49% potential upside. Reiterate BUY.

Exhibit 1: Transaction values Encora at an implied EV/Sales of 4.5x on FY25 revenue



Source: Company, MOFSL

Exhibit 2: Encora has a better RPE despite a higher nearshore presence



Note: Only Technical/Development employees are considered for RPE, Source: Company, MOFSL

Exhibit 3: Encora – Proforma P&L (USD m)

	FY25	FY26	FY27	FY28
Revenue	**516**	**600**	**678**	**780**
Growth		16%	13%	15%
Adj EBITDA	**98**	**114**	**136**	**164**
%	19%	19%	20%	21%
D&A(excl intangibles)		9	10	12
Amortisation		**35**	**38**	**40**
EBIT		**70**	**87**	**112**
Less: Int		39	-	-
PBT		32	87	112
Less: Tax		8	22	28
PAT		**24**	**70**	**90**

Source: Company, MOFSL

Exhibit 4: Encora – Proforma P&L (INR m)

INR/USD	85	89	90	92
	FY25	**FY26**	**FY27**	**FY28**
Revenue	**43,860**	**53,400**	**61,020**	**71,732**
Growth		22%	14%	18%
Adj EBITDA	**8,333**	**10,146**	**12,204**	**15,064**
%	19%	19%	20%	21%
D&A (excl intangibles)		801	915	1,076
Amortisation		3,115	3,420	3,680
EBIT		**6,230**	**7,869**	**10,308**
Less: Int		3,427	-	-
PBT		**2,804**	**7,869**	**10,308**
Less :Tax		701	1,967	2,577
PAT		**2,103**	**6,295**	**8,246**

Source: Company, MOFSL

Exhibit 5: Coforge without Encora (INR m)

INR m	FY25	FY26	FY27	FY28
Revenue	1,20,507	1,64,870	2,08,736	2,65,962
Growth		37%	27%	27%
EBITDA	19,960	29,704	37,356	48,258
%	17%	18%	18%	18%
EBIT	15,684	22,782	29,227	38,417
PAT	10,038	15,935	20,250	26,767

Source: Company, MOFSL

Exhibit 6: Combined Proforma P&L (INR m)

INR m	FY27	FY28
Revenue	2,69,756	3,37,694
Growth	24%	25%
EBITDA	**49,560**	**63,321**
%	**18.4%**	**18.8%**
EBIT	**37,095**	**48,725**
%	**13.8%**	**14.4%**
PAT	26,545	35,013
Current Shares	340	340
Cigniti Issuance	12.4	12.4
Share swap	94	94
Assuming QIP	29	29
Total shares (m)	**476**	**476**
Proforma DEPS	**56**	**74**
Current DEPS	59	79

Source: MOFSL

CONFERENCE CALL

Key highlights from the management commentary

- Over the last eight years, the company has delivered the highest growth among mid- and large-sized peers.
- AI, driven by data and cloud, is the core engine of enterprise transformation. In this context, the Encora acquisition is a defining moment for the company.
- The acquisition aligns well with Coforge's hyper-specialized capabilities. Selling investors Advent and Warburg are not taking any cash consideration and are rolling over their holdings into Coforge's growth.
- Encora operates at the convergence of AI, data, and cloud and has created the industry's first composable AI platform, Iva.

Key attributes unique to Encora include:

- Existing AI-native assets, with Iva being a composable agentic platform.
- Deep engagement with Fortune 500 enterprises and long-tenured engineering teams.
- A delivery model combining human and agent-led execution, with significant adoption of AI agents.
- A talent composition focused on AI-native engineers rather than labor arbitrage, with a strong onshore presence in LATAM.
- A platform-led model that can evolve into a "services-as-software" construct.

Five principal reasons underpin the acquisition, creating a ~USD2.5b combined powerhouse:

1. AI-led engineering, data, and cloud to scale into a USD2b business, comprising ~USD1.25b AI-led engineering, ~USD500m cloud, and ~USD250m data.
2. Hi-tech and Healthcare to reach material scale, with Encora expanding Coforge's presence in MedTech and Healthcare.
3. Repositioning Coforge as a scaled nearshore delivery player in LATAM, with Encora adding over 3,100 delivery professionals in the region.
4. Significant expansion across the US Midwest and West Coast, with North America revenue expected to rise ~50% to ~USD1.4b.
5. A combined client base of 45 clients with USD10m+ revenue, with Encora adding 11 such clients; the average tenure of the top 10 clients exceeds 10 years. Coforge has demonstrated cross-selling success historically through the Cigniti acquisition.

- The enterprise value of the transaction is USD2.35b, financed through equity (preferential shares resulting in ~20–21% ownership for Encora investors) and bridge/term loans/QIP at Encora to retire ~USD550m of Encora's debt.
- If undertaken, the QIP will occur at closing, expected 4–6 months post signing. Shareholder approval is expected within eight days.
- Encora follows an Apr–Mar fiscal year. FY26 revenue is estimated at ~USD600m with adjusted EBITDA margins of ~19%. Consolidation will commence from the next financial year. Depreciation and amortization excluding intangibles is ~1–1.5%.
- The transaction is expected to be EPS accretive. The combined entity is expected to operate at ~14% EBIT margins after amortization of intangibles arising from purchase price allocation.

- Encora provides software engineering services for digital-native companies and ranks highly in AI-led engineering, including AI-native product engineering services.
- Leadership transition will follow Coforge's established acquisition template, with organizational and reporting changes only post regulatory approvals.
- Coforge believes its North America presence is skewed towards the East Coast. Encora's Silicon Valley origins provide strong nearshore delivery leverage in LATAM.
- Post-acquisition, the combined entity will have 45 clients with USD10m+ revenue and long-tenured relationships.
- Sellers have rolled over their ownership rather than exiting, reflecting confidence in long-term value creation. Cash consideration is limited to retiring debt.
- Intangibles are estimated at ~20% of the purchase price, with customer relationship life assumed at ~13–14 years. Annual amortization is estimated at ~USD37-38m, with an effective tax rate of ~25%.
- Encora's current EBITDA margins are ~19%, with potential G&A synergies of 1–2%. Adjusted EBITDA includes only one-time integration and transaction-related costs.
- Encora carries LBO-related debt only, with no working capital debt. Current debt is expensive, and alternative overseas funding options are being explored.
- Even if the QIP is priced at INR 1,815, the transaction is expected to be EPS accretive.
- Encora's organic growth averaged ~7–8% over the last two years and ~15% before that; updated growth guidance will be shared later.
- Valuation considered both revenue and EBITDA multiples, with the latter being lower than Coforge's. No synergies have been factored into the valuation.
- Approximately 9,200 associates will be onboarded. Encora's revenue per employee (~USD74k) is higher than Coforge's (~USD69k).
- Encora's EBITDA margin range is 17–19%, trending towards ~19.5%.
- Healthcare contributes ~USD170m in revenue and is likely to ramp up rapidly. Hi-tech is also a ~USD170m business and represents a new growth area for Coforge.
- Encora's client portfolio, scale, and tenure are expected to accelerate growth post-acquisition. Historically, Encora could not participate in RFP-led vendor consolidation deals, which the combined platform now enables.
- In prior acquisitions such as SLK and Cigniti, Coforge focused on client mining and EBITDA improvement. Encora previously exited opportunities in BPS, QE, or Data Ops, which can now be addressed post-merger.
- Management sees significant revenue and cost synergies from the transaction.
- Two representatives from Advent are expected to join Coforge's board. Coforge will become one of Advent's largest technology investments, with access to cross-selling opportunities across Advent's portfolio companies.
- Encora's top five clients contribute less than 19–20% of its revenue, mirroring Coforge's diversified client concentration.
- Encora's delivery mix is nearshore-heavy with moderate billing rates; onshore delivery is comparable to Coforge. Offshore delivery spans India and South America.

Financials and valuations

Income Statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	**64,320**	**80,146**	**90,089**	**1,20,507**	**1,64,870**	**2,08,736**	**2,65,962**
Change (%)	37.9	24.6	12.4	33.8	36.8	26.6	27.4
Cost of revenue	43,736	54,059	60,179	80,017	1,09,353	1,37,889	1,75,755
Gross Profit	**20,584**	**26,087**	**29,910**	**40,490**	**55,517**	**70,847**	**90,207**
SGA expenses	8,527	11,438	13,694	18,799	23,869	31,822	39,822
RSU costs	633	587	1,046	1,731	1,945	1,670	2,128
EBITDA	**11,424**	**14,062**	**15,170**	**19,960**	**29,704**	**37,356**	**48,258**
% of Net Sales	17.8	17.5	16.8	16.6	18.0	17.9	18.1
Depreciation	2,272	2,585	2,972	4,276	6,922	8,129	9,841
EBIT	**9,152**	**11,477**	**12,198**	**15,684**	**22,782**	**29,227**	**38,417**
% of Net Sales	14.2	14.3	13.5	13.0	13.8	14.0	14.4
Other Income	-266	-630	-1,153	-1,080	-130	-626	-1,127
PBT	**8,886**	**10,847**	**11,045**	**14,604**	**22,652**	**28,600**	**37,290**
Tax	1,468	2,208	2,209	3,326	4,991	7,150	9,322
Rate (%)	16.5	20.4	20.0	22.8	22.0	25.0	25.0
Extraordinary Items	269	1,188	261	1,666	749	0	0
Minority Interest	530	513	276	1,240	1,726	1,200	1,200
Adjusted PAT	**6,888**	**8,126**	**8,560**	**10,038**	**15,935**	**20,250**	**26,767**
Change (%)	44.0	18.0	5.3	17.3	58.7	27.1	32.2

Balance Sheet (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	609	611	618	669	669	669	669
Reserves	26,722	30,214	35,648	63,123	71,335	81,328	94,579
Net Worth	**27,331**	**30,825**	**36,266**	**63,792**	**72,004**	**81,997**	**95,248**
Loans	3,365	3,382	3,399	67	67	67	67
Minority Interest	983	874	1,003	19,498	19,498	19,498	19,498
Other liabilities	6,073	4,360	5,094	13,750	18,812	23,817	30,347
Capital Employed	**37,752**	**39,441**	**45,762**	**97,107**	**1,10,381**	**1,25,379**	**1,45,160**
Net Block	**4,452**	**4,455**	**4,470**	**7,682**	**5,145**	**5,641**	**4,769**
CWIP	86	46	232	24	24	24	24
Intangibles	14,821	16,299	16,133	49,726	48,342	46,716	44,748
Investments	0	0	0	0	0	0	0
Deferred tax assets	7,976	9,970	14,217	19,860	27,171	34,400	43,832
Curr. Assets	**22,209**	**26,064**	**26,025**	**43,508**	**62,257**	**76,331**	**96,273**
Debtors	13,894	16,131	18,039	25,771	30,716	38,888	49,549
Cash & Bank Balance	4,468	5,699	3,213	7,956	19,019	22,209	27,953
Investments	67	88	139	2,333	2,333	2,333	2,333
Other Current Assets	3,780	4,146	4,634	7,448	10,190	12,901	16,438
Current Liab. & Prov	**11,792**	**17,393**	**15,315**	**27,375**	**36,239**	**41,415**	**48,167**
Trade payables	6,160	6,481	8,062	9,883	18,487	23,406	29,823
Other liabilities	5,316	10,552	6,836	16,786	16,786	16,786	16,786
Provisions	316	360	417	706	966	1,223	1,558
Net Current Assets	**10,417**	**8,671**	**10,710**	**16,133**	**26,018**	**34,916**	**48,106**
Application of Funds	**37,752**	**39,441**	**45,762**	**97,107**	**1,10,381**	**1,25,379**	**1,45,160**

Financials and valuations

Ratios							
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
EPS	**22.2**	**26.1**	**27.6**	**25.2**	**44.7**	**59.5**	**78.6**
Cash EPS	28.6	30.6	37.5	38.1	65.1	83.4	107.5
Book Value	89.7	101.0	122.5	193.4	214.4	243.9	283.3
DPS	10.4	12.8	15.2	15.2	22.3	29.7	39.3
Payout %	46.9	49.0	55.1	60.3	50.0	50.0	50.0
Valuation (x)							
P/E	75.4	64.1	60.6	66.4	37.4	28.1	21.3
Cash P/E	58.4	54.7	44.6	44.0	25.7	20.1	15.6
EV/EBITDA	44.5	36.2	32.6	27.1	18.2	14.4	11.0
EV/Sales	7.9	6.3	5.5	4.5	3.3	2.6	2.0
Price/Book Value	18.6	16.6	13.7	8.7	7.8	6.9	5.9
Dividend Yield (%)	0.6	0.8	0.9	0.9	1.3	1.8	2.3
Profitability Ratios (%)							
RoE	26.0	27.1	24.1	13.9	17.4	21.0	24.8
RoCE	23.7	23.7	22.8	16.3	16.9	18.5	21.2
Turnover Ratios							
Debtors (Days)	65	68	69	66	63	61	61
Fixed Asset Turnover (x)	15.4	18.0	20.2	19.8	25.7	38.7	51.1

Cash Flow Statement							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
CF from Operations	9,089	10,532	11,834	15,060	22,692	28,350	36,578
Cash for Working Capital	-1,433	-1,027	-2,800	-2,689	-1,072	-7,932	-10,347
Net Operating CF	**7,656**	**9,505**	**9,034**	**12,371**	**21,620**	**20,418**	**26,231**
Net Purchase of FA	-1,475	-1,537	-2,598	-5,572	-3,000	-7,000	-7,000
Free Cash Flow	**6,181**	**7,968**	**6,436**	**6,799**	**18,620**	**13,418**	**19,231**
Net Purchase of Invest.	-8,089	-1,179	120	-18,911	0	0	0
Net Cash from Invest.	**-9,564**	**-2,716**	**-2,478**	**-24,483**	**-3,000**	**-7,000**	**-7,000**
Proceeds from Equity	51	18	-3,516	21,831	0	0	0
Proceeds from LTB/STB	2,139	-1,315	-573	19	33	-103	-103
Dividend Payments	-3,748	-4,285	-4,781	-5,097	-7,591	-10,125	-13,384
Cash Flow from Fin.	**-1,558**	**-5,582**	**-8,870**	**16,753**	**-7,558**	**-10,228**	**-13,487**
Net Cash Flow	**-3,466**	**1,207**	**-2,314**	**4,641**	**11,063**	**3,190**	**5,744**
Exchange difference	-65	24	-172	102	0	0	0
Opening Cash Bal.	**7,998**	**4,467**	**5,698**	**3,212**	**7,955**	**19,017**	**22,208**
Add: Net Cash	-3,531	1,231	-2,486	4,743	11,063	3,190	5,744
Closing Cash Bal.	**4,467**	**5,698**	**3,212**	**7,955**	**19,017**	**22,208**	**27,952**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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