



COFORGE LIMITED EARNINGS CONFERENCE CALL
Q4 FY26

Tuesday, May 05, 2026

MANAGEMENT:

Mr. Sudhir Singh

Chief Executive Officer and Executive Director

Mr. John Speight

President and Executive Director

Mr. Saurabh Goel

Chief Financial Officer

Mr. Lalit Vadhwa

Executive Vice President, Chief Technology Officer

Mr. Vic Gupta

Executive Vice President, Head – AI Practice

Moderator:

Good day, ladies and gentlemen, and welcome to the Coforge Limited Q4 FY26 earnings conference call. All participants will be in listen-only mode. We will open the floor for questions and post the management's opening comments. Please note that this conference is being recorded.

Joining us today from the Coforge leadership team:

- Mr. Sudhir Singh, Chief Executive Officer
- Mr. John Speight, President and Executive Director
- Mr. Saurabh Goel, Chief Financial Officer
- Mr. Lalit Vadhwa, Chief Technology Officer
- Mr. Vic Gupta, Executive Vice President

Before we begin, please note that some of the statements made in today's discussion relating to the future should be construed as forward-looking statements and may involve risks and uncertainties.

Please refer to the disclaimer to this effect in the company's Q4FY 2026 earnings press release. With that, I now hand the call to Mr. Sudhir Singh. Over to you, sir.

Sudhir Singh:

Thank you, Inba. Good evening and thank you for joining us today. Please allow me to start today's call with a quick reflection.

This month marks the beginning of my 10th year at Coforge. It will also mark the 10th year since John, Saurabh, Madan, Vic, and I started the turnaround at Coforge. We were a \$400 million firm when we started nine years back. We hope to close this, the 10th year of our turnaround story, with the firm having grown almost seven times in just 10 years. The turnaround of Coforge has been driven by an execution intensity that is uniquely our own and also by an insatiable hunger to make a mark on industry. Today, as we look at FY27 and beyond, that execution intensity remains undimmed, and our hunger for growth remains unquenched. Our margins are poised to take a big step up starting FY27, and we believe that our growth story is not even half done.

Over the last nine years, we have as a team delivered:

- A revenue CAGR over nine years of 21.7%
- An EBIT CAGR of 24.6%

- A PAT CAGR of 24.1%
- An EPS CAGR of 22%
- and a Free Cash Flow CAGR of 19% that is over nine years

There is no firm in our industry that can present metrics at that level for the extended nine-year period that we have.

During these nine years, there were periods when we made contrarian bets and shared a positive contrarian growth outlook on calls like these even when the macros were bleak. We have proved each one of those contrarian bets and backed each one of our guidance statements and made sure they came true on the basis of our subsequent performance.

Illustratively:

- Five years back, when COVID struck, we shared that despite our material exposure to the travel vertical, we would grow smartly in that year itself, at a time when our peers were projecting declines on account of COVID. And we did grow, and handsomely at that.
- Again, two years back, on a call like this when we acquired Cigniti, there were concerns that a publicly listed testing services firm with a 12% EBITDA would kill the Coforge growth story.

However, two years later, today, that portfolio operates at a 19% EBITDA and the growth of the constituent clients that came into Coforge from Cigniti has exploded on the back of very effective cross-sell. The top two clients of Cigniti that offered USD 25 to 30 million revenue per year when we acquired them two years back have scaled up to \$75 million per year collectively.

I say this because, as you hear our commentary today, and as you reflect on what we share by way of our expected performance trajectory going ahead, we would urge you to please remember that we are the team that has delivered unfailingly for nine years on all plans that we have shared with you. We have every intention of coming true on all the outlook commentary that we share today with you on this call.

With that preamble, I shall now cover our performance for Q4 and fiscal year'26.

Last quarter, during our Q3 results call, I had shared that we believed we were on course to close a very successful FY26 and that we were headed for an exceptional FY27. We

are pleased to report that FY26 has panned out as indicated and, equally importantly, FY27 is poised to deliver on that promise of exceptional performance.

ANNUAL PERFORMANCE REVIEW

- Moving on to the Annual Performance Review, I am pleased to share that FY26 was a very successful year for the firm. The firm grew 29.2% in U.S. dollar terms.
- The quality of our growth was remarkable in that all our key industry units grew strongly through the year, and the growth was led by our top 10 and top 20 client relationships.
- We signed 21 large deals through the year, with 11 of them coming through in the second half of the year.
- Growth was broad-based, with all key industry units performing strongly.
- Reported EBIT of the firm grew by 370 bps in FY26 over FY25.
- Beyond these immediate metrics, the real highlight of FY26 has been the quiet yet vital work that was done at our backend to truly automate and AI-enable our backend processes and functions, and to reshape and right-size our delivery and G&A organizations. That quiet effort, unshared till now, has now structurally reset the margin profile of Coforge for FY27 and beyond.
- Coforge was always an industry leader on the revenue growth front, yet our EBITDA and EBIT numbers were middle of the pack. Starting in FY27, that is this year itself, we believe we will, along with retaining revenue growth leadership, emerge as one of the highest EBITDA and EBIT performers across the mid-cap segment.
- Moving on to the quarterly performance review.
- The quarterly sequential CC revenue growth of 2% in Q4 followed the sequential CC growth of 8%, 5.9%, and 4.4% recorded between Q1 and Q3
- The Q4 year-on-year growth rate was 21.2% in US dollar terms
- Free cash flow to PAT for the quarter came in at 110%, significantly ahead of our guidance of around 70% FCF on a sustained basis

I would like to draw your attention to the fact that Q4 FY26 EBIT of the firm is 16.6%, while it was 12.3% in the same quarter a year back.

More detailed revenue commentary is as follows.

In Q4 FY26, the firm registered a sequential revenue growth of 2% in CC terms, 1.7% in US dollar terms, and 5.2% in INR terms. For the year, as noted earlier, we have grown 29.2% in dollar terms. Our ability to grow at this rate in a very challenging environment is driven by our ability to increase wallet share, particularly across our key accounts.

An exceptional market-based industry solutioning and AI specialist cadre drives this by staying laser-focused on continually crafting business solution-led proactive deals and solutions. Twenty one large deals in FY26 is reflective of the success of that engine and that cadre. In FY26, in US dollar terms:

- The healthcare and high-tech vertical grew by 98%
- The travel vertical grew 62%
- The BFS vertical grew 12%
- Government outside India grew 17.5%
- Other emerging verticals, which include retail and manufacturing, grew 27%

Our key accounts drove significant growth this fiscal, outpacing the broader business. The top 5 accounts of the firm grew 45.8% year-on-year in US dollar terms, and accounts ranked 6 through 10 grew at 30%. Collectively, these 10 accounts contributed 30.8% of the total revenue, and they grew at 40.4%. We would like you to note that the top 10 clients are spread across industries. Five are BFS clients, three are travel clients, one is an insurance client, and one is a public sector client.

On an annual basis, and this is information that we're sharing starting this quarter, Coforge now has:

- 1 client with revenue greater than \$100 million
- 3 clients with revenues between \$50 million and \$100 million
- 9 clients with revenues between \$20 million and \$50 million
- 23 clients with revenues between \$10 million and \$20 million
- 42 clients with revenue between \$5 million and \$10 million
- 167 clients with revenue between \$1 million and \$5 million

This client set, the addressable wallet, is going to expand now that Encora integration is complete.

- Moving on to Order Intake - Q4 was a very strong quarter, both from an order intake and a large deal closure perspective. During the quarter, we signed five large deals. The total order intake during the quarter was 648 million US dollars.
- The executable order book, which reflects the total value of locked orders over the next 12 months, stands at a record 1.75 billion USD. This number is 16.4% higher than at the same time last year.
- This number does not include the impact of framework agreements that we have already signed and that are nearly assured revenue streams for FY27 and beyond. We expect revenue realized in FY27 from those signed framework agreements not accounted for in the signed order book to also be material.

On the people front, our total headcount at the end of Q4 stood at 35,777. We saw a net people addition of 436 during the quarter.

- Utilization during the quarter stood at 82.5%.
- Last 12-month attrition for the quarter remains one of the lowest in the industry at 10.8 percent. We remain, as always, one of the lowest attrition firms across the industry.

With those remarks, I shall now hand over the call to our CFO, Mr. Saurabh.

Saurabh Goel:

Thank you, Sudhir.

I would like to begin with two accounting matters that had an impact on the financials in the current quarter.

Effective FY26 realized gains and losses on cash flow hedges are reported under other income expense within forex gain loss. Earlier, they were adjusted to revenue. The change aligns our presentation with peer practice and isolates revenue and EBIT margin from currency fluctuation. Profit before tax and profit after tax are unchanged. All comparatives have been restated, and reported revenue and EBIT margins reflect this change.

The second accounting matter is related to the reversal of deferred tax liability due to the Cigniti merger. Following the effective implementation of the Cigniti amalgamation scheme in FY26, deferred tax balances on the merged entity were remeasured.

- A deferred tax liability of approximately 181 crores has been reversed and credited to provision for tax in Q4 FY26. This adjustment has resulted in an ETR, which is the effective tax rate for the quarter, of negative 7%.
- The normalized effective tax rate for the quarter is 22%, the reported effective tax rate for the year is 13%, while the normalized effective tax rate for the year is 23%. This is a non-cash one-time benefit. Cash taxes paid in quarter 4 remain unchanged.
- Steady state effective tax rate guidance for FY27 is between 23% and 24%.

Moving to margins in FY26:

- EBITDA expanded to INR 30,464 million, up 77% versus the previous year. EBITDA margins came in at 18.6% compared to 14.3% a year ago
- EBIT expanded to 23,645 million rupees, up 83% versus the previous year. EBIT margin came in at 14.4% as compared to 10.7% a year ago

More important to note is the Q4 exit rate of EBIT margins. EBIT margin came in at a record 16.6%, up 231 basis points quarter on quarter, driven by the following tailwinds:

- SG&A leverage contributes 100 basis points.
- Foreign exchange fluctuation adding 80 bps.
- Direct cost reduction due to the third-party cost added 50 basis points.
- Lower marketing spend added 40 basis points
- and lower ESOP cost at a 20 basis points in the quarter.

This is partially offset by the headwind related to provisions we made on account of certain doubtful debts, which is to the extent of 60 basis points.

Moving to cash flows,

- FY26 FCF of USD \$135 million experienced a 68% YoY increase. In FY25, this metric was USD \$80 million.
- Please note that the quarterly phasing of free cash flow was:
 - Negative \$21 million in Q1
 - \$37.5 million in Q2
 - \$45.7 million in Q3
 - \$73.7 million in Q4
- The Q4 FCF of \$73.7 million marked the highest quarterly FCF in any quarter in the past.
- Net cash improved to USD \$117 million from \$93 million in quarter one despite a \$36 million reduction in our working capital line and paying dividends of \$61 million.
- Q4 FCF to PAT ratio incorporates the impact of DTL reversal resulting from the Cigniti merger. On a normalized basis, Q4 FCF to PAT is actually 156%.
- Looking ahead, we anticipate free cash flow to PAT to be maintained at 100% from FY27 onwards in contrast to our earlier guidance of 70 to 80%.

In summary, FY26 witnessed significant improvements in all the financial parameters. Revenue grew 36% in INR terms, EBITDA grew 77%, EBIT grew 83%, and PAT grew 92% and FCF 68%, resulting in structural profitability and cash flow enhancement.

With Q4 FY26 EBITDA margins at 20.5% and EBIT margins at 16.6%, we are confident of achieving:

- EBITDA margins of 20.5% to 21% in FY27 on a consolidated basis, which is including Encora and,
- EBIT margins of 16.5% to 17% on a standalone basis, that is, excluding Encora, and 15.5% on a consolidated basis, which includes Encora.

This increase is coming largely on account of the following factors.

- Adoption of AI at scale, not just in delivery, but in functions, resulting in capping of G&A in absolute terms.
- G&A synergies of 20% to 25% in the combined business including Encora.
- A planned closure of a \$20 million low-margin portfolio of the India business.

With this, I would like to hand over the call back to Sudhir Singh.

Sudhir Singh

Thank you, Saurabh. Mr. Lalit Wadhwa, Chief Technology Officer, Coforge, who has joined us as part of the Encora merger, and I shall now share our plans around what we are doing to address the AI imperative.

These are exciting times indeed. In our industry, labor as a default has been disrupted and is being replaced by AI native process redesign and domain-specialized agents. We are moving from a world of IT delivery to one of business orchestration. And as this happens, firms that are engineering outcomes for customers are compounding, while firms that continue to bill hours are getting left behind.

Just like the advent of cloud created downstream opportunities for tech services, AI too is creating its own set of new value pools. As agentic systems rise, there is a growing need for tech firms that can help clients address the following asks at scale.

- The first ask is a need for AI-ready data pipelines.
- The second ask is agent lifecycle management.
- The third ask is recurring high-margin managed services to monitor models and govern agents.

We believe there are six moats that will define the model-winning firms that will capture this massive, fast-growing AI opportunity. Coforge has not just identified the moats but also built proprietary assets and differentiators to back each one of them.

- Moat number one is deep domain expertise. As firms upskill their staff on AI, the horizontal AI skills will commoditize quickly. In a world where everyone has access

to Cloud or GPT-5, where does the value sit? We believe it sits in the domain. Generative AI is a commodity. Applied AI is a clear differentiator. We are driving deep, with specific knowledge of business context, workflows, regulations, and operating reality. With more than 150 scaled AI engagements completed across BFS, insurance, travel, and health care, delivering production-grade outcomes, this is an agenda we are pushing.

- The second moat is strong client intimacy. AI will never commoditize relationships. Trust, context, and proximity to decision makers still shape demand. Clients value firms that understand their business, and that takes time to develop. And there is no better example, we think, of a firm that is closer to its clients than Coforge.
- Moat number three, reinvented delivery models are needed that orchestrate and monetize humans along with AI agents to deliver faster and more powerful outcomes. Our hybrid AI mod squads that we announced earlier are unique delivery units comprising of AI agents and senior AI specialists, driving 40% to 50% faster time to market for clients.
- Moat number four, agility at scale, which means being built for agility with AI-first offerings. It warrants internal adoption of agent-tech AI and a lean talent pool to adapt to each stage of AI evolution.
- Moat number five. Scalable AI platform with purpose-built agents. Enterprise-grade governance. In this context, Coforge's OneAI platform is a composable, enterprise-grade, agentic AI platform with 100-plus domain-specific solutions and 75-plus horizontal capabilities.
- And finally, moat number six. an AI-enabled workforce with specialized engineers, forward-deployed engineers, and an agile management team. We have more than 30,000 AI-enabled trained workforce members, more than 11,000 data and AI practitioners, more than 600 advanced AI practitioners, all created using significant investments in AI upskilling.

These assets have enabled us to move quickly to capture emerging opportunities across five growth vectors or value pools.

- Opportunity number one is ModSquad Monetization, which helps redefine how clients buy from us through hybrid delivery pods that are priced on outcomes, not hours.
- Opportunity number two is helping client enterprises plan multimodal AI strategy across LLM providers and AI tools without a vendor lock-in.
- Opportunity number three is Brownfield Modernization, which accelerates legacy modernization via proprietary platforms, such as Coforge's CodeInsight.AI, that are delivering more than \$40 million plus in client savings as we speak.
- Opportunity number four is AI-led engineering transformation, which warrants improving productivity and quality while lowering costs and is backed by Coforge's multi-layered knowledge graphs, pre-built agents, and enterprise-grade governance.
- Opportunity number five is the agentic AI platform-related opportunity. Out here, we're deploying engineers from routine work to agentic AI orchestration. This is the highest margin and the most strategically valuable work.

Finally, we are eating our own cooking by embedding AI across both the SDLC and our internal operations. On the SDLC front, AI is deeply embedded into how we build and deliver. We are driving 25% to 35% productivity uplift in development, 40% to 60% in code generation, and up to 10 times faster modernization timelines. Internal operations and Saurabh talked about this.

We are always client zero for our AI interventions. We are using AI to drive 40% to 60% lower effort spent on financial analysis and 30% to 40% lower screening cost for recruitment.

The market is clearly recognizing our momentum on AI. We have received over 25 AI recognitions from leading analyst firms, including seven leader positions from firms such as Everest, HFS, Constellation Research, ISG, and Avasant.

With that, I will now hand over to our CTO, Mr. Lalit Wadhwa, to provide further nuances of how we understand, and are approaching the AI opportunity.

Lalit Wadhwa

Thank you Sudhir.

Most enterprise AI pilots never reach production. The gap is not just the model, it is the surrounding architecture and the way the work gets delivered. Pilots run in controlled conditions that mask the structural issues production really exposes. We have closed this gap with two things built together.

- Number one, a reference architecture. designed for production-grade behavior,
- and number two, a delivery model that leads with business outcomes.

Our reference architecture enforces deterministic guardrails around probabilistic LLM outputs, solving the two failure moats that trap clients in pilots, hallucinated domain logic, and lost agent coherence in long-running processes. This architecture, the reference architecture, has three layers.

- The top layer is called the business architecture layer and consists of business goals, high-impact use cases, and organizational change management, or the OCM-led operating model redesign.
- The middle layer is the decisioning engine, or the decisioning atlas, which is a differentiated proprietary asset that enforces domain-specific reasoning chains with ontologies and coding business entities, a knowledge graph mapping cross-system compliance hierarchies, and a temporal context that maintains state coherence across multi-step agentic workflows.
- The bottom layer is a composable AI backbone, swappable with hyperscalers compute or a sovereign AI cloud or any model provider. It also contains an AI gateway used for model routing, a model context protocol, that's called the MCP gateway, token ops, and the ability to do canary releases in AI deployments.

We have operationalized this reference architecture with our proprietary AI ModSquads and the forward-deployed engineers, also called as the FDEs.

In ModSquads, we implement agent harnesses for long-running, durable agents. The harness or the scaffolding has a RAG loop with planner, generator, and evaluator agents all tied together with guardrails or contracts and anti-leniency or adversarial patterns by design to ensure that agents do not go off the rails. A governance protocol for human-

in-the-loop checkpoints is implemented with templates, registration, versioning, and lifecycle management of the 110 agent archetypes that we have.

Now, let me contextualize the above two key ingredients with brief case studies of systems in production.

- Number one, for a large tier-one bank, we executed an AI-led COBOL to Java 21/Quarkus modernization of a module with 11,000 lines of mainframe COBOL code with Copybooks, VSAM, and Assembler dependencies in half the time that the client gave us. Our highly specialized decomposition agents reverse-engineered legacy structure, legacy logic, and the intent directly from the source artifacts. Our forward-deployed engineers, which consisted of one senior FDE and two junior consultants, along with the coding agents, generated production-grade code into a hexagonal architecture with non-blocking reactive IO, JWT authentication, open telemetry, distributed tracing, and container native deployment.
- In the second example, A large group insurance benefits provider deployed our architecture on Azure with Trust AI, enforcing responsible AI guardrails at inference time. Model garden abstracting multi-LLM routing and enterprise retrieval augmented generation, or RAG, services, orchestrating retrieval across multiple vector databases using a combination of the EM25 algorithm and the semantic search. The platform enforces governance as code, automated security policies, token-level FinOps, and operational kill switches across LLM access, agent orchestration, vector databases, and CI/CD pipelines.

A combination of FinOps, governance, and increased throughput resulted in productivity benefits of 40% and velocity gains of 50%.

So to summarize, the path from pilot to production runs through architecture and delivery, not through model selection. The three-layer reference architecture and the ModSquad delivery model that you just heard of are the two key ingredients that close the pilot to the production gap, and both are now proven in production at enterprise scale.

With that, back to you, Sudhir.

Sudhir Singh

Thank you, Lalit.

And the final section, the outlook section, ladies and gentlemen. And before we do that, before we share our outlook, we would like to offer our views on the recent commentary around our industry. We believe that the true cost of AI code is an important concept to be understood in the context of the evolving AI landscape. The deflationary argument assumes code generation is the entire job. It is not. AI-generated code is cheap to build, but it is expensive to own.

It is expensive to secure and it is expensive to maintain. Just like cloud migration, agentic AI will create a massive managed services layer. And once these systems are in production, someone has to monitor the models, retrain the agents, and ensure governance. That is a recurring, high-margin revenue stream for firms that can seize it.

For Coforge, the demand tailwind is structural and pure. We were built for agility. We have no bloated delivery pyramid to manage. Every AI advancement accelerates our growth. We are positioned for the near-term modernization surge. We are positioned for the medium-term agentic deployment wave. And finally, for the long-term expansion of the global technology market.

All three phases, ladies and gentlemen, play to our strengths. We shall lean on our exceptional record of creating value through acquisitions, which in turn rides on our growth. intensity that is uniquely our own. SLK is an example. Cigniti is an example. And Encora will be the defining example.

We plan to compound on our success, focusing on four key priorities.

- The first priority is building pipeline momentum in AI transformations across our top verticals.
- The second priority is expanding our AI client base rapidly through both hunting and farming.
- The third priority is scaling vertical agent workflows in verticals like banking, insurance, and airlines.
- The fourth priority is continuing to invest in talent, growing our specialized pool of FDEs while upskilling 100% of our workforce in AI.

To conclude, FY27 is shaping up to be an exceptional year for Coforge despite the significant AI-driven flux.

We believe revenue growth will be robust. We are confident of achieving an EBITDA margin of 20.5% to 21% in FY27 on a consolidated basis. EBIT margins are expected to be in the range of 16.5% to 17% on a standalone basis and 15.5% on a consolidated basis. We believe the FCF to PAT metrics going forward will be 100% plus.

That concludes our prepared remarks.

Moderator:

Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We request participants to restrict themselves to two questions and return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We will wait for a moment while the question queue assembles.

We take the first question from Abhishek Pathak of Motilal Oswal. Please go ahead.

Abhishek Pathak:

Congrats on a good quarter. I have a couple of questions.

Firstly, if I apply a conservative revenue conversion multiple to your 12-month forward executable order book, I arrive at a very punchy FY27 growth number of almost 18% to 19%. So, does the previous 1.3x to 1.4x multiple to your 12-month order book still hold? Should we assume a higher conversion rate or a lower conversion rate, depending on the global macros or AI deflation?

The second question is, how much of the margin upgrade is down to AI usage internally, and how much of it is down to pricing and getting into more identified solutions that can lead to better pricing?

Lastly, on the hedge book reclassification side, what prompted that change? Any guidance on that would be helpful.

Sudhir Singh:

Thank you for the question, Abhishek. I am going to request Saurabh to take the hedge question towards the end.

As far as revenue is concerned, last year when we started off the year, we had indicated that we would deliver robust growth. The intent always is to grow as much as possible, and that is how we landed up at 29.2% USD growth.

This year, again, the intent is to deliver robust growth, but the intent is equally not to classify that or to offer hard numbers around it, which you well know. The environment is challenging, and yet the confidence is high that we should be able to deliver industry-leading growth.

As far as EBIT is concerned, we believe the EBIT reset in Q4 has been a structural reset. It has come off the back of automation and AI-led interventions. It has also come largely off the back of a deeply held conviction that in an AI-infused era, our G&A costs have to be held constant in absolute terms, and it is AI-based interventions that are allowing us to do it.

Saurabh Goel:

On the hedge front, we were working with our auditors. We thought it was better to do it towards the year-end, so that the reporting gets aligned more with market practices.

Just to mention, if you add back the hedge losses against revenue in the current quarter, the EBIT margin was 15.2% against our guidance of 15%. So, we did better even if the hedge losses were being reported where they were being reported earlier.

The improvement that has come in margins in the current quarter is operational. That is why we believe that going forward, we will be able to not only sustain it, but also improve it in FY27.

Abhishek Pathak:

Thank you so much, and all the best.

Moderator:

Thank you. We take the next question from Sulabh Govila of Morgan Stanley. Please go ahead.

Sulabh Govila:

Thanks for taking my question, and thanks for the detailed presentation.

My first question is on revenue growth. Last year, when we entered the year, we had a tailwind of the mega deal that we had won in March. This year, given that we do not have a tailwind of that level, how should we expect growth to pan out, particularly from a cadence perspective, given that 1H was quite strong last year versus 2H? How do you

think about 1H versus 2H this year, not from a number perspective, but from a cadence perspective?

Also, could you provide some color on the framework agreements that you talked about? Are they different versus the usual?

Sudhir Singh:

You are absolutely right about your observation around the fact that we had the \$1.56 billion tailwind this year. We believe the tailwind comes from framework agreements that we have signed and not recognized under the order executable that we have shared with you.

These are agreements where the MSA does not spell out a specific amount, and hence, we do not add that to the order executable number. We have already signed a material framework engagement. We think we will, in reasonably short order, sign bigger framework agreements too, where pipeline closure is in its near-final stages.

A lot of our confidence around revenue growth also comes not just from the order executable, but from how balanced the portfolio is. At this point in time, whether it is travel, healthcare, banking, or insurance, we feel good about all of them. We are not hitching our wagon to one star. The entire constellation seems to be moving in the right direction from our point of view.

Sulabh Govila:

My second question is for Saurabh on free cash flow. What are the specific drivers behind the change from 70% to 80% FCF to PAT to 100%?

Saurabh Goel:

We had earlier mentioned that we would maintain 70% to 80% FCF to PAT. But the rigor that we have brought into the organization, in terms of the way collections are being followed, the way payables are being managed, and the way contracts are being structured, gives us confidence that 100% is the bare minimum FCF to PAT we will deliver in FY27, along with the significant step-up in profitability that we mentioned in our prepared remarks.

Sulabh Govila:

Understood. Thanks a lot

Moderator

Thank you. We take our next question from Vibhor Singhal of Nuvama Equities. Please go ahead.

Vibhor Singhal

Thanks for taking my question, and congrats Sudhir, Saurabh, and team for the solid performance again.

My first question is on the AI opportunity. You mentioned that while AI code might be cheaper to write, it is much more expensive to maintain, implement, and integrate into the existing systems of companies. From a broader industry point of view, do you believe that this AI opportunity will lead to an overall expansion for the industry?

Let us say the IT industry today is around \$250 billion. Will we actually see this become much bigger than \$250 billion two, three, or four years down the line?

A related question is that in the last cycle, which was the digital and cloud cycle, a large part of the opportunity was initially captured by Tier 1 players because Tier 2 players were quite small at that point in time. In this cycle, because mid-tier players like us and our peers have now reached a certain size and capability level, do you believe the winners or beneficiaries of this cycle could be different?

Sudhir Singh:

So Vibhor, The AI opportunity that we see is multifold, and I am going to request the head of our AI practice, Mr. Vic Gupta, to add to this.

As we have said, we are seeing a very significant near-term modernization surge using AI technologies. That is real. That is now. There is another wave building up very strongly, which is the agent deployment wave. Firms that ride those waves are firms that will continue to do well.

It is difficult for me to talk about whether the Indian IT industry will do well or not, but the tech services industry has to do well. There is a clear need for:

- AI-ready data pipelines
- Agent lifecycle management
- Recurring, high-margin managed services to monitor models and govern agents

Vic, would you like to add more color to AI demand?

Vic Gupta:

Sure. Thanks, Sudhir.

If you look at the ecosystem, at least in our client base, there is a lot of application entanglement and a lot of opportunity around brownfield migrations of applications to modernized systems and agentic systems.

No Fortune 1000 company has no integration problems. Every one of them has an integration problem. They need to identify their workflows, but they also need to integrate with their existing systems, systems of record, systems of engagement, and systems of interaction.

We also feel that responsible AI or governance of AI is non-negotiable for the regulated industries in which we operate. Each one of them offers us a value pool that brings us closer to our clients and delivers value to them.

We feel that, for us, we are faster to execute and nimble to change. As we mentioned earlier, client intimacy is an important aspect of our moat. With that, we see great opportunities around brownfield modernization, migration, and agentic areas.

Vibhor Singhal:

My next question is on the travel vertical. Given the Gulf War and where crude is, do you foresee a headwind in that vertical in the immediate future? Have any client conversations started around airlines temporarily pulling back technology spends?

Sudhir Singh:

At this point in time, Vibhor, from our perspective, the travel vertical continues to do really well, even in the short term. We saw a press report yesterday that talked about the impact of Spirit Airlines on Coforge. We want to reiterate that the impact is negligible to none. The budgeted revenue from that airline was about 10 bps for FY27.

So the near-term travel business is on the up and up. Saurabh talked earlier about the fact that there is a low-margin portfolio in India that we will discontinue immediately, and the negative impact of that will flow into Q1. Despite that significant portfolio, we expect to be flattish in Q1 and to be on a very fast growth trajectory from Q2 onwards.

Travel, healthcare, banking, insurance, public sector, and even high-tech, the new vertical we have started, should do extremely well in FY27.

Vibhor Singhal:

Just one or two bookkeeping questions for Saurabh. Since Sudhir mentioned discontinuing the India business operation, could you quantify the amount of that business we intend to discontinue from Q1?

- Saurabh Goel:** It should have an impact of roughly \$15 million to \$20 million in pass-through revenue in Q1 itself.
- Vibhor Singhal:** So, revenue for Q1 should be down by \$15 million to \$20 million because of this discontinuation?
- Saurabh Goel:** Because of the India business, yes. But the other deals that we had signed in the current year and the order book that we have will still make up for it and probably nullify the impact of this reduction.
- Vibhor Singhal:** Net-net, are we expecting a flattish quarter next quarter?
- Saurabh Goel:** Yes, on a QoQ basis, on a reported basis.
- Vibhor Singhal:** There is a 150 bps margin gap that we are talking about in FY27 between standalone and consolidated margins. I assume that is because of amortization?
- Saurabh Goel:** You are absolutely right. It is because of amortization. Otherwise, we feel very good about hitting 16.5% to 17% EBIT margins if there was no amortization.
- Vibhor Singhal:** What is the amortization we are looking at on an annual basis?
- Saurabh Goel:** Roughly \$40 million a year.
- Vibhor Singhal:** Thank you so much for taking my questions and wish you all the best.
- Moderator:** Thank you. We take the next question from Dipesh Mehta of Emkay Global. Please go ahead.
- Dipesh Mehta:** Thanks for the opportunity. My first question is on hedge losses in OCI, considering the change in accounting practice. Could you provide some sense of what the OCI number will be?
- Saurabh Goel:** The OCI will not change. The hedge loss in other income will be INR 164 crores for the year and INR 70 crores for the quarter, which is already there as part of the fact sheet.

Dipesh Mehta: What is the balance sheet number considering the hedge position at the end of the quarter?

Saurabh Goel: I will come back to you on that.

Dipesh Mehta: My second question is on the framework agreement. How should one understand its conversion into the order book in coming quarters? Will it be gradual conversion, or do you expect some of it to be relatively large-deal-like? Also, is it different from the usual 12- to 18-month structure?

The second question is on BFS. BFS remained softer than the company average in FY26 and even in Q4. Could you provide some sense of the BFS growth trajectory and the demand drivers there?

Sudhir Singh: I am going to request our President, Mr. John Speight, to address the framework question because that demand comes from the UK public sector, and that is a business he supports.

John Speight: Thank you, Sudhir.

It is not an atypical framework deal in the neutral state. This is a typical way that the UK public sector business works. You will have seen the press that we were awarded a \$150 million plus deal in the UK public sector. That was a sole award to Coforge, structured over five years.

The expected run rate as a base is around \$4 million to \$5 million per quarter. During the quarter, what happens is that there are multiple TSRs or SOWs against that award, purely to Coforge.

Sudhir Singh: As far as the BFS question is concerned, Dipesh, we see structural demand drivers ahead of us. BFS in our case came in at 12%. In relative terms, it was low, but in absolute terms, that was still a solid performance in a year like this. We expect performance around BFS to improve in FY27 over FY26.

Moderator: We move to our next question from Ravi Menon of Axis Capital. Please go ahead.

Ravi Menon: Thanks for the opportunity. I appreciate the long-term bullish commentary on AI demand and the detailed remarks on that.

Could there be some near-term headwinds, especially in product engineering, probably more with Encora than with the Coforge portfolio? Some smaller SaaS companies may face pressure. Could we see some revenue headwinds near term, even if longer term we gain share by adopting AI for coding early?

Sudhir Singh: Ravi, thanks for the question. The answer is no.

The high-tech business of Encora that we have taken over is under a new leader, based out of a new office that we were planning for and have already established. It is functioning. We expect the high-tech business to start growing from Q1 itself and grow handsomely through FY27.

Ravi Menon: On FCF conversion, the rough math indicates that if FCF to PAT goes above 100%, it would be about 60% or north of that. That is good, but still a little lower than best-in-class. What do we need to do to move towards best-in-class?

Saurabh Goel: Ravi, it is a step-up from where we were, whether it is margins or free cash flow. It reflects the investments we have been making in client relationships and in the business. The results of those investments are now visible in profitability and cash flow.

In another couple of years, this can move towards 110% to 120%. It is a gradual move from not focusing on FCF to PAT, to giving guidance of 70% to 80%, delivering on that, moving to 100%, and then looking at how next year goes before probably upping it further.

Ravi Menon: One more question on ESOP cost. How much should that be next year as a proportion of overall compensation or revenue?

Saurabh Goel: It will stay where it is. Around 0.8% to 0.9% is where it will stay. It is not going to go up or significantly go down.

When the new plan was rolled out, we were close to 2%, and it has come down gradually. It will stay around 0.7% to 0.8%.

- Ravi Menon:** So you are not envisaging that to move up even with new leaders from Encora being onboard?
- Saurabh Goel:** No, we are not expecting that to go up.
- Moderator:** Thank you. Next question is from Sandeep Shah of Equirus Securities. Please go ahead.
- Sandeep Shah:** Thanks for the opportunity and congratulations on good execution. I wanted to understand the framework deal from the UK government. Is it fair to assume the potential that we may consider in our budget is the \$150 million TCV over five years that John disclosed, and that \$4 million to \$6 million additional revenue may start flowing from Q1 itself?
- Sudhir Singh:** Yes, the revenue, as John said, is going to start flowing from Q1 itself. The \$150 million deal is already signed. That is the award. John has strong conviction, and I will let him speak about the future pipeline as well.
- John Speight:** We are very well placed in the UK public sector space. We have had significant successes in engagements. You would have seen one in Scotland not long ago, in the press, about the rollout for the 111 services there.
- Our reputation across the public sector is very high. We have a number of opportunities at the moment, many of them in the \$10 million to \$100 million size. The \$150 million is signed, and there are others that we think are locked and loaded, and we will be awarded those as well, in addition to what is signed.
- Sandeep Shah:** And this will again be in UK public sector?
- John Speight:** Yes
- Sudhir Singh:** As John confirmed, in UK public sector. Plus, the momentum across every vertical is strong. At this point in time, healthcare grew 98%; travel has secular tailwinds around One Order and airport reconstruction as retail malls. These are secular tailwinds and will not fade away despite what is happening. Banking and insurance are very strong.

- Sandeep Shah:** Are you saying framework deals would not just be restricted to UK and could be in other sectors also?
- Sudhir Singh:** No. Framework deals only come from UK public sector in our case.
- Sandeep Shah:** For Saurabh, the capex looks like there is an inflow in the cash flow statement. What has led to that? Second, the discontinued business of \$15 million to \$20 million, is that quarterly run rate or yearly run rate?
- Saurabh Goel:** On cash flow, the positive inflow is because part of the assets pertaining to the AI-led data center that we built in Q1 have been sold. They have been bought back by the client, which led to an immediate inflow during the quarter.
- On the India discontinued business, it was the quarterly run rate for the last couple of quarters. We are now going to close that and not sign up such deals. This business had generated \$40 million to \$45 million last year, out of which \$40 million came in over the last two quarters.
- Sudhir Singh:** We can afford to do that given the confidence we have in our revenue pipeline right now. We also believe we will structurally and permanently reset the margin to the levels that Saurabh talked about.
- If we were stressed on revenues, if we were not confident of the materiality, and if we were not convinced around the revenue pipeline, we could not have pulled the trigger. But we have, because every business is firing. We feel very good about revenue growth in FY27, and this would be another lever to make sure that a business that delivered 14.4% reported EBIT in FY26 will, on a standalone basis, jump to 16.5% to 17%.
- Sandeep Shah:** On minority interest, there is a quantum decline this quarter. Is it fair to assume we have already taken 100% stake effective FY26-end? Why does the P&L still reflect a bigger charge?
- Saurabh Goel:** Going forward, you will see minority interest come down from INR 53 crores to INR 54 crores in one quarter to almost INR 9 crores. The reduction in minority interest is yet to happen. It will happen from Q1 onwards because the share allotment is happening. The

record date for share allotment is 16 May, and hence minority interest is being carried in the P&L up till that time.

If you look at the P&L, the minority interest is INR 54 crores in Q4, which will come down to INR 9 crores. That will give upside from a profit after tax perspective. But the number of shares will also go up when the allotment of shares to Cigniti shareholders happens. It will still give upside on the EPS front. That is more to come in next quarter.

Sandeep Shah: So, will an effective merger entry happen from Q1?

Saurabh Goel: Yes

Moderator: Thank you. We take our next question from Kawaljeet Saluja of Kotak Securities. Please go ahead.

Kawaljeet Saluja: Great to see the margin focus and free cash flow guidance. My first question is for Sudhir. When I look at the banking vertical, revenues are stuck in the \$120 million to \$123 million range for five quarters. We also hear about clients in the banking sector expanding captives. Is anything hurting that portfolio, which used to be a big growth driver?

Sudhir Singh: What slowed down our growth to only 12% for the current year, Kawaljeet, was the fact that one of our top three banking clients did not grow this year. That client account has now been transferred over to John's personal stewardship, and we feel far more positive about it.

It has nothing in our mind to do with the GCC movement. It is more to do with a client-specific issue that we had and we believe we have addressed.

John, would you like to address the prospects of that client?

John Speight: Thank you, Sudhir.

We have completely refactored how we are engaging with that client. We have a brand-new team. We are also recognizing that we have to disrupt in that account. We have a large footprint, and we are using our AI capabilities to completely transform how we engage and how we run.

On the back of that, we expect significant growth. It was one single large client-specific issue. It is reversed. So next year, FY27 banking should show better numbers.

Kawaljeet Saluja: My second question is on durability of margins. It is great to see consolidated EBIT margin going up to 15.5%. Any thoughts on durability of it? Is this guidance only for FY27 or is there a greater runway?

Sudhir Singh: We should be able to improve FY28 over FY27, obviously not by this quantum. But at least incrementally, Kawaljeet, the threshold that we have shared for FY27 will be the minimum. That should be expected from us starting FY28 onwards.

Kawaljeet Saluja: My third question is for Saurabh. I see a big decline in hedges for the quarter on a sequential basis. Is there any policy change?

Saurabh Goel: We have taken a dollar loan of \$550 million, and it gives us a natural hedge. That loan has been taken in India. It is to ensure that the cash flows and the balance sheet are aligned to the liability we have in the balance sheet. We are moving towards balance sheet hedges, and that is where you see a decline in the cash flow hedges.

Kawaljeet Saluja: On that loan point, the \$550 million loan is good, and the headline interest rate is 4.5%. Do you intend to hedge that, given that the rupee has been depreciating?

Saurabh Goel: That is where we get the natural hedge, because our receivables are in dollars in India. The number of hedges has gone down because we have a natural hedge, with receivables in dollars and payables in dollars.

Kawaljeet Saluja: On your P&L and hedges, the average rate is 90 for \$300 million. A calculation at current spot rate indicates hedges of around INR 140 crores to INR 150 crores. Is that correct?

Saurabh Goel: That is correct. That is the mark-to-market. There may be losses for one or two more quarters, and then I think from the third quarter it starts tapering off.

Moderator: Thank you. We take that as the last question for today. I now hand the call back to Mr. Sudhir Singh for closing comments.

Sudhir Singh: Thank you, Inba. Thank you, ladies and gentlemen, for your time, interest, and insights.

As we said at the outset, these are exciting times, these are heady times, and we look forward to staying in touch and to delivering on the outlook that we have shared with you today. Thank you once again.

Moderator:

Thank you, members of the management. On behalf of Coforge Limited, that concludes today's call. Thank you for joining us. You may now click on the leave icon to exit the meeting. Thank you for your participation. Goodbye.