COFORGE LIMITED EARNINGS CONFERENCE CALL
Q1FY27

Tuesday, July 28, 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. Himanshu Sarda
AVP-Investor Relations

Moderator: Good day, ladies and gentlemen, and welcome to the Coforge Limited Q1 FY27 earnings conference call. All participants' lines will be in listen-only mode. We will open the floor for questions, post the management's opening comments. Please note that this conference is being recorded.

Joining us today from the Coforge leadership team are:

- Mr. Sudhir Singh, Chief Executive Officer
- Mr. John Speight, President and Executive Director
- Mr. Saurabh Goel, Chief Financial Officer
- Mr. Himanshu Sarda, AVP-Investor Relations

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 Q1FY 2027 earnings press release. I now hand the call to Mr. Sudhir Singh. Over to you, sir.

Sudhir Singh: Thank you, Inba. A very good morning and evening, ladies and gentlemen. Thank you for joining us today. Please allow me to start today's call with a quick reflection and a recap.

This is the tenth year that the current management team at Coforge has been at the helm. Over the last nine years, we have delivered a revenue CAGR of 21.7%, an EBIT CAGR of 24.6% and a PAT CAGR of 24.1%. But that is the past.

It is the future which is far more brighter, and it is a future which in the short term looks set to mark us out as the firm which, basis its capability driven performance, will further accelerate its growth and very materially scale up its margins starting the quarter we are in i.e. Q2 itself. Our pipeline of large deals – short term, medium term and long term – has never been stronger than it is today. In Q2 itself, and we know that a month the quarter has already elapsed, we believe we are likely to sign large deals in numbers that were very close to what we signed in a full year just 2-3 years back.

The AI driven disruption will create outsized winners and legacy laggards. As you listen to our commentary and reflect on our results, I trust you will recognize the competence, confidence and capability that mark Coforge out as the firm in this new Ai-driven era that will emerge as the fastest growing material tech services firm globally for the third-year running.

The new AI driven world demands that our industry pivot itself from operating on a scale-of-people framework to one based on a scale-of-intelligence. In this new world, in quarter one, excluding the data center business and the India government business that we announced the closure of last quarter, our firm has grown 5.2% CC sequential in Q1, while the reported growth is 1.1% CC sequential.

86% of our business in Q1 comes from Ai-led engineering, data and integration, and cloud services. That revenue quality allied with the exceptional deal closure pipeline ahead of us gives us the leeway to focus simultaneously on margin expansion. Last year Coforge reported an EBIT of 14.4%. We had shared with you that this year, standalone Coforge standalone EBIT will jump to between 16.5 to 17%. We had also said that we will immediately expand Encora margins too, and that the combined entity in FY27 shall deliver 15.5% reported EBIT. I am very pleased to share right at the outset that the combined entity in Q1 itself has delivered a reported EBIT of 16.0%. The Encora acquisition has been consummated using the proven Coforge integration playbook which is uniquely our own. We immediately and fully integrate both organizations, ask leaders running the acquired firm to leave on Day 1 itself, so we have immediate and complete effective control. All aspects of Encora operations are being overseen by Coforge leaders who led the due-diligence effort and the fact that we are ahead of the plans we had shared you even before one full quarter has elapsed post-acquisition indicates that Encora will again create business value and synergy in line with what Cigniti, SLK Global and Incessant did.

Before I get into the detailed results for the quarter, I want to reflect on the next wave of opportunity for our industry. The AI conversation has changed. A year ago, enterprises were asking: “How do we deploy AI?” Today, they are asking: “How do we operationalize it?” How do we govern it? How do we scale it? How do we turn it into measurable business outcomes?”

That shift is creating the next wave of opportunity for our industry. We call it Enterprise Autonomy.

At Coforge, we believe the next phase of AI will not be won through access to models. Every enterprise will have models. Every enterprise will have cloud. Every enterprise will have agents.

The differentiator will be Applied AI: AI grounded in business context. AI grounded in process. AI grounded in policy and risk. It will come from operationalizing intelligence across the enterprise. AI that works inside complex enterprise environments.

That is where value is moving, and that is where Coforge is focused. This is why we built Nuuron.

Nuuron is our AI Operationalization Platform. Its purpose is simple: to help enterprises move from AI pilots to AI operations.

It brings together enterprise knowledge, decisions, workflows, governance, agents, and execution—so AI can operate at enterprise scale.

Nuuron is not another model. It is not another copilot. It is not another agent marketplace. It is the operating layer that helps enterprises move from experimentation to production.

We are backing this vision with meaningful investment. Today, Coforge has more than 11,000 Data and AI practitioners, 8 AI platforms, 22 AI assets, and over 100 reusable AI agents and accelerators.

During FY26, we invested approximately $58 million in AI innovation. Furthermore, approximately 30% of active engagements already leverage AI within delivery workflows.

These are not future ambitions. They are capabilities we are deploying today.

Technology alone is not enough. The delivery model must evolve as well. That is why we have combined Nuuron with Forward Deployed Engineers, Mod Squads, and reusable AI assets. The traditional model was built around effort. The emerging model is built around outcomes.

What makes Coforge different is straightforward: We are not competing on model ownership. We are not trying to be an AI infrastructure company.

Our advantage is applying AI inside complex industries where domain knowledge, execution discipline, governance, and measurable outcomes matter most. We know the industries. We understand the workflows. And we understand what it takes to move AI from ambition to execution.

We believe the next wave of enterprise value creation will not come from deploying more AI tools. It will come from operationalizing intelligence across the enterprise, embedding AI into decisions, workflows, and operating models, and helping organizations move from AI adoption to Enterprise Autonomy.

That is the journey Coforge is enabling through Nuuron.

Revenue Commentary

Consolidated revenue for the quarter stood at US$592.2 million in US dollar terms. In Indian-rupee terms, revenue stood at ₹55,277 million. These figures include two months of contribution from Encora.

On an organic constant-currency basis, Banking and Financial Services grew 2.9% sequentially and now contributes 24.7% of consolidated revenue; Insurance grew 4.6% and contributes 13.6%; Travel, Transportation and Hospitality grew 1.7% and contributes 21.3%; and Healthcare and Hi-Tech grew 11.6% and contributes 17.3%. Government Outside India contributes 6.0%, and Others, now at 17.1% of revenue, declined 8.0% following the planned portfolio exits.

From a geographic perspective, organic growth was led by EMEA and the Americas, which grew 8.4% and 3.5% sequentially in constant-currency terms, respectively. Rest of the World segment contracted 22.0%, reflecting the impact of the portfolio exits discussed earlier.

AI-led Engineering, Data and Integration, and Cloud—the strategic core of the combined organization—together contributed 86% of consolidated revenue during the quarter, ahead of the 80% share indicated when we announced the Encora transaction. AI led Engineering remained our largest revenue contributor at 50%, followed by Data and Integration at 21% and Cloud at 15%. Intelligent Automation and Business Process Management contributed 7.0% each.

The addition of Encora has further broadened our client portfolio. In terms of client mix Coforge now has:

1 client with revenue greater than $100 million

3 clients with revenues between $50 million and $100 million

14 clients with revenues between $20 million and $50 million

29 clients with revenues between $10 million and $20 million

Our top 5 clients contributed 18.0% of Q1 revenue, and the contribution from our top 10 clients stood at 26.1%.

EPS, excluding one-time exceptional costs, remained broadly stable at ₹13.3, compared with ₹13.8 last quarter. This performance is particularly noteworthy given the approximately 25% expansion in our equity base following the Encora transaction and the incremental interest cost on the acquisition financing. As guided earlier, we remain on track to deliver EPS accretion in FY27.

Order Intake

During the quarter, we signed four large deals. Total order intake during the quarter stood at US$691 million. Our next 12-month executable order book expanded to an all-time high of US$2.23 billion, compared with US$1.55 billion a year ago—an increase of 44.2% year on year, providing strong visibility for the year ahead.

People

Moving to our people metrics, total headcount at the end of Q1 stood at 46,228, reflecting a net addition of 10,451 employees during the quarter. This includes 9,256 colleagues from Encora who became part of Coforge following the acquisition. On an organic basis, our workforce increased by a net 1,195 employees sequentially. Utilization remained healthy at 82.5%, while last-12-month attrition declined further to 10.4%, remaining among the lowest in the industry.

I will now hand it over to John.

John Speight: Thank you, Sudhir. I will now highlight the quarter's delivery and capability milestones.

Across our client base, AI-native operating models are moving from ambition to production, with AI-led conversations converting into large, multi-year engagements.

For a leading global financial institution, we are building its AI platform and agent ecosystem across the SDLC landscape, with the potential to deliver more than 50% productivity gains across business units. For a leading Latin American bank, AI-enabled Mod Squads now span engineering, testing, modernisation and business analysis, targeting a 30 to 50% increase in delivery throughput. For a leading fintech, we modernised its AI Vibe Coding Developer Portal using reverse and forward engineering agents on

GitHub Copilot and Claude Opus, contributing to a new modernisation engagement. For a leading wealth management firm, an AI-led framework accelerated API transformation by three months. For a leading Wealth and Asset Management platform, our AI-native Advisor Experience Desktop, powered by 20+ specialised AI agents, is delivering 30%+ advisor productivity gains. For a leading investment services institution, we are supporting an AI-led operating model transformation, with 40% of portfolios transitioned in year one and delivery cycle times reduced by 80%.

For a global travel technology leader, the Mod Squad model delivered 30% productivity gains and a 22% reduction in manual effort. Also, please note that our cargo platform, COSYS+ went live for one of India's largest aviation hubs, extending its footprint to 20 airports globally.

For a leading Australian medical indemnity insurer, we progressed a large-scale core platform transformation serving approximately 40,000 healthcare professionals. For a large specialty insurance provider, CodeInsightAI was leveraged as part of a modernization program to migrate to Azure, reducing technical debt by 92%, delivering 99.93% field-level accuracy and 65% productivity improvement.

In **Life Sciences**, for a leading biopharmaceutical company, an agentic audit platform identified $4 million in savings opportunities at 95% accuracy.

In **Manufacturing**, Coforge's CodeInsightAI platform modernised a global automotive manufacturer's legacy landscape, reducing documentation effort by 70%, modernisation cycles by 50% and operating costs by 35%.
For a leading European client, we **secured** a five-year, $230 million-plus AI-led transformation programme using Low-Code and No-Code platforms, AI-powered automation and AI-infused SDLC to reduce manual effort and improve productivity at scale.

These successes were complemented by recognition as both a Leader and Star Performer in the Everest Group Duck Creek Services PEAK Matrix 2026 and a Leader in the ISG Provider Lens Duck Creek Services Ecosystem assessment, reaffirming our position as a preferred transformation partner for insurers globally.

With that, I will hand over to our CFO, Saurabh Goel.

Saurabh Goel: Thank you, John.

Q1 marks a strong start to FY27, with the combined organization delivering results ahead of the operational and profitability objectives articulated at the beginning of the financial year.

I will start with the key highlights of the quarter:

- Revenue up 49% YoY
- EBIT up 101%, reflecting YoY margin expansion of 414 bps
- Profit before tax (PBT) up 92% YoY, with expansion of 284 bps
- PAT up 110% YoY, reflecting a margin improvement of 271 basis points

Q1 FY27 reported revenue stood at $592.2 million, including two months of contribution from Encora which was $100.7 million. Consolidated EBIT margin came in at 16%, while organic EBIT margin was 16.7%. Within its first quarter as part of Coforge, Encora delivered:

- EBITDA margin of 20.3%
- EBIT margin of 19.1%

This reflects the rapid execution of the integration playbook and realization of SG&A and operational synergies. Coforge's reported G&A for Q4 was 6.7%, whereas Encora was at 10%, as we had indicated when we announced the acquisition in December. The combined organization is now at 6.6% for Q1 FY27 from a G&A standpoint. This represents a reduction of 40% in Encora G&A. This is expected to improve further in Q2 as a result of the full-quarter impact of actions taken during the current quarter.

The hedge losses incurred during the current quarter amounted to $10 million. Additionally, we have a Mark-to-Market (MTM) loss of $14 million on account of outstanding hedges, which will be realized over the next two quarters. From Q4 onwards, we anticipate a positive impact of approximately $10 million in earnings, as hedge losses will be eliminated, given that there is no open hedge book beyond Q3. Exceptional expenses and acquisition-related expenses recognized during the current quarter amounted to $6.5 million, compared with $5.4 million in Q4. We had guided for acquisition and integration-related expenses of $15 million at the time of acquisition, and we remain well within that budget. We expect marginal integration costs in Q2 and none from Q3 onwards.

Encora Integration Update

From an Encora integration standpoint, the integration has progressed significantly ahead of plan. Key milestones include:

- All 45 legal entities migrated onto SAP S/4HANA effective May 1, creating a unified operating and reporting environment from day one.
- Revenue recognition policies aligned across the organization.
- Planning systems aligned across the organization.
- Performance management processes aligned across the organization.

Based on the progress achieved to date, we remain confident of not only delivering but surpassing the 15.5% consolidated EBIT margin guidance shared in the last earnings call for FY27.

Moving to cash flows, the combined organization generated free cash flow of $52.9 million in Q1, representing an FCF-to-PAT conversion of 95.3%, compared with -ve 56.5% in Q1 of the previous year. This significant year-on-year improvement reflects the strength of the underlying operating model and disciplined working capital management. We remain confident of meeting our FY27 free cash flow-to-PAT guidance of 100%.

Moving on to Balance Sheet, as part of the Encora transaction, the company recorded approximately $480 million of customer relationship intangibles, which will be amortized over 12 years, resulting in a charge of approximately $40 million per year within the depreciation and amortization line. The accounting for the acquisition has been done based on the fair value of shares on the date of closing, which was INR 1220 per share, as against INR 1815 at the time of signing. This has resulted in lower goodwill on the balance sheet by approximately $600 million.

On term loans, as you will recall, for the Encora acquisition, we had taken a term loan of $550 million. As of June 30, the term loan was fully drawn and is reflected in the balance sheet. The loan has a three-year tenure and carries a post-tax interest cost of 2.99% per annum. The schedule of payments, including principal and interest, is as follows:

- Approximately $59 million in FY27
- Approximately $209 million in FY28
- Approximately $258 million in FY29
- Final tranche of approximately $75 million in Q1 FY30

With this, I will hand the call back to Sudhir.

Sudhir Singh: Thank you, Saurabh. Summing up, let me share our outlook for the rest of the year.

Summing up and Outlook

FY27 is shaping up to be an exceptional growth year for Coforge despite the significant AI driven flux. Not only do we expect to set the benchmark on revenue growth, but we also plan to emerge as one of the highest margin mid-caps across our industry in this year itself.

The exceptional AI-led engineering, data and integration, and cloud services capability core which contributes to 86% of our revenues is what is helping us realize simultaneous and exceptional growth across both the revenue and margin expansion axes. All of this is driven by an execution intensity that is uniquely our own.

With 8 AI platforms, 22 AI assets, 100+ reusable AI agents and accelerators, $58mn invested in AI innovation behind us, we shall continue to center ourselves strongly on using AI to drive enterprise autonomy.

As we had shared last time, for Coforge the demand tailwind is structural and pure. We recognize that AI generated code is cheap to build but expensive to maintain. We also realize that agentic AI will create a massive managed services layer, managing which will create a recurring, high margin revenue stream for firms that can seize it.

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.

The outlook for FY27 that we had shared last quarter remains unchanged. We are confident of achieving an EBITDA margin of 20.5 to 21% 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% or higher on a consolidated basis. FCF to PAT for the year will be 100%+.

That, ladies and gentlemen, concludes our prepared remarks. We look forward to your questions, your comments, and the opportunity to address them. Thank you.

Moderator: Thank you. 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 will wait for a moment while the question queue assembles. We take the first question from Sulabh Govila of Morgan Stanley. Please go ahead.

Sulabh Govila: Am I audible?

Moderator: Yes, sir.

Sulabh Govila: Thanks for taking my question and congrats. My first question is on the fresh order intake number. So just wanted to better understand how much is the fresh order intake number driven by Encora and how much is the core business within that. Plus, you know, last quarter we spoke about the UK trade deal that we are into. So, just wanted to understand whether that is now part of this fresh order intake or that still continues to be outside.

Sudhir Singh: Sulabh, your second question was not clear. Can you repeat the second question? The first question was what is the mix between organic and Encora lead? What was the second question?

Sulabh Govila: So, last quarter we had called out that we have certain framework agreements in UK which was not part of the deal inflow number in the last quarter. So I am just trying to understand whether this quarter those agreements are included or they still continue to be outside of the deal.

Sudhir Singh: The $691 million, Sulabh, does not include the order intake from the Encora portfolio. That is only the organic piece that has come from what used to be standalone Coforge. That is answer one. As far as the framework agreement and the likely further incremental work that we are likely to get, they are still not included in the order intake. That will continue to come and sit on top of the order intake that we have already announced.

Sulabh Govila: That is great to hear. The second part of the question was on the large deal with expectations that you have in Q2. I just wanted to understand whether those will support growth rates in Q2 itself or it will be more of a phenomenon this year.

Sudhir Singh: Sulabh, we think Q2 is going to be a robust growth quarter and everything that we needed for that quarter to come through is already in place. We have already closed some of these large deals in the first month of the quarter. It is almost the end of the first month of the quarter, four weeks are in. Most of these will really start impacting Quarter Three onwards. Despite that, Quarter Two should be very robust. As I said, if you exclude in Q1 the impact of the India government culling and the data center walk away that we have done, even in Q1 we grew 5.2% CC sequentially.

Sulabh Govila: Understood, understood. That is very clear. And then just one question for Saurabh. Saurabh, just wanted to check on the net working capital on cash flow this time around. The absolute number as well as the number as a percentage of sales shown some sort of an increase. So just wanted to understand whether that is just because of consolidation of Encora or there is something more to that.

Saurabh Goel: So the absolute increase is because of consolidation of Encora, but the number of days have actually come down.

Sulabh Govila: Understood, sir. Thank you for taking my question.

Moderator: Thank you. We will take our next question from Abhishek Pathak from Motilal Oswal. Please go ahead.

Abhishek Pathak: Am I audible?

Moderator: Yes.

Abhishek Pathak: Hi team. Congrats on a good quarter. So, I have a couple of questions. Firstly on the Coforge's Nuuron network or kind of our FDA sort of Mod Squads. How are we monetizing this right now? Are they used as accelerators to kind of just win deals or as standalone offerings they are already generating traction? And in the future, is there any way to quantify the revenues that are coming from, let us say, platforms versus, not legacy per se, but versus managed services operations that we may have earlier? That is the first question. The second question was on our T&M versus fixed price sort of revenue mix. The T&M piece seems to have kind of inched up a little bit over the past few quarters. So how should we kind of reconcile this with the outcome-based contracts that seem to be now the flavor, and they will continue to kind of, I am assuming, dominate the deal conversations ahead. And lastly, kind of a hypothetical question around EBITDA, Sudhir and Saurabh, right? I mean, we are already at 16% EBIT. What happens if we sacrifice, let us say, 100 bps of margins from here, how much growth does it kind of buy us or just want understand at such a robust margin level, is it possible to sacrifice a bit of that to kind of chase even more growth or is the expansion in margins more organic and we continue to expect that going forward as well? Thank you.

Sudhir Singh: Let me take those questions in order, Abhishek. As far as Nuuron is concerned, Nuuron is the operating system, it is not a platform. Nuuron is further layered by the eight AI platforms that we have and the 22 AI assets that we talked about. As I referenced, 30% of the active delivery projects, real projects, are being driven through our AI assets or are infused with the AI assets. We cannot call out a number, which is AI only or AI standalone. The number that we have shared is that 86% of the revenue of the firm in Quarter One has come from AI-led Engineering, Cloud or Data services. That in some shape or form is an umbrella surrogate for AI-led revenues. As far as T&M versus fixed price and outcome-based contracts are concerned, 6% to 7% of our global revenues on a run rate basis today are coming from outcome-based contracts. That is how I would put it.

As far as the tradeoff between EBIT at 16% and growth is concerned, we believe very strongly that solution-led selling does not warrant price discounting to accelerate growth. As I suspect you heard us say two or three times during our collective commentary across the three of us, we feel very assured that we will set the benchmark for revenue growth for the industry for the third-year running. And at the same time, we are equally keen to be one of the highest, if not the highest. The aspiration will be to be the highest margin mid-cap as well. We think both of those are possible. We think exceptional growth will still come despite staying at a 16% odd EBIT level that we have already achieved. Incidentally, I just want you to know that 16% EBIT is a consolidated EBIT number. Standalone Coforge for the quarter came in at 16.7% EBIT.

Abhishek Pathak: Clear Sudhir. Thank you so much and all the best.

Moderator: Thank you. Our next question is from Vibhor Singhal of Nuvama Equities. Please go ahead.

Vibhor Singhal: Thanks for taking my question and congrats Coforge team on a very solid performance yet again. Sudhir, a couple of questions from my side. You mentioned about how enterprises today are, everybody has multiple basically agents, multiple LLMs, but what we basically are building them for is the application layer where you can. So, there are a lot of basically information that is kind of flowing at a very rapid pace these days. Enterprises are also talking about building SLMs rather than large language models. There is also an angle of token cost optimization, which is also coming in. So, keeping that all together in one bucket how do you see the overall this enterprise application adoption in the AI space leading for us? Is it very similar to let us say, the 2018 scenario when we basically kind of hit that path in which we started moving enterprises onto the cloud platforms and digital adoption? And if that is the case, how do you basically differentiate at this point of time? How does an enterprise differentiate, a client differentiate at this point of time between which companies to choose and what are the kind of offerings that they are looking at? I know it is kind of a subjective question, but if you could just help us understand, clear the noise from the information that we need to do at this point of time.

Sudhir Singh: Vibhor, I think it is subjective, but I think it is a very relevant question, given the rate of change that is going on. I think most enterprises are not tying themselves to a specific model. They are not tying themselves to, let us say a hyperscaler or a set of clouds, because access to models through clouds that are out there can change. And model providers themselves are now in the field, as we know, and offering their services on their own proprietary clouds. We are at a stage right now where, from a Coforge perspective, we have come up with service offerings on a very quick basis when it comes to token ops to manage token economics. Again, that is a field that seems to see change almost every week. We are at a stage where, as Coforge, we have been working with our partners like Zscaler to come up with service offerings that have already got monetized around partnering on the Guardian AI platform and come up with managed services-based constructs around Mythos-related security vulnerability assessments. The smart enterprises, at this point in time, the one key learning that we see all of them having taken is that they are not tying their wagon to any particular stack, to any particular LLM model provider, or to just one or two cloud providers. We are seeing enterprises increasingly focused on what they are calling enterprise sovereign AI or enterprise open intelligence and increasingly trying to divorce their data processing and moving it in-house with the associated security and governance issues that are going on.

Vibhor Singhal: Got it, got it. Just one quick follow-up and then I have just a couple of questions for Saurabh. Is the aversion to Chinese LLM models still there in the markets, especially in the Western markets? Or do you see them opening up to those models also at this point of time, even if at the preliminary stage?

Sudhir Singh: Saurabh, that question was for you.

Vibhor Singhal: So, this question was to you, Sudhir I mean, the adoption of…

Sudhir Singh: Sorry, would you mind repeating it Vibhor?

Vibhor Singhal: Yes, sure. So, the question was that, just again, a very bird's eye view, if I can get. Is there still an aversion to the Chinese LLM models in the Western enterprises? Or do you see that picking up gradually over the past some time?

Sudhir Singh: We are not working with Chinese LLMs as Coforge at this point in time. We are not working with enterprise clients in North America who are leveraging China-based models actively within their realm. But that is just us, Vibhor.

John Speight: Can I add to that as well? Just very quickly, I can echo the same comment across UK and Europe. I have yet to have a client that is engaged us on using these Chinese models.

Vibhor Singhal: Right. Great, John. Thanks for that.

John Speight: That obviously may change with the introduction of the latest LLMs and the issues over tokens, but we have yet to see it.

Vibhor Singhal: Got it, got it. That is really helpful. Just a couple of quick questions for Saurabh. Saurabh, the $230 million deal that we announced last week, is that part of the deal in this quarter, or will that come in Q2?

Saurabh Goel: No, it was a Q2 deal, so it is not included.

Vibhor Singhal: Got it. Perfect. That is really great to hear. So that means our Q2 deal, as Sudhir also mentioned in the opening remarks, should also be quite strong. Secondly, if I see the presentation, as you also mentioned in your presentation, opening remarks that because we closed the transaction in April and the book value of the Encora acquisition comes at around $1.2 billion, so that has led to a lower goodwill. Is that also led to slightly lower intangibles and slightly lower amortization, or we have kind of kept the amortization same as we were looking at before, and it is only the goodwill that has probably come down?

Saurabh Goel: It is only the goodwill that has reduced by $600 million. The intangibles, the amortization impact was roughly $4 million per annum, and we have kept it at the same level. So, the intangible on account of customer relationship is close to 30% of the valuation.

Vibhor Singhal: Sure. And just a last bit from my side. Typically, we had seen Q1 had always been a seasonally weak quarter for us in terms of cash flows. Our free cash flow used to be negative in that, but this quarter is a very strong cash flow. So, can we expect this trend to continue and the weakness seasonality of Q1 to go away now and probably have a stronger Q1 every time?

Saurabh Goel: Vibhor, we had taken this feedback from all the investors, and I had structurally made that change of improving the free cash flow quarter-on-quarter. It was not just Quarter One, it was H1 which used to be almost near zero for us for many, many years. It has taken us two to three years to come to a point where we stand today, and we feel very confident that we will only build on to this in years to come.

Vibhor Singhal: Got it. Got it, sir. Great. Thank you so much for taking my questions and wish you all the best.

Moderator: Thank you. Our next question is from Ravi Menon of Axis Capital. Please go ahead.

Ravi Menon: Thanks for the opportunity and congrats on a good quarter. So, G&A people cost has increased a bit faster than revenue. That is surprising, especially given how focused you were on taking out combined G&A costs. Are there anyone -time costs here?

Sudhir Singh: The G&A has actually come down as a percentage of revenue. Just the two companies coming together, the absolute number has gone up. If you look at Coforge standalone G&A, last quarter was 6.7%. And I had mentioned in my December call when we announced the acquisition that Encora G&A was at 10%. The combined G&A in the current quarter stands at 6.6%. Which means that there is a 40% cost out that has already been done on the Encora G&A. This will further come down as a percentage of revenue. The increase is because Encora company got consolidated in the current quarter.

Ravi Menon: Thanks. I was just looking at the overall G&A people count that seems to have gone up slightly and overall G&A people cost that as well is all, yeah, thanks for that. And the interest rate on this three-year loan at 4.6% year, this is just 30 bps higher than the three-year U.S. treasury yield. Is this better than you expected and are there any specific loan terms here such as you have to keep a certain amount of cash inflow or anything like that that restricts or do we have some cash that is restricted as part of this?

Saurabh Goel: There is no cash that is restricted. The reason why it is only 30 bps higher from the SOFR which is a three-year SOFR standing today. We signed this deal at a fixed rate of next three years. The price, the interest rates were expected to move in all directions. We did not want to bet on that. And that is why we signed a three-year fixed term loan and that is why it is standard 4.6%. The post-tax impact is actually cost in the P&L is 2.99%. Because this loan is sitting in India, we get 35% tax benefit on that. So, the P&L will see an impact of only 2.99%. But there are no such fancy terms which will restrict any action that company might have to take in future.

Ravi Menon: Thanks. One last thing, you said that this loan is in India, so does this mean that since you have a natural hedge, you will reduce your forex hedges now?

Saurabh Goel: I have already said that we are not hedging more, we have a natural hedge, and we will fund it through that.

Ravi Menon: Okay, perfect. Thanks so much.

Moderator: Thank you. Our next question is from Jyoti Singh from Haitong Securities. Please go ahead. Jyoti, please go ahead with your question. There seems to be no response from this connection. We will move to our next question that is from Dipesh Mehta of Emkay Global. Please go ahead.

Dipesh Mehta: A couple of questions. Thanks for the opportunity. First on, if I look at the rest of the world segment margin, now it is not showing benefit from some of the divestment which we did. We exited low margin business in India. So, if you can help us understand how to reconcile these two things. Second question is about the cloud revenue growth. Now cloud service line, I think that revenue is showing some kind of moderation for last couple of quarters. Can you help us understand how to understand that part? And last thing is about the goodwill. Now the presentation number what we reported in rupee terms in goodwill versus the notes to account what we gave those two numbers are different in goodwill. Can you help us understand and reconcile this thing? Thank you.

Saurabh Goel: Okay, so I will take the margin on the rest of the world. So one, there is reduction in the India government business and there is also reduction in the data center business which was sitting in rest of the world so which was coming at a much higher margin so that is why you see that the overall margin over there has remained flat and plus the current quarter also includes the consolidation that has happened from Encora coming in so that is why the overall numbers are looking flattish, but you will see now rest of the world's margins will start expanding from here on, so that is on rest of the world. Second question, what was your second question, Dipesh?

Sudhir Singh: The second was cloud revenues. If it is moderating, Dipesh, cloud revenue, cloud engineering can fall either way. It can either fall on AI-led engineering or on the cloud side. If you look at all three - Data, Cloud and AI-led Engineering together - that number has gone up significantly. You will see that AI-led engineering has popped up by 5% and cloud percentage contribution has gone up down by about 2.7%, 2.8%. Some of them are a classification issue and where cloud engineering revenue falls.

Dipesh Mehta: So just want to understand Sudhir, more about what we put into that line item because I understand we have very strong overall growth but from nomenclature perspective what sits in that and if let us say it is more like structural because the way classification happened that segment reported line might have some implication of the reporting.

Sudhir Singh: I am sorry, I did not get the implication of the reporting piece. What implications are you talking about?

Dipesh Mehta: The way we classify revenue, the segment, which the let us say kind of project work which we are getting and seeing significant traction might not be classified into cloud reported service line item. So, whether those kind of definition is having implications about reported service line revenue?

Sudhir Singh: This is Quarter One of merging Encora. Encora had mainly engineering and not cloud revenues. You know that, because Encora when we presented it also, we said that is largely AI-led engineering revenues. Therefore, when the two firms merge naturally there would have been a small bump on the engineering piece on a percentage contribution basis. The second piece is what I have said earlier. The way we classify revenue is the same way that we look at our own service lines. Cloud services revenue is Cloud and AI infra-related revenues. And engineering revenue is whatever engineering revenue is. As I said at the outset again, engineering revenues as a percentage were likely to go up because Encora had negligible cloud-related revenues. Almost all their revenue was engineering. And that is why you are looking at the change that has happened.

Dipesh Mehta: And last on goodwill, if you can help us reconcile the number.

Saurabh Goel: Dipesh, the goodwill, the result sheet has the notes, and the notes has the correct goodwill. And that is what has been recognized in the balance sheet.

Sudhir Singh: And just for the record, cloud for us has grown sequentially by around 4% Q-o-Q. Encora may have influenced the percentage contribution, but the business continues to do extremely well.

Dipesh Mehta: Okay And just for Saurabh, let us say in your presentation, goodwill number is 142651 and in BSE it is 120890. So, one should take 120890 as a number?

Saurabh Goel: One second. So, whatever is there in the BSE filing, yes, so 120890 is the goodwill. Correct. That is right.

Moderator: Thank you. Next question is from Sandeep Shah of Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity. Sudhir, some of your large peers are saying that though the AI adoption is increasing, which is leading to deal renewals and a higher demand of AI-led productivity gains versus that there is no accelerated spend on the discretionary side which is AI-led which includes modernization, cloud, cybersecurity, and data engineering while our commentary shows otherwise that there has been a deal wins, which is increasing quarter after quarter, so our trends are slightly different versus peers so what differentiated delivery model and the go-to-market model, which we follow which is yielding better results versus industry.

Sudhir Singh: Sandeep, our results have been far superior to the industry for the last nine years. I do not think the current quarter or the last one year is an outlier. Some of our larger peers - I cannot comment on them. Our performance has not been in tandem. It has been materially superior for nine years running. That is almost a decade. You heard us talk at different points in time around our domain depth, the fact that we choose to work in very select verticals. You contrast Data, Cloud, and AI-led Engineering, 86% of our revenue versus some of the larger peers in the industry. You are looking at a materially different firm from a capability, from execution intensity, from a domain orientation and from, I suspect and I posit, a hunger around the go-to-market cadence than some of our peers. That is why it is not just our commentary that is different, our performance is different. And the difference comes from all the four aspects that I just spoke about. John, do you want to add to that?

John Speight: Just a few points there. You mentioned on domain. I think, especially in this world, context, which is your functional focus and specialization, and is not just understanding specialty insurance or wealth and asset management. It is also the institutional knowledge that we have of our customers, which adds to that context. And that has come about because of the long tenure we have with our customers. So that is the first thing. And then the second thing, which was just to reiterate what Sudhir said, execution, execution, execution. I have said it many times, but that intensity really does differentiate us.

Sandeep Shah: Yeah. Sudhir, I also acknowledge the strong execution, not just now, has been happening under your leadership year after year. Just the follow up in terms of the $158 million deal, which we have announced in the month of April, is it largely ramped up in the first quarter or will also had to be ramp up in the coming quarter? And the last week $230 million deal, which we have announced, I presume that is also 100% new and will start ramping up immediately rather than ramp up happening later and when will the wage hikes will happen for us in this year and Sudhir in one of the replies to the earlier question you mentioned that 5% organic growth Q-on-Q CC terms may even continue in the second quarter. Am I hearing correctly or some error from my side?

Sudhir Singh: John, why don't you take the first two questions? I will take the next two around which I can Q-o-Q.

John Speight: Certainly. Regarding the initial deal announced, yes, the ramp up has been completed. We did the transition from the incumbent in a record time in less than four months. And we are now north of 300 plus FTEs focused on that account across 15 to 20 teams. And yes, the full recognition of revenue is tracking going forward. On the second deal that we announced, the 230 million plus deal, that the ramp up has already initiated on that, and that is expected to add an additional 20 to 30 teams. And I will also note that that second deal is a complete digital modernization program spanning multi-years.

Sudhir Singh: Thank you, John. As far as the next two questions are concerned. Wage hikes are concerned, for a very select group, and I mean a highly select group, wage hikes did go into effect in Quarter One. But for the broader organization, we anticipate no wage hikes at least till the first of January of next year. And that too is uncertain. So we may not have hikes in the current fiscal, and if we do at a broad level, it is not going to be before quarter four. The second question is around 5% organic Q-o-Q. No, we have not provided any hard Q-o-Q revenue guidance. All we have said is we expect the quarters, starting Quarter Two to reflect robust growth going forward.

Sandeep Shah: Thanks. Thanks for the replies. Congratulations and all the best.

Sudhir Singh: Thank you, Sandeep.

Moderator: Thank you. Our next question is from Prateek Maheshwari of HSBC. Please go ahead.

Prateek Maheshwari: Thank you for the opportunity. Sudhir, I had a question on, I just wanted to, I was looking for the recap on the strategy on Encora, basically how you guys are planning to go through the revenues now that you guys now are kind of managing it and it is indicated this is the first quarter. So, looking at the top five and top 10 client revenues, right? And that has not changed despite the integration. So, most of the revenue from Encora is coming below top 10 clients, right? So, I wanted to just check on the strategy whether you guys think there is an opportunity here, big opportunity here to kind of take these clients, which got added in the 20 to 50 million bucket to larger buckets or is it the opportunity from the engineering services, which got added right which you can take it to your clients and other clients right just wanted to recap that.

Sudhir Singh: Yes, Prateek, I think by Q3, which is just a quarter away, we see some very large opportunities in what used to be the Encora client portfolios. Today one of our top 10 clients of the merged entity is a client that has come in from the Encora portfolio. That is a firm, that is a relationship that we expect to scale up almost immediately and very rapidly. We do think if things go well there is a path to making it a $50 million-plus account over the next 12 to 18 months. There are two other accounts in account list 11 to 20 of Coforge that have come in from the Encora portfolio. Again, one of which, if I remember right, is an account from the Travel portfolio, which we think we can scale up very actively. From our vantage, the case that we had made when we acquired Encora had a few axes. One, we said the AI-led engineering capability and the combined engineering data cloud core will be on a composite basis a great differentiator. There is a tick mark against it. The second thing we had said was the acquisition will give us a new vertical Hi-Tech. You looked at our healthcare business. We will also nearly double our health care business. Sequential growth of the Hi-Tech and the health care business has shown as a tick mark. Third, of course, something that we have always talked about taking clients and amping them up. As I said, one of those clients is already a top 10 client with significant legs to run up higher and then there are two in 11 to 20 which again will go up higher. That is how we see things. And as I have said, as Saurabh said, and as John will tell you, we feel really, really good about where things are. We have effectively operationally run Encora for three months. We do not do integration and then passively look at it. For three months, we have been in the weeds. We believe that effort has already started making an impact. The point that Saurabh made earlier was the synergies, the cost synergies, have been an exceptional 40%. You look at our consolidated EBIT, that is 16%. Everything points to, and I said this it is not a belief; I think we know now that this is going to be a defining acquisition and a very successful one for us.

Prateek Maheshwari: Thank you so much for the elaborate answer. Sudhir, could you also now, that you have done the culling in the rest of the world business, right, so from here on out you think all the verticals are going to grow as strongly as probably Europe did this quarter? Just wanted to get a vertical-wise outlook and geo-wise outlook here as well.

Sudhir Singh: Yes, Prateek, I will not give you an elaborate answer to this. Let me just make this concise and crisp. Every one of the industry verticals, Banking, Insurance, Travel, Healthcare and Hi-Tech, of course, are on steroids. The geos, all of them are primed for exceptional growth. We would not have - John, Saurabh, and I - given the very buoyant commentary we have if we thought that we had a few engines that were firing. Right now, every engine is firing. In the real world, when you have every engine firing, at times a few engines fall off. But given the fact that every engine is firing, we feel really good that irrespective of what happens, this is going to be yet another industry-leading growth year for us.

Prateek Maheshwari: Thank you so much, Sudhir.

Sudhir Singh: Thank you. Thanks a lot.

Moderator: Thank you. Our next question is from Aditi Patil from ICICI Securities. Please go ahead.

Aditi Patil: Thank you for the opportunity. I have two questions. First one, our India government business run rate was $50 million last year. And out of that, we had a $15 million ramp down in Q1. So, the rest of the $35 million ramp down, is it expected uniformly over the next three quarters?

Sudhir Singh: Aditi, it is part of the base now. So, there is no incremental impact that will come from a growth standpoint. It is part of the base. The reduction is already there.

Aditi Patil: Okay and Sudhir mentioned on the like our share of outcome-based contracts is around 6% to 7% of revenue so can you share examples of how pricing is done in these contracts?

Sudhir Singh: I am sorry, examples of what? Can you repeat that, please?

Aditi Patil: How is pricing done in outcome-based contracts?

Sudhir Singh: Yes, so there is a clutch of models that we use. At an extreme, there are models where we take over legacy modernization on a significant risk basis where only part of the revenue that should come to us for the effort is assigned to us but the profits post-program success using our Forge-X and our Nuuron operating system are supernormal. The second model that we use is a subscription model that we use for the Coforge Mod Squads, which are our hybrid agent-human pods. These are monthly subscription-based models. And we allow clients to flex across FTEs, choosing the FTEs, choosing the agents from the 100-plus, the 130-odd agents that we have. And the third one that we look at, again, are different flavors of outcome-based, but some of them are tied to technology options, and others are tied to business also.

Aditi Patil: Okay, got it. Thank you for answering my questions.

Moderator: Thank you. Our next question is from Divyesh Mehta of Invesco India. Please go ahead.

Divyesh Mehta: Thanks for taking my question. I think within the order intake, you did call out that this does not include the acquired entity's order intake. I just wanted to get a hang of what would be the broad order intake trend within the acquired entity, just trying to understand how that is ramping up. That is my first question.

Sudhir Singh: Divyesh, I would not have that number. As Saurabh had pointed out, since we have taken only two months of revenue of Encora starting the 1st of May, the revenue was, if I remember right, $100.2 million. At this point in time, all I can tell you is the order intake was robust. And as I had indicated with some of the larger accounts that they have, the pipeline also is robust. Next time when we share with all of you the full quarter performance, we will make it a point to make sure that we are ready with an answer around the Encora portfolio order intake in case we can still divvy it up.

Divyesh Mehta: Okay fair, this is helpful and just to add here, so how long in your reading will it take for the acquired entity broadly to reach the order intake and intensity of what Coforge has? Four Quarters? Two Quarters?

Sudhir Singh: Not four quarters, two quarters. That is not how we operate. On margins anyway, the organizations are indistinguishable given the very aggressive cost out we have done, Saurabh talked about a 40% G&A cost culling. On margins the organizations are now indistinguishable, Quarter Three onwards on revenue growth they will be indistinguishable, recognizing that the Coforge threshold that we have established is that at a minimum it will be very robust growth. It is not long term, it is not medium term, it is the immediate, it is the here and now.

Divyesh Mehta: Okay, fair, fair. This is helpful. And on the demand side, you have been calling out that you are seeing at least for your own, at least for Coforge, you are seeing a good demand backdrop. So, within the industry, has anything changed beyond our own execution? Or how would you look at deflation trends that are they the same and discretionary is reviving? How would you put it further industry in that sense?

Sudhir Singh: I think the industry has deflationary trends linked to efficiency, but the industry also has significant tailwinds around legacy modernization, around creating AI-ready data foundations, around creating cloud infrastructure ready for AI that is scalable, that will allow for compute at scale, that will allow for model hosting, that will allow for MLOps. The industry also has significant tailwinds on account of everything that is happening on the security side. Of course, all that is here and now. This is not something that will happen.

Yes, efficiency-related deflation is a reality, but the opportunities around legacy mod, data AI-ready foundations, cloud scalability, MLOps, model hosting, security are real here and now.

In the medium term, there are more. We have talked about it. Custom agentic solutions, creating agent harnesses, managing the agentic ecosystem that is going to get formed, helping with model development and deployment. It is really about, and John talked about it when he said it is execution, execution, execution. If we put our heads down and we focus on the opportunities, the opportunities are many, but they need a very hard pivot. Once that is done, one can realize them.

Divyesh Mehta: So, would you put it this way that right now the deflation is higher, but probably by next year the opportunities will be relatively higher to the deflation for the industry?

Sudhir Singh: Possibly we are not the best people to answer that, because for us, deflation is not higher. For us, the tail winds are very strong. For us, the growth right now is very strong. As I said, had we not culled the business that we said we are culling, we would have grown 5.2% CC quarter-on-quarters. There is a deflationary element, but I do not think we need to wait for the future for the winds to turn around. The winds are real and there are tailwinds as well.

Divyesh Mehta: Thanks. Thanks a lot Sudhir.

Sudhir Singh: Thank you.

Moderator: Thank you. That was the last question for today. I now hand the call back to Mrs. Sudhir Singh for closing comments.

Sudhir Singh: Thank you, Inba, and thank you ladies and gentlemen. We find these calls extremely instructive. We find your questions very insightful and we look forward very, very keenly to having these interactions. We enjoy them, we cherish them, we look forward to them. Thank you for making time for us. We hope to see you again next quarter. Thank you. Good day.

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