



Coforge Limited Q3 FY2026 Earnings Conference Call

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MANAGEMENT:

Mr. Sudhir Singh – Chief Executive Officer – Coforge Limited

Mr. Saurabh Goel – Chief Financial Officer – Coforge Limited

Mr. Simon Pearson – Global Head, Consulting & Solutions – Coforge Limited

Mr. Manish Hemrajani – Head of Investor Relations – Coforge Limited

Moderator: Good day, ladies and gentlemen, and welcome to the Coforge Limited Q3 FY2026 Earnings Conference Call. All participant lines will be in the listen only mode. We will open the floor for questions post the management's opening comments. Please note that this call is being recorded. Joining us today from the Coforge leadership team are Mr. Sudhir Singh, CEO, Mr. Saurabh Goel, CFO, Mr. Simon Pearson, Global Head, Consulting and Solutions, and Mr. Manish Hemrajani, Head of Investor Relations. I now hand the call to Mr. Manish Hemrajani. Over to you Sir.

Manish Hemrajani: Thank you. Good morning and good evening to everyone on the call and thank you for joining us today to discuss Coforge's financial results for the Q3 of FY2026 that ended on December 31, 2025. As Inba indicated in her introduction, we have Simon Pearson filling in today for John Speight. Before we begin, a reminder that today's discussion may include forward-looking statements, which involve risks and uncertainties. Actual results may differ materially, and Coforge assumes no obligation to update these statements. With that, I will hand the call over to Sudhir for his opening remarks.

Sudhir Singh: Thank you, Manish, and a very good day, ladies and gentlemen. Thank you for joining us today as we share our Q3 FY2026 performance and our outlook for the years ahead. As Manish has shared, John is on vacation in sunny Kerala. He sends his regards to all of you and he is keen to rejoin our call starting next quarter. Simon, my colleague, shall stand in for him during the call today. I shall provide an overview of our performance, touch upon the current market context, and then do a deep dive on results and operations data along with my colleagues.

In Q3, we registered a growth of 4.4 % in CC terms, and our year-to-date dollar revenue growth is now 32.8%. What we find particularly reassuring about our growth performance is the large deal velocity and the key accounts growth that underpins it.

The six large deals that we have signed in the seasonally weak Q3, our next 12-month signed order book that is 30% higher than where it was at the same time last year and sustained growth across almost all key and top accounts has set us up for continued robust growth performance not just in FY2026, but in FY2027 and hopefully beyond. Equally importantly, on the margin front, it is pertinent to note that our reported 13.4 % EBIT for the quarter and our plan to register a 15% EBIT in Q4 will lead us to the 14% EBIT guidance for FY2026. In the current quarter, excluding hedge losses, the underlying EBIT for the firm is 14.4%. Finally, free cash flow for the quarter came in at 110%, significantly ahead of our guidance of around 70% to 80% FCF on a sustained basis. We believe we are set to close a very successful FY2026, and we are headed towards an exceptional FY2027. With that, I shall now move on to the current market context.

Outside the usual narrative around discretionary spends linked to macro environment, it is important to note that the tech services landscape is shifting in ways that we at Coforge believe create extraordinary opportunities for firms with the right capabilities and, importantly, resolve. While two years ago, every board was asking, how can we adopt AI? That question has now fundamentally changed. Our customers are no longer interested in AI strategies or pilot programs. They are demanding proof of business impact. They want measurable KPI improvements. They want clear paths to operational transformation. The age of AI experimentation is over. What we are witnessing is a market inflection point. The new era of enterprise tech is emerging, one where AI driven by cloud and data is becoming the engine of enterprise reinvention. The next gen enterprise will have its business capabilities defined and executed via a combination of humans and AI agents, underpinned by an enterprise data core and a cloud foundation that is purpose-built for AI. This shift is separating those who can talk about AI from those who can actually deliver it at enterprise scale.

Today, let us be frank, most enterprises are not truly AI ready. Decades of technical debt, fragmented data landscapes, patchwork infrastructure block AI ambitions. Clients need partners who can modernize their foundations while implementing AI, not as separate multi-year initiatives, but as one integrated transformation.

In this emerging world, enterprises are done managing fragmented partner relationships. They are asking for partners who combine digital native innovation velocity with enterprise grade delivery maturity. Partners who can move at startup speed while managing enterprise scale risk. It is in this context that the acquisition of Encora is a defining moment for our organization. It establishes a scaled AI-led engineering, data services, and cloud services based capability mode for the firm. This allied with Coforge's hyper-specialized industry expertise and execution intensity is likely to further accelerate our industry leading growth. It also sets us up as the tech services firm that is likely to be the first to deliver upon the promise of the AI infused future that lies ahead of our industry.

With that, let me walk you through how all of this translated into our Q3 performance.

Revenue Commentary

As mentioned earlier, the firm registered sequential revenue growth of 4.4% in cc terms, **3.5%** in US\$ terms and 5.1% in INR terms. The **4.4%** sequential CC growth came after registering 5.9% and 8.0% CC growth in the two previous quarters. At the end of Q3, we are now growing YTD at 32.8% in \$ terms.

On a YTD basis Healthcare and Hitech vertical, which now contributes 10.5% to the total revenue, has nearly doubled over where it was at the same point last year. Travel vertical has grown 66% YTD, BFS vertical has grown 21% YTD, Govt outside India has grown 20% YTD and Others bucket which includes Retail and Manufacturing has grown 23% YTD. All this data with the six large deals that I have talked about. Two out of the six large deals in Q3 came from banking. One came from travel. Yet another one came from insurance. A fifth came from the new healthcare vertical of the organization and interestingly, that one deal was a large NN contract that we won.

Our top 5 clients and our top 10 clients grew 51% and 47% YTD respectively in \$ terms. They contributed **21.0%** and **30.7%** respectively to our overall Q3 revenue.

ORDER INTAKE

Moving on to order intake. Q3 was yet another strong quarter both from an order intake and large deals closure perspective.

During the quarter, and I have said this earlier, we signed **six** large deals. The total order intake during Q3 was **\$593 million**. It was almost within kissing distance of \$600 million.

The executable order book, which reflects the total value of locked orders over the next 12 months stands at a record **\$1.72 billion**. This number is **30%** higher than at the same time last year.

PEOPLE

On the people front, our total headcount at the end of Q3 stood at **35,341**. We saw a net people addition of **445** during the quarter. We continue to hire aggressively from campuses and laterally. Utilization during the quarter stood at **81.8%**. This is a metric that we think will sharply increase in Q4. Last Twelve-Month (LTM) attrition for the quarter fell further and is now at **10.9%**. We remain, as always, one of the lowest attrition firms across the industry.

I will now hand over the call to my colleague Simon Pearson, who is the Head of Consulting and Solutions for Coforge, and I will request him to provide insights into our operations and our capability creation. Over to you, Simon.

DELIVERY OPERATIONS & CAPABILITY BUILD

Simon Pearson:

Thank you, Sudhir.

We continue with our strong progress in Agentic-AI, delivering business impact at scale. Through our AI assets, we are making engineering faster, smarter, and more resilient, enabling speed-to-market, architectural modernization, and precision in delivery.

For example, in a recent landmark win at a leading Global Systemically Important Bank based in Europe, we deployed autonomous agents across data silos to transform cashflow forecasting for its corporate clients. It was a win that proves, at the intersection of Deep Domain expertise and Emerging Technologies, Coforge is the partner of choice for mission-critical transformation.

This quarter, **ForgeX**, our integrated Agentic-AI engineering platform, delivered on further strategic engagements, each addressing complex engineering challenges. Some examples include: A leading global Airline, where we have accelerated delivery and improved operational resilience for a critical program through an AI-led “Software Development Life Cycle”.

In a large US financial services provider, we have built a platform with a roadmap of more than 20 domain-specific agents to industrialize automation and governance.

We have modernized the legacy architecture of one of Australasia’s largest general insurance brokers using agentic-AI accelerators to automate the refactoring process, strengthening reliability and quality.

And in a leading Investment Management company, we have deployed intelligent agents for Product Ownership and Quality Engineering to automate testing and defect analysis.

Along with **ForgeX**, our AI asset portfolio continues to grow with two further additions this quarter: **Integration Studio**, and **XtenderAI**. These assets, along with the broader portfolio, are deployed at scale across 54 clients, solving complex engineering and business challenges.

Our cutting-edge, Gen-AI powered platform, **CodeInsightAI**, is a state-of-the-art Legacy Modernization toolkit available directly in the Microsoft Marketplace, “Deployment ready” in Microsoft Azure’s secure, cloud-native platform, it is already in use across large format programs in Travel, Insurance and Banking, reducing risks, bridging legacy skills gaps, and accelerating transformations.

Onto our successful engagements delivered in Q3

In **Banking and Financial Services**, we have been acknowledged by a leading UK bank for our work in secured loan migration, advanced mortgage transformation and deploying end-to-end bereavement automation. This program was recognized as their “Transformation of the Year”.

At a global bank, our conversational analytics solution went live, reducing turnaround time by over 60% and improving case resolution quality.

We executed platform upgrades and experience modernizations across multiple **financial institutions**; rebuilt a core digital interface for a major **US utilities provider**; enabled process-led savings for an **ANZ financial institution** and completed a complex SAP HANA upgrade for a global manufacturer.

In **Insurance**, we delivered a “Surety Claims” platform for a large **US insurer**, migrating bonds and payments from a legacy estate into a modern digital platform.

For a major “supplemental benefits provider”, we completed one of the industry’s largest conversions, migrating more than 5,000 groups, and 2.6 million policies, to a new policy administration platform.

We also implemented governance uplift for a specialty insurer’s Excess and Surplus casualty-clearance process, reducing manual entry by around 80% and enabling straight-through processing via AI-driven rules and digitization.

Moving onto Awards and Recognition

This quarter analysts have reaffirmed our leadership positioning across, AI Based Analytics & Automation, AI-Driven ADM Services, Application Development and Application Managed Services, and the Travel and Hospitality Ecosystem.

ISG has recognized Coforge with a Star of Excellence award in IT Operations and secured two ISG Provider Lens awards in Multi-Cloud Public Services. Additionally, ISG has positioned Coforge as a “Leader in Insurance ITO Services Specialists” in the ISG Provider Lens Quadrant study “Insurance Services - Strategic Capabilities” 2025

And finally, NelsonHall have positioned Coforge as a Leader in AI Based Analytics & Automation, GenAI Use case capability, Overall QE Services and SAP Testing capability in the NelsonHall Quality Engineering 2025 NEAT

And with that, I will now hand over to our CFO, Saurabh Goel.

FINANCIAL OVERVIEW

Saurabh Goel:

Thank you, Simon.

We are pleased to report revenue of INR 41,881 Mn in Q3 of FY26 reflecting a sequential growth of 4.4 % in CC terms and 5.1% in INR terms. EBIT margin for the quarter stood at 13.4%, up 191 bps YoY and down 60 bps QoQ. The reduction in EBIT was mainly on account of wage hikes which had an impact of 150 bps on margins, which was partially offset by various margin initiatives that we have been delivering within the organization for last three quarters and lower ESOP cost.

We also had a headwind on account of increase in hedge loss during the quarter. The hedge loss reported for the quarter amounted to INR 434 million as compared to INR 307 million in the previous quarter, reflecting adverse impact of 26 bps in the reported EBIT. As you know, we take the hedge losses in the top line, the same had an impact of 90 bps on EBIT margins.

There were exceptional items to the extent of INR 147 crores during the quarter out of which, INR 118 crores are on account of New Labour code introduced by Government of India, INR 13.5 crores related to expenses for the proposed Encora acquisition and INR 16.2 crores of legal expenses have been booked on conservative basis related to cybersecurity incident which happened in August 2023. We have E&O insurance cover and part of these expenses will be reversed once we receive the money from the Insurance company. As we have just concluded a large acquisition and are in the process of taking regulatory approvals, we are expecting expenses associated with the transaction included integration and funding expenses over the course of next two quarters to the extent of \$10 – \$15 million.

Excluding exceptional items during the quarter, Earnings per share for the quarter stood at INR 10.9 per share. EPS for 9 months is INR 31.6 per share which is 83% higher than last year same period. This is further expected to go up post approval of Cigniti merger because minority interest will get added back to profits, the impact of that will be far more than the impact of increase in number of shares.

Coming on to cash flows we are pleased to report that FCF increased to \$45.7 million, resulting in an FCF to normalized PAT of 110%. We have excluded the impact of exceptional items to arrive at this ratio. Billed DSO was 67 days, unbilled 28 days, and contract assets 14 days, totaling 109 days. We also have deferred revenue and current liabilities to the extent of 60 days reflecting a working capital cycle of 49 days. This was 48 days in previous quarter. Capital expenditure for the quarter stood at \$3 million.

During the quarter, the firm entered into a Share Purchase Agreement for the acquisition of equity shares of Encora for an enterprise value of \$ 2.35 billion. Out of the total \$ 1.89 billion are getting financed through share swap arrangement and balance through term loan to retire the borrowings of Encora Group.

During our last call on 26th December, we mentioned that we are looking for multiple option like bridge loan or a term loan or QIP of \$550 Mn to retire the term loan of Encora. We are very close to finalizing a term loan of \$550 Mn for a period of 3 years with a consortium of 4-5 banks. We are comfortable with the pricing that we have negotiated with the banks and have concluded that we will not need to do a QIP for retiring the term loan in the target company. The guidance related to no dilution of EPS in FY27 of the combined business stays intact even after this debt.

With that I will hand over the call back to Sudhir.

SUMMING UP AND OUTLOOK

Sudhir Singh:

Thank you, Saurabh. Proceeding with the summing up and the outlook, over the last eight and a half years, the revenue run rate of Coforge has gone up almost five times and the market cap has increased almost 20 times. As we've shared in the past, it remains our intent to ensure that the next eight years see us maintain and improve upon the sustained business performance of the previous eight years. We hope to continue to be the industry leaders when it comes to growth, with increasing margins and investor value creation.

5.9% CC, 8% CC and now 4.4% CC sequential growth in the first three quarters of this year, Top 10 accounts growing at a 47% YTD clip, a next-twelve-month signed order book which is 30% higher YoY, a sales execution engine that signed 14 large deals last year and has already closed 16 large deals in the first three quarters of this year, a pathway to 14% EBIT in FY'26 cumulatively set us up to close a very successful FY'26 and head towards an exceptional FY'27.

With that, I conclude my prepared remarks and my colleagues Saurabh, Manish, Simon, and I look forward to hearing your comments and to addressing your questions. Thank you.

Moderator:

Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from Abhishek Pathak from Motilal Oswal. Please go ahead.

Abhishek Pathak: Hi, team Morning. Congrats on a good strong quarter. So a couple of questions, Sudhir. Firstly, on the vertical mix, very, very strong showing in healthcare, high tech, transportation, etc. BFS and insurance seem to be a little bit soft on a Y-o-Y basis for the past couple of quarters? Just wondering on the BFS side, is this temporary? And sort of, is this partly attributable to the transitional leadership we have seen in this vertical and do you expect this to kind of reverse meaningfully, over the next couple of quarters considering, BFS remains a very strong vertical from a macro discretionary perspective as well, and the second question was around pricing the deals and how the delivery is changing for us in context of using AI tools. So just wondering sort of, how are we pricing deals differently? How are we structuring these deals differently from a year back? Do you see more and more margin gains coming in as we change that balance between humans and AI? And just lastly, a bookkeeping question for Saurabh. The unbilled revenues long-term seemed to have kind of, increased a bit Y-o-Y and Q-o-Q. If you could just explain sort of, why, I mean, what is happening there and how should we kind of model that going forward? Thank you.

Sudhir Singh: Abhishek, thank you for all the three questions. I will take the first two and I will request Saurabh to take number three. Vertical mix, let me start off by saying, Abhishek, that we signed six large deals in Q3, which is a short quarter. And one third of those, two out of those six were from Banking. Given the large deal momentum we have seen in Q3 and what we think is likely to happen in Q4, we would suspect that while healthcare and high tech will continue to grow at a tear, banking might be the fastest growing core vertical of the firm next year. Given the growth momentum that we see ahead of us, both in terms of large deals and key account growth that is ahead of us, banking we feel very assured about where things are. Banking, as you noticed, YTD is still growing 20% plus.

As far as Insurance is concerned, Insurance has not degrown. Insurance has grown on a Q-o-Q basis. One out of those six large deals was insurance. We expect robust growth in insurance in FY2026 which is almost done. Very robust, possibly higher growth in insurance in FY2027 than what we registered even in FY2026. That is the growth momentum there. We feel extremely assured.

And finally, the sector that did see a Q-o-Q decline was government outside India. We expect to close one of the largest deals that we have ever signed in that sector in Q4. Outside the Q-o-Q data mix, if you were to look at YTD numbers, they are strong. And given the large deal velocity and the very strong growth of our top accounts and key accounts, I guess you are going to see them getting stronger starting Q4 itself. That was answer to question one.

Question two, pricing and delivery, We have always talked about execution in the context of delivery and the fact that our clients believe that the age of AI experiments is over and they need digital native velocity with enterprise grade delivery maturity. We have transformed our core delivery model. We are not adding AI as a separate offering, but we are infusing it into every engagement. Our platforms, Code Insight AI, BlueSwan, Forge-X, Quazar, have helped us now for almost two years to embed AI in the way we deliver value to our customers from day one and that's important. We have restructured how we deliver. We are moving towards hybrid delivery models that combine agentic workflows with human expertise. And finally, to the other subtext around that question, Abhishek, critically, we are also willing to underwrite outcomes. Our risk reward commercial models tie our fees to our clients achieved results. We believe in the integrity and the strength of our delivery execution to be able to do that. And when we say we put skin in the game, we mean it contractually as well. That was answer number two. Saurabh, I am going to request you to take number three, please.

Saurabh Goel: Sure, Sudhir. So, Abhishek, the increase in whether it is debtors or it is long-term unbilled, it is tied to the nature of the contracts that are being signed up. And the way we are tracking our numbers internally is we are making sure that there is FCF to PAT as a ratio that is getting delivered quarter on quarter and that are the guardrails that we have put which will restrict the investments beyond a certain point in any particular account. So, I think that is the short answer to that.

Abhishek Pathak: Got it. Thank you and all the best. Thank you.

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

Vibhor Singhal: Thanks for taking my question and congrats for Coforge team on a rock solid performance yet again. Sudhir, my first question was, on basically the changing mix of the business that we might see over the coming quarters. You had mentioned in the analyst meet that health care, high tech, and public services are the verticals that we are focusing on going forward as basically in terms of diversifying our base. This quarter also, you mentioned that we have won a large deal in healthcare and probably another in the public service coming in the coming quarters. So if you could just take through the dynamics of these two sectors, how are we positioning ourselves in this pre-Encora? Of course, there is Encora also, which will start contributing into it. In healthcare, how are we looking in terms of payers and providers? In public services, are we looking more at UK public services or is it US as well? And what are the kind of growth avenues that we are looking in these verticals as we look to expand these verticals?

Sudhir Singh:

Thank you for the question and for the kind comments, Vibhor. As we discussed earlier in the investor meet that we have done in Mumbai, we believe Healthcare, Hi-tech, Public Sector will grow on steroids next year, if I were to put it euphemistically. Even if you were to reflect on their performance right now, these two verticals, just Healthcare and Hi-Tech, and this is all pre-Encora- we are not factoring in everything that will happen after Encora comes in on high tech, are already 10.5% of our aggregate revenues. And if I remember my numbers right, we are growing 95%. We have almost doubled it over the last four quarters. As I said earlier, we signed an NN large deal in Q3 in healthcare. We believe we will sign another NN large deal in the quarter that has started Q4. We also believe that in the allied vertical, which you referred to the UK public sector, we signed one of the largest deals that we ever have in that sector in the current quarter that is going on right now. We haven't announced it because this is the Q3 result call for now. In Healthcare, we continue to focus on Life Sciences and we continue to focus on Payer. However, please recognize that we are still relatively small. The Encora and the Coforge business, once it comes together, will only be about \$170 to \$175 odd million. And therefore, we will also look for tactical wins too. The large win in Healthcare that we do expect to close in Q4 is likely to come from a Provider client, an NN client, even though our primary focus longer term is going to be around life sciences and payors. Public sector, we continue to focus as we have. It takes a long time to build those relationships in UK and in Australia public sector. We have no plans, no intention of approaching the US public sector. I trust I have answered your questions, Vibhor. Thank you once again for the question.

Vibhor Singhal:

Yes, very much, Sudhir. Thanks a lot for that. So in that context, do you see that going forward, the breakup of our deal wins is also going to change a bit maybe? So for example, in this quarter out of six large deals, four were in our traditional segments of banking, travel, and insurance. Do you think we could see a mix of more large deals in healthcare and public services maybe going forward? Or do you believe banking, travel, and insurance will continue to remain the forte of our growth, and that is where still the large part of the large deal and the demand remains?

Sudhir Singh:

We believe that the total number of large deals on an average will go up. Banking, as I said earlier, we feel really confident about the pipeline that is building up. In Banking, even this time, two out of the six large deals came from Banking. Banking is likely to do extremely well. Travel, we think, is likely to do exceptionally well. Out of the three core verticals, Insurance, we think, next year will do better than it has even in this year, FY2026. Having said that, Banking and Travel should outpace Insurance. Hi-Tech, Healthcare, and this is all pre-Encora, will, we believe, continue to grow on steroids going forward.

Vibhor Singhal:

Got it, got it. Thank you so much for the detailed explanation. Just one last question for Saurabh. I think this time the numbers are quite very well explained and there. Just on the

timelines of the two things. So, I think Cigniti shareholder approval, as you mentioned, I think we have all seen has all come. So when do you think Cigniti could finally get fully integrated into numbers in terms of financially? And in terms of Encora also, what is the timeline that you are looking for the share swap to be executed and thereafter the term loan to be retired?

Saurabh Goel:

So Vibhor two things one shareholder's approval was received and the second motion application to NCLT was filed in the month of December itself. There is a hearing with NCLT in March and I guess we should be able to get a result in one or two hearings. Our take is that maybe by March end latest sometime before our results for sure we will be able to get the approval for Cigniti merger and as and when the merger notice is received as I mentioned earlier the effective date of the merger is April 1, 2025 so which means we will if we have not reported our numbers for Q4 and the financial year FY26 we will restate the three quarters and when we report the full year numbers hopefully there will be no minority interest and new shares to Cigniti shareholders would have got issued so from a financial perspective, the integration would happen or the merger would get consummated by the time we report FY2026 financials. That is point number one.

Number two, when it comes to Encora acquisition, number one, we had mentioned last time and I had mentioned that in the call as well, that we are looking at a bridge loan or a QIP. I think with the discussions that we have had with multiple banks and the rates that have got negotiated, we have finally decided that there is no need of QIP that we need to kind of do to retire the term loan in Encora. And the interest rates are very, very lucrative. The terms, the other terms in the term sheets, the agreements with the banks are now getting finalized. And the period of the loan will be three years. More details around the loan that we will take will be shared once we have kind of signed up the loan with the banks. That is one. Second, on the timeline for acquisition closure, we have already filed all the regulatory approvals that had to be filed either with RBI or with the exchanges or with the U.S. Competition Commission which is HSR or any other geography. The HSR approval, which is Competition Commission Equivalent Approval in India, is expected sometime in Feb. And I think by March timeframe, we should be able to get pretty much all the approvals between March and April. And that is the time when we will start consolidating in quota as well.

Vibhor Singhal:

Got it. Great. Thank you so much for taking my questions, and I wish you all the best.

Moderator:

Thank you. Our next question is from Manik Taneja of Axis Capital. Please go ahead.

Manik Taneja:

Thank you for the opportunity and congratulations for the steady performance. I basically had a question related to some of the cost split-up during the quarter as well as the

segmental margins first. So, Saurabh, basically, is there some sort of a onetime element to the other expenses line item in 3Q, because that seems to jump up very sharply in 3Q. If you could help us understand that, that is question number one. The second question is with regards to our segmental margins. If you could help us understand what drives the sharp move across segmental margins on a Q-on-Q basis, that will be helpful. And the last question is with regards to Sabre Deal. Even we have been executing on that through the course of now I guess probably about anywhere between six to nine months. If you could help us understand how that essentially is shaping up, are we on track with regards to some of the product delivery there and talk about the progress there. Thank you.

Saurabh Goel:

So, Manik, the other cost typically includes a cost related to either if there is any large SI deal and which includes any third-party component. So that cost is included there and that goes up and down depending upon when a milestone is achieved. So the cost gets recorded accordingly and then it goes up and down. It had happened the same quarter last year also when the third party cost had gone up significantly and I am not referring to the subcontractor cost, but the third party cost. So that is because of that but you will also note that when we look at the expense lines and we look at people cost, this was a quarter wherein we give wage hikes and but the wage hikes, the cost lines around people cost has not significantly gone up purely because of the optimization initiatives that are going on within the organization so that is the answer to other cost and yes it is seasonal it is not that it will continue to stay where it is. It keeps moving up and down depending upon when the costs are hitting and when the revenue is getting recognized. What was your second question?

Manik Taneja:

My second question was with regards to the segmental margins from a geography standpoint even the volatility that we see across regions through the period.

Saurabh Goel:

Yes, so one is a large impact because of the currency. I think that's the biggest impact that we are seeing, because hedge losses get allocated not to the overall revenues, but largely to Americas and Europe. And that is where the amount of hedge losses that we are having in our top line, because we report hedge losses in top line that is impacting the reported EBITDA margins of the segments that we are in. And the third thing is about Sabre deal. I think from a Sabre deal standpoint, when we look at the ramp up that was expected to happen in Q1 and Q2, the deliverables that had to be delivered during that time frame. We are on track and the cost that had to be incurred, we are lesser than the plan that we had to incur. So, I think from a Sabre deal standpoint, we feel very, very comfortable in terms of what we have delivered so far, what our roadmap is as we move along and we get into next calendar year which is calendar year 2026. And from a comfortable around the contractual obligation standpoint, I think we are on track and Sudhir, maybe if you want to add something on Sabre.

- Sudhir Singh:** Thanks, Saurabh. Manik, to your question on how the Sabre project is doing, we would characterize it, and I guess John and Sunil would characterize it more appropriately as going swimmingly well. We had a meeting earlier this month around the first week of the new calendar year with the CEO, the CAO, the CIO, and the head of the transformation program. The feedback from them was exceptional. The feedback from our team to them around the partnership and where we are against the agreed upon milestones again was exemplary and of the highest order. So things are moving exactly where we expected them to be and possibly slightly better than that. Did we answer your question, Manik?
- Manik Taneja:** No, that is quite helpful. Thank you and all the best for the future.
- Sudhir Singh:** Thank you, Manik.
- Moderator:** Thank you. Our next question is from Kawaljeet Saluja of Kotak Securities. Please go ahead.
- Kawaljeet Saluja:** Hi, Sudhir Sir. Congratulations on a good print. I have a couple of questions. First is on the nature of the deal that drove strong growth in India. Can you just elaborate on the type of deal that would have contributed to such a large number? And would this end up being a headwind to your growth as you move into 4Q? That is the first question.
- Sudhir Singh:** Kawaljeet at this point in time, we aren't reliant on one, two, or even three axes for growth. We referred earlier to the kind of growth that we see around Healthcare, around Public Sector, potentially getting accelerated, post-Encora coming together around High-Tech. Banking, we have alluded to the fact that two out of the six deals came from Banking itself. Banking is likely to do really well next year as is Travel, given the large deals we are looking at. So we think FY26 has been a very good year for us. FY27 is likely to be an exceptional year if the growth momentum continues. A lot of our confidence is also coming from the balanced nature of the growth across account-size cohorts, the pipeline, the relationship status across the top 10, the top 20 clients is extremely robust and then it is also coming from the next 12 months signed order book that we talked about. It is 30% higher than where it was four quarters back. So we have a lot of prongs that give us significant confidence that what has been a very good year is likely to be followed by an exceptional year coming our way. Did we answer your question? And Saurabh, would you like to add anything else?
- Kawaljeet Saluja:** Sudhir if you can just elaborate, what was the nature of contract in the India business that drove that sharp growth in the December quarter?

- Saurabh Goel:** So Kawaljeet, couple of things, one when we look at the other direct cost okay so it has grown almost 4.5% Y-on-Y and so there was a seasonality so similar spike in Q3 last year it happened in the other cost and it happens in case there is any third party component which is included as part of the solution to the customer and you recognize revenue and book cost once the solution is delivered. So that spike came in Q3, which led to increase in DSO and also increase in liabilities and also increase in direct cost.
- Kawaljeet Saluja:** Okay, got that. The second question that I had, Saurabh, is that what is your hedging policy and, are the hedge losses purely on account of the Euro leg of hedging, GBP or USD? And if that is the case, what is the average rate of cash flow hedge book that you are carrying right now?
- Saurabh Goel:** So, one, Kawaljeet we have been using the same hedging policy consistently for last I guess a decade or so and we hedged 90% of the exposure in a respective currency for next quarter followed by 80%, 70%, 60%, which is total exposure of 75% over a course of one year and we do cash flow hedges and our hedges are effective because of which the hedge gains or losses go and sit in the top line. The reason why the hedge losses have come in it's not because of just Dollar and Pound I mean it is largely because of Dollar because Dollar has just continued to run up quarter-on-quarter and month-on-month. We are also now revisiting the hedging strategy wherein we will stop taking the cash flow hedges, which will then allow us to at least take the hedge gains or losses as part of the other income so that it does not impact our EBITDA or operational EBIT performance and so that's where we are.
- Kawaljeet Saluja:** Okay so are you going to basically pull back from hedging of cash flow sort of largely balance sheet hedges in future?
- Saurabh Goel:** Again nothing finalized yet but yes it is between cash flow and balance sheet hedging maybe we will do something balanced. Maybe something to do with debt that we are taking maybe there will be natural hedge that will come in so allow us a quarter or two and we will be able to provide more clarity on that. But it is under works and there will be some update on this if not later, but maybe next quarter for sure.
- Kawaljeet Saluja:** Thank you so much for answering my questions.
- Moderator:** Thank you. A quick reminder to our participants if you wish to ask a question you may click on the raise hand icon again. We take the next question from Dipesh Mehta of Emkay Global. Please go ahead.
- Dipesh Mehta:** Yes, thanks for the opportunity. A couple of questions. I think first about, you said risk reward where we are taking a risk of about let us say deliverable kind of things. Sir can you

help us understand how we get the sense about it, whether it would be part of contingent liability, about the potential risk, which we are looking as a part of contract, so some color around it. Second question is about the employee cost. I think Saurabh partly touched upon about some of the cost optimization actions or initiative which we have taken. Can you elaborate and provide more detail around it? Thank you.

Sudhir Singh:

Let me take a quick stab at it. Risk reward, as you can imagine, has multiple flavors. Each one of those goes through our own risk assessment framework. This is something that Saurabh as the CFO of the organization owns. And this is something that our Controller also gets into, as does the Pricing Head. When it comes to commercial constructs, there are decisions that are made strategically around engagement structures, whether they are joint ventures, BOTs, reverse BOTs, standard fixed price contracts, or milestone based deliverables. Decisions are taken jointly by the CFO's office along with the CDO's office, which is Sunil Fernandes, the global head of delivery of the organization. These are reported three times in a year to the Risk Management Committee of the Board to make sure that we stay aligned with where we are. You will have noticed, given the increasing margin and the very sharply increasing growth rate, not over one, two, or three years, but for now eight-and-a-half years. With this approach, we have been commercially judicious, but have also been open to newer paradigms. It has worked very, very well for us. That is the broad risk management framework that we apply. I am going to hand this over to you, Saurabh, to address the employee cost issue that was asked.

Saurabh Goel:

Sure and also on the contingent liability piece, Dipesh, typically what we do is we contain the revenue recognition, because there is a risk in reward. So we do a balance assessment, and we contain the revenue recognition. And once we pass the toll gate, we of which is a contractual tollgate then the revenue gets recognized so there is no contingent liability in the balance sheet that you will see but it is the revenue recognition which is contained so that is one. Second employee cost, you would recall I mean in Q4 of last year we had said that we are taking margin improvement initiatives maybe we have actually been talking about it for over a year now wherein we were looking at improving ARCs, we were looking at containing bench, and we were looking at containing overheads. So, I think those initiatives were on and we had taken a lot of actions between Q2, Q1, and Q3 is the period when at least we have seen the impact of those in the P&L, because of which even after wage hikes, the salary costs have not gone up and because we have not been only able to optimize the headcount but even after headcount addition and wage hikes the salary cost has not gone up significantly and you will continue to see this and which is a function of actually reduction in ARC and you will continue to see this benefit flowing down and that is what gives us confidence for Q4 EBIT margins as well.

Dipesh Mehta:

Whether it partly reflect your pyramid change kind of thing.

- Saurabh Goel:** It is function of everything, Dipesh. Even not just the pyramid, at the same band people getting replaced with lower cost. It is even function of that as well.
- Dipesh Mehta:** Thank you.
- Moderator:** Thank you. Our next question is from Rishi Jhunjunwala of IIFL Capital. Please go ahead.
- Rishi Jhunjunwala:** Yes. Thanks for the opportunity. Two questions. Firstly, Sudhir and Saurabh, ESOP costs have been a lever for us over the last a year or so has given us 100 bps on margins. We have mentioned in the past that we do not expect this number to go up. In fact, if at all, it may trend downwards. With a large acquisition like Encora, do you think the trajectory may again change on the ESOP side given any potential retention through ESOP schemes in there?
- Saurabh Goel:** So as a percentage of revenue Rishi, you will not see impact on margins. The absolute number might change. We are not going to come right now for any incremental pool. But even if ESOPs are getting issued, the cost, the margins that we have spoken about will continue to be intact.
- Rishi Jhunjunwala:** Fair enough. The second question is on headcount, right? So if we look at in the last one year, our headcount has grown at about 8% to 9% year-on-year, 3Q to 3Q without any material improvement in utilization, which Sudhir called out as a lever going forward whereas our revenues, of course, have grown at 25%. Is it possible to just give a breakdown in terms of what is driving this gap between revenue and headcount into how much of it is non-headcount linked revenues versus how much of it is driven by automation, productivity, and some of the other initiatives? And how do we expect it to, trend going forward?
- Saurabh Goel:** So I will answer that in two parts. One, obviously, it is a function of the kind of contracts which are outcome based, which are getting signed, which gives you higher realizable revenue. And that is what you see, which is getting reflected in revenue per employee that we report. You look at current quarter, we almost we have crossed \$71,000 per annum. So that is reason number one. Second, the utilization levels that we are reporting today, I think there is a significant upside that is possible. The reason why we are right now not seeing an upside is because we continue to induct freshers and that is why we continue to maintain lower levels of utilization but as those freshers are getting billed that has helped us in bringing down our ARC. So that is answer number two. Number three is that the point that Sudhir was making that not just contracts which involves third party cost but outcome based contracts, which has now become a significant portion or which is now continuing to become part of our deals as we are signing those deals. Over there it is not just the revenue

per employee but the margins are high because of the risk that is being taken in those deals that is leading to higher revenue per employee and leading to lower headcount addition as compared to revenue growth.

Rishi Jhunjunwala: Understood. Thank you. All the best.

Moderator: Thank you. We take our next question from Ravi Menon of Macquarie. Please go ahead.

Ravi Menon: Hi, thank you for the opportunity and congrats on good revenue performance. Two questions here. One is, you know, this unbilled revenue trend, as we take on more of the system integration contracts, is this likely to continue going up and is there is an absolute kind of unbilled DSO number that you will be comfortable with? Because this is the level of risk that we are taking on and how do you actually plan in controlling that? Second is on this other direct costs. Again, there are seasonality, I understand? This is also something that we should see going up because as you do these large system integrated contracts, this is another line item that might go up.

Saurabh Goel: So, I will take one by one. So, Ravi, when we look at our balance sheet, we look at total working capital cycle okay? So, I think today sitting around close to 48 to 49 days and I think that is a number. So, there are two lenses. One, you look at overall working capital cycle. Second, you look at FCF to PAT. We are committed to make sure that we continue to deliver an FCF to PAT that we have already talked about and also maintain a working capital cycle, which is closer to 50 odd days. If these two guardrails are kind of there in place, we will continue to sign large deals. We will make sure that, as I mentioned, FCF to PAT is getting delivered, EBIT margins are getting delivered, and within these guardrails, we will continue to kind of invest in the customers or sign deals, which if requires investment in the customers upfront, we will do that. So that is answer to question number one. Number two, other cost. It is not that this will continue to go up. I mean, as I said, over the last one year, the revenues have grown almost 28% odd but if you look at year-on-year this cost has only grown 3% to 4% so it is not that this line item will continue to grow. It is seasonal in nature. It will start coming down from Q4 or Q1 onwards and you will also see as a percentage of revenue even the sub-con cost for us has now started as a percentage of revenue started coming down. I had mentioned that it has gone up because of certain either deals getting signed or certain acquisitions that were done, which had larger subcontracting cost. So these costs will start coming down because at the end of the day, if these costs continue to go up, there is no way we can keep delivering the EBIT margins.

Ravi Menon: Thanks so much. And you know, it is all that the salespeople cost has gone up a little faster than revenue. I mean, is this because of payouts related to some of the last deals you signed

or is this is a sign that are investing a bit more in sales to scale up some of these smaller verticals?

Saurabh Goel: You are referring to quarter-on-quarter or year-on-year?

Ravi Menon: Year-on-year? It looks like it is a bit faster than revenue.

Saurabh Goel: Yes, I mean, year-on-year, 23% to 25%. So if I look at growth, between 23% is revenue growth, year-on-year, salespeople cost is 25%. So I think it is the function of the investment that we have done, but you will look at that the G&A cost has gone down. So what our focus has been that we make sure that the investments in the sales is there because it is not because of the commission, but it is because of the absolute investment in the salespeople.

Ravi Menon: Thanks. And one last question on travel, because of the Sabre deal and the whole new platform that Sabre is creating, do you think there is a cross opportunity with airline customers, and their own transformation programs?

Sudhir Singh: Yes. Ravi, thanks for the question. The Sabre deal has already had impact. It is not in the realm of the hypothetical. When we look at the post-Sabre scenario for Coforge, we are on the verge of standing up a \$20 million relationship with an airline, which was not a material customer by any stretch for Coforge, but was one of the biggest customers of Sabre. So that cross-sell has already happened. And we believe there is significant runway for more such relationships to get constructed over time, because Sabre is not just a client for us, it is also a partner for us on an ongoing basis.

Ravi Menon: Thanks, Sudhir. And with Encora, is that something that you think you can replicate in other segments too, where you do more product engineering work and use that to cross-sell into different verticals?

Sudhir Singh: You are right, Ravi. That is the intent. And if Cigniti is any reflection, the success of that acquisition, hopefully Encora at a minimum, will be as good as Cigniti was. And the intent, of course, is to take it up a few notches from even the Cigniti success.

Ravi Menon: Thanks so much and best of luck.

Sudhir Singh: Thank you, Ravi.

Moderator: Thank you. We take our next question from Dhanashree Jadhav from Choice Institutional Equities. Please go ahead.

Dhanashree Jadhav: Yes, congrats on good set of numbers team. So it was a great performance. My question is on Encora integration. Sir as you said, the approvals will be done by the end of March. So should we see the integration taking off in terms of numbers during end of the first quarter or how should we look at it? And some qualitative in terms of numbers post EBIT margins with the integration would be helpful.

Saurabh Goel: Dhanashree, so again, as I said, regulatory approvals are going on and there are expenses related to regulatory approvals wherein the legal expenses are getting incurred. That will be coming in Q4 and the integration expenses will not be very significant in the current quarter but there will be expenses related to again legal expenses around funding that we are going to tie up with banks and other than that there will be W&I insurance expenses also so I think as of now I have only this much of detail, but the whole integration-related expenses would largely hit either towards the end of Q4 or March start coming in then when we are closer to the approvals from all the regulatory authorities or in Q1 so but again right now too early to say. The only three line items that I can expect between now and next couple of months that our visibility of is the line item which I just mentioned. The balance integration-related expenses should actually come in Q1, which would be largely on account of, there could be short close of certain contracts, the licenses and what not. There could be other expenses also. So, I will provide more details once we have more clarity, but we will have to just wait till we get closer to the regulatory approvals and then I will have more details around that.

Dhanashree Jadhav: And if I can just to get some color on the rates at what we are, I mean, whatever interaction we are having with the banks. So, whether lower single digit or if that would be helpful.

Saurabh Goel: It will be around mid-single digit.

Dhanashree Jadhav: Yes, thank you. Yes that is it from me.

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

Manik Taneja: Thank you for the follow-on opportunity. This was once again a clarification on the other expenses line item. You said there is some seasonality to it related to certain contracts. So, just trying to understand is this largely linked to pass through license sales? That is one and given you are talking about very strong robust growth going into the next year, how should we be thinking about while you have given wage hikes only in the prior quarter, but how should we be thinking about some of the supply side factors going into FY27?

Saurabh Goel: So, Manik, as I said that when we look at our P&L, which is year-on-year, the revenue growth in the P&L is close to 23% odd from a dollar perspective and the other direct

expenses have actually gone up only 4.5% to 5%. If you are looking at the result sheet then it also includes the sub-con expenses which actually shot up for us in Q1 of this year and which have now started getting contained at \$50 million to \$51 million levels and have started actually this is the first quarter it has actually started coming down so yes there is seasonality to it and Q3 last year the same thing happened this number then came down to close to \$40 million in Q2 and again gone up so it will it is a number which will move up and down. We expect this number to come down either as I said in Q4 or Q1 and despite that again the pipeline that we have in place the deals that have already got signed or on the verge of signing between now and next few weeks or so gives us confidence in terms of the revenue growth that we will see in coming future.

Sudhir Singh: Manik, to your last question around supply side pressure, as you can imagine, given where the industry is right now, on the cost side, supply side pressure is very muted. A wage hike has just been announced. It is obviously not going to be done at least for the next four odd quarters. Four quarters at a minimum. Therefore, the confidence around margin increase, further margin increase in FY2027 over FY2026 is also strong.

Manik Taneja: Great. Thank you and all the best for the future.

Sudhir Singh: Thank you, Manik.

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

Sudhir Singh: Thank you, Inba and thank you, ladies and gentlemen. We know it is early morning for those of you joining in from India. We really appreciate the time and the intent. We always find these calls extremely productive and instructive from our vantage. We look forward to meeting all of you over the virtual call three months from now. Thank you very much. Have a great day.

Moderator: Thank you, members of the management. Ladies and gentlemen, 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 all for your participation. Goodbye.