Management Discussion

Radhika Arora - Head of Investor Relations, Coforge Limited
Good day, everyone, and thank you for joining us today. Many of you on the call already know me. For those of you who may not, I am Radhika Arora, Head of Investor Relations at Coforge. It is a pleasure to welcome all of you to our Q2 FY27 earnings call.

Joining us today from the leadership team are Mr. Sudhir Singh, Chief Executive Officer and Executive Director, Mr. John Speight, President and Executive Director, Mr. Saurabh Goel, Chief Financial Officer.

Before we start, I would like to reiterate that we take as having read the Safe Harbor statement available in the presentation.

With that, let me hand over to Sudhir. Sudhir, over to you.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you, Radhika. Ladies, gentlemen, a very good day to all of you, and thank you very much for joining us. The call today is particularly exciting because we have now reached, we believe, a critical tipping point of AI adoption within Coforge. Consequently, we are pleased to reset expectations around our operating margin profile and equally importantly, our expected large deal closure velocity going forward. I wish to start today with a bulleted list of the six key messages that we'd like to leave with you before delving into the details of what has been another exceptional quarter.

Bullet point message number one. We are pleased to raise our consolidated EBIT margin guidance for fiscal year '27 to 16% from the 15.5% we had shared at the beginning of the year. We also plan to achieve a reported Q4 EBIT of 17%, thereby establishing the glide path to further and significant margin expansion in fiscal year '28 as well. This improvement in margin at a time when our industry faces acute pricing pressure is driven by our execution ethos. Not only are we making the promise of AI real for enterprises, but we are equally with the same intensity embedding AI across our internal processes and functions. We believe that AI is breaking the link between scale and margin leadership for the tech services industry.

Time and material effort-based economics face pressure as automation reduces labor content. In this evolving world of the new age tech services firm, it is our intent to get to being within the top three highest EBIT margin tech services firms in our industry in the short to medium term. That was bullet point number one, message around margins.

Bullet point number two, equally importantly, the message around revenue growth. Our focus on revenue growth excellence is unimpaired. This year, we will be the industry growth leader for the third consecutive year. In quarter two, we signed eight large deals. This is the highest number of large deals we have signed in any quarter in our history. Equally importantly, in quarter three, which has now started, which incidentally is the shortest quarter of the year, we hope to again sign eight, if not more, large deals. Our increasing large deal velocity offers assurance of sustained robust growth in the future as well. It is also, we believe, a testament to the world-class onsite-based solutioning engine we have built. Most of our large deals are sole-sourced and driven by proactive solutions. That, we believe, is the only path to growth in an industry which faces AI-led deflationary winds, and yet is also an industry where clients are keen to work with differentiated partners like Coforge who do not just go out there and offer assets and platforms but can actually craft and deliver upon solutions which are deeply embedded in the very specific operating context of an individual enterprise. That was point number two.

Point number three, commentary around order intake. I wish to share that our order intake for the quarter, for the second time in our history as a firm, is more than USD1 billion. More than this number impressive as it is given our size, is the fact that this order intake is truly broad-based. $455 million of this came from North America, $485 million came from Europe, and $101 million from the Rest of the World. Interestingly, of the eight large deals we signed during the quarter, two came from BFSI, three came from public sector, two from high-tech and one from retail. Broad-based again. And once again, geographically, of the eight large deals, three were from North America, four from Europe, and one from the Rest of the World. As we stand today, ladies, gentlemen, every business engine of Coforge is firing despite the very tough macros that we're going through. And what that does is not just impart us great growth momentum, it equally importantly derisks that robust growth outlook.

Bullet point number four, key accounts. I'm very pleased to share that starting Q2, there is now a second client of Coforge that has crossed the $100 million annualized relationship run rate. Large deals are important, but equally important is the ability to nurture and sustain that initial growth impetus. The growth of the second client relationship to more than $100 million annualized run rate is testament to the fact that both the farming and the hunting sales engines continue to excel with an execution ethos that is uniquely our own.

Bullet point number five, free cash flow. FCF to PAT came in at 90% for the quarter. Short note, we expect it to be 100% for the year. Finally, bullet point number six, of course, enterprise AI. Enterprises are deriving the highest AI value from redesigning and automating business workflows, which shifts the IT services opportunity from supplying technology effort towards owning transformation and business outcomes. AI-enabled operations and end-to-end workflow transformation have become more important than standalone coding. Domain expertise, process mining, data and change capabilities are increasingly becoming more important. In that context, there are four fronts on which we continue to address the AI imperative. Number one, first, through Coforge Nuuron, our enterprise autonomy enablement suite.

AI, as you know, is only as useful as its understanding of your business. Nuuron is the digital brain behind enterprise agents, grounding them in enterprise context and enabling them to drive autonomous operations one step at a time. The second way in which we are helping drive enterprise adoption is through a proven set of enterprise-grade AI assets, including Forge-X, CodeInsight.AI, and EvolveOps.AI. These are all agentic AI solutions. These assets in turn bring Nuuron to life in specific areas of the enterprise with proven solutions for engineering, operations, and business processes. They give us a faster starting point to solve real client problems and take AI into production.

The third way we're doing this again is through Momentuum Blue, our dedicated forward-deployed engineer -- engineering unit supported by Mod Squads to take AI solutions from idea to scale. Our FDEs work closely with clients to build and prove solutions in their specific business environment. Mod Squads, which are hybrid human-agent pods, then scale these solutions across the enterprise and continuously improve them. And finally, the fourth way is that enterprises increasingly want more choices in the models that they use and more control over where their intelligence sits. They also want better visibility and control over AI costs as usage grows across the organization. To address this, and you would have seen this, we recently announced AI Launchpad, the open-weight AI ecosystem for the enterprise. AI Launchpad helps enterprises select, adapt, govern, and deploy open-weight models at scale. It gives clients the flexibility to use the right models for different

workloads while keeping control of their enterprise context, intellectual property, and AI economics.

With that, let me quickly turn to our quarter two fiscal year '27 performance. In FY27, quarter two, we registered sequential consolidated growth of 10.9% in CC terms, 10.1% in U.S. dollar terms, and 11.6% in Indian rupee terms. Organic sequential growth stood at 3.8% in CC terms. What we find particularly reassuring about our growth performance is the large deal velocity that I alluded to and the key accounts growth that underpin it. Our top 10 and our top 20 accounts are both growing at 20% or more Y-o-Y at the current point in time. In quarter two fiscal year '27, our order intake exceeded $1 billion. Order intake increased 51% Q-o-Q and 102% Y-o-Y. Q2 order intake was broad-based across geographies and industries, as I noted at the outset. Eight large deals, the highest in our history for a quarter, were signed, as I said. One of the eight large deals won during the quarter was a $230 million U.K. public sector engagement signed in July 2026.

Equally importantly, we delivered a consolidated EBIT margin of 16%, above our current guidance of 15.5%, while the standalone business delivered an EBIT margin of 17%. Quick revenue commentary. Consolidated revenue for the quarter stood at USD652.2 million. In Indian rupee terms, revenue stood at INR61,708 million. On an organic CC basis, BFS grew 8.3% sequentially, insurance grew 3.6% sequentially, travel, transportation, hospitality grew 1.8% sequentially, healthcare, high-tech declined 6.4% sequentially, government outside India grew 20.8% sequentially, and emerging verticals grew 2.3% sequentially.

From a geographic perspective, organic growth was led by the Americas and the Rest of the World, which grew 4.1%, and 16.3% sequentially. AI-led engineering, data integration, and cloud, the key growth drivers of the combined organization, contributed 86% of consolidated revenue during the quarter, reflecting the consistent growth and increasing scale of these businesses. Our top five clients contributed 18.1% of Q2 revenue, top 10 contributed 26.4%, And as I've noted, our top 20 clients are growing more than 20% Y-o-Y. Order intake backed by a fresh order intake of over USD1 billion during the quarter. Our next 12-month executable order book rose to an all-time high of $2.4 billion, increasing 45% year-on-year from USD1.64 billion and significantly strengthening growth visibility for the rest of FY27.

Encora, very important. This was the first full quarter following the Encora acquisition. We are exceptionally pleased with the manner in which the two teams have come together, and we feel extremely bullish about the outlook for that business. Margin expansion at Encora is ahead of the acquisition plan. Deal momentum is building very appreciably. And we continue to expect -- as we had said last quarter in the investor call, we continue to expect Encora's revenue growth to mirror Coforge's growth from quarter three onwards. Equally importantly, the largest deal that Coforge is pursuing as of today within our pipeline is with an Encora client, and if all goes well, we hope to announce a win either in Q3 or in Q4 around this. The largest healthcare client of Coforge also today is a client that's come over from the Encora stable, and that client also, one of our top 10 clients, continues to grow extremely robust.

People, we added 1,137 employees. The total headcount now stands at 47,365. And the utilization rate stands at a healthy 82.4%. Last 12-month, attrition remains stable at 10.4%, amongst the lowest in the industry, reflecting the strength of our people practices and excellence in employee retention.

With that, I will hand over to John for delivery-related updates.

John Robert Speight - President and Executive Director, Coforge Limited
Thank you, Sudhir. I will now highlight the quarter's delivery and capability milestones. AI is in

production at scale across our client base. We are running more than 520 AI engagements for more than 225 clients today, with over 260 agents deployed in live operations. Two capabilities launched in July now sit behind that work. Nuuron, our enterprise autonomy enablement suite, connects enterprise knowledge, workflows, and decisions in one intelligence layer. Momentuum Blue puts our forward-deployed engineers inside client teams to accelerate time to value for our clients on their AI investments. I will share a few examples of how we are driving business outcomes for our clients through AI.

For a global HR solutions provider, we built a secure, governed AI foundation layer to accelerate the delivery of their AI business use cases. These included an AI customer service assistant, a consensus to quote assistant, and an AI Investor Relations assistant. The AI quote agent has cut turnaround time from about three weeks to less than five days. The AI customer service now handles more than half of the inbound service queries, freeing capacity for higher-value interactions. At a North American property and casualty insurer, legacy integration services carried heavy technical debt and little documentation. Our AI-powered Mod Squad reverse-engineered the legacy APIs and modernized them as microservices on AWS.

The insurer now runs a cloud-native architecture with delivery 30% faster. For a North American wealth management platform, we built a governed agentic AI solution, AI Trade Assistant, that gives advisors portfolio insights and recommendations through natural language conversations within their compliance areas. The AI assistant has unlocked additional advisor capacity by the way of agentic support without adding any additional headcount.

At a leading energy services company, our multi-agent AI drilling advisor combines historical well analysis, drilling parameter recommendations, and a knowledge graph that engineers query in natural language. Half of their new well drilling projects are now planned with it, and analysis that took weeks now takes hours. For a global pharmaceutical company, we applied AI across their R&D portfolio and program management. It consolidates project data from several sources and drafts executive-ready status reports, which program managers now estimate scope changes themselves.

The work released around 15,000 business hours, including more than 1,800 hours from monthly reporting. On partnership, we joined the AWS Forward Deployed Engineer pilot in September, and AWS is investing with us to show -- to grow that footprint. We expanded our partnership with Pega, a pivotal shift in how Coforge goes to market. We now build and deliver Pega-powered offerings under our own brand and take them to market jointly with Pega across our industries and markets. These successes were complemented by multiple analyst recognitions during the quarter. Whitelane Research named us as an exceptional performer in application services and in cloud and infrastructure services in its 2026 U.K. and Ireland IT Sourcing Study. HFS Research identified us as a standout nonlinear growth leader. Meanwhile, NelsonHall positioned us as a leader across six segments in its 2026 NEAT assessment for AI-enabled cloud infrastructure management services.

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

Saurabh Goel - Chief Financial Officer, Coforge Limited
Thank you, John. We reported CC revenue growth of 10.9% in Q2, reflecting revenues of $650 million on PC basis. Revenue growth in dollar terms is 10.1% in the quarter and INR terms is 11.6%. On EBIT margins, while consolidated EBIT margins stood at 16%, which is ahead of our consolidated EBIT margin guidance of 15.5% for the year, the organic business reported margin of 17% in the quarter, reflecting continued operational discipline.

Following the 40% reduction in Encora G&A in Q1, the full quarter benefit of the cost actions is now visible, with combined G&A improving further to 6.3% in the current quarter versus 6.6% in the previous quarter. Beyond the benefits already delivered, we retain multiple company-wide levers for further margin expansion. Utilization is currently only at 82.4%. Most of the peers are already operating at 86% plus, and we have significant headroom on this front. AI-led efficiencies have been triggered in our fixed price contracts, which will start reflecting in our Q4 margin numbers. AI-led efficiencies across G&A functions will support continued productivity gains and incremental benefit on margins.

Intangible amortization is largely fixed, creating operating leverage as the Company scales. Hedge losses for the current quarter stood at $10.2 million, broadly in line with Q1 FY27. On mark-to-market basis, we expect loss of $7.1 million in Q3 and $1.2 million in Q4. This is going to provide a significant tailwind in EPS in coming quarters. We now have natural hedge in the balance sheet account of the U.S. dollar-denominated loan.

On exceptional items and acquisition-related expenses, during the quarter we recognized exceptional items of $5.9 million. These primarily comprised of integration-related expenses on accounts of lawyers' and consultants' fees for legal entity rationalization and tax structuring. At the time of acquisition, we had guided for exceptional expenses of $15 million to $16 million of acquisition and integrated costs, whereas we have ended up spending around $17 million. This increase was on account of overruns related to tax planning for overseas entities and strategy related to rationalization of 95 entities that we have today. EPS stood at INR13.3 in the current quarter as compared to INR12.3 in the last quarter. As guided earlier, we remain well on track to deliver EPS accretion in FY27.

Turning to cash flows. The combined organization generated cash flow of -- free cash flow of $53.8 million, representing an FCF to PAT conversion of 89%. At the end of H1, we are at FCF to PAT conversion of 92%. We remain confident of delivering FCF to PAT guidance of 100% for FY27.

To conclude, with H1 behind us, this is where we stand against for our FY27 outlook. EBITDA margin, H1 is at 20.5%. We remain confident of the guidance of 20.5% to 21% range. EBIT margin, we are increasing our FY27 consolidated EBIT guidance from 15.5% to 16%. H1 consolidated EBIT is already at 16%, and with levers I described, we are confident of reaching 17% in Q4 of FY27 and expect EBIT margins to be more than 17% going forward. Free cash flow, as I mentioned, guidance of 100%, FCF to PAT for FY27. Tax on a steady-state basis, 23% to 24%. EPS with no exceptional expenses in Q3 going forward, lower hedge losses in Q3 and almost negligible in Q4. Improvement in EBIT margins in Q4 to 17%. We see a significant upside on exit EPS of Q4 of FY27.

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

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you, Saurabh. As Saurabh stated, ladies and gentlemen, we are upgrading our FY27 consolidated EBIT margin guidance from 15.5% to 16%. Our revenue outlook remains very robust. Signed next 12-month order book of $2.4 billion, and in quarter order intake of more than $1 billion. The highest ever number of large deals signed in quarter two, which incidentally is a record that is likely to get eclipsed in quarter three. The broad-based nature of order intake and the broad-based nature of large deals. Robust -- I would say more than robust key account growth and the derisked profile of our top 10 clients and our business assures us of delivering best-in-class growth numbers this year and even beyond this year. This resilient performance in the face of AI-led deflationary

winds is driven by an exceptional solutioning engine and an execution ethos that is uniquely our own.

The Encora acquisition is ahead of plans on every aspect. When we consummated the acquisition, we had indicated that the margins of Encora would go up appreciably. They are now significantly ahead of what our plans were. We had also told you last quarter that starting Q3, the revenue growth rate of Encora will start mirroring the Coforge growth rate, in light of the large deal pipeline that I described across the healthcare client and across the high-tech client, that again is going to be true. That's been -- it's been an acquisition that continues to thrill us.

Finally, to conclude, the ultimate arbiter of sustained performance is the people in a tech services firm who drive it. We are one of the, if not the most tenured leadership teams in our industry. We have a track record of sustained performance which is measured not in quarters but in years. This is year 10 of the sustained robust Coforge growth saga. The trust across and the competence of the leadership team allied with a collective sense of purpose and an execution intensity that is uniquely our own is likely, we believe, to propel us to even greater heights beyond what we have achieved over the last 10 years. Taken together, exceptionally strong deal momentum, margin expansion, clear success with the Encora acquisition, reinforce our confidence in the sustained, continued robust growth of the firm and the profitability trajectory outlined at the start of this fiscal year.

With that, we conclude, ladies, gentlemen, our prepared remarks, and we now look forward to your questions.

Questions & Answers

Operator
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 few moments while the question queue assembles. We also request our participants to restrict to two questions and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We'll take the first question from Vibhor Singhal of Nuvama Equities. Please go ahead.

Vibhor Singhal - Analyst, Nuvama
Yeah, hi, thanks for taking my question and congrats, Sudhir and team for a super performance yet again and strong deal wins. Sudhir, two questions from my side and then I have one bookkeeping question for Saurabh. You mentioned in your opening remarks that we are now at a critical tipping point with respect to AI in the Coforge journey. So just wanted to pick your brain on that a bit, that is the margin upgrade guidance that we have given also related to that itself? I know there are operating levers which Saurabh talked about in terms of margin expansion, but the kind of deals that we are winning right now with an increasing AI component in them, is that the -- what is the change in the nature of those deals? Are they deals more short-tenured or longer-tenured? Do they come with definitely better pricing than the deals that we had been going till now? Whatever that could be helpful as to how that is helping us in terms of our growth and especially the margin trajectory.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Yeah, thank you for the question. Thank you for the comment, Vibhor. Let me take question number one from you. You're right, we believe that, for us we've now reached a critical tipping point on AI adoption within Coforge. The margin upgrade that we have done and the very strong confidence

that we've shared around our margin outlook, the plans to potentially be one of the top three highest margin players across our industry in the near to medium term, rides off massive, in some cases forced injection of AI-led technology and automation into our internal processes, not just delivery processes, even across every function that we operate with and through. As far as the deals are concerned, the two points that I believe will add some color to this.

The second $100 million plus client that we have for the firm, incidentally, we signed a very large deal with that client in the current quarter, is one of our highest margin clients. So it's not just one of the highest growth clients. That growth is coming at one of the highest gross margins that we operate across any client with. Second, as I said, most of our deals tend to be somewhat atypical in that they are proactive deals. We've realized that in the intense pricing atmosphere that prevails across our industry, the only way to sustain both growth and margin simultaneously is to make sure that we lead with proactive solutions through an exceptional solutioning on-site engine that we have and close deals without getting into fisticuffs with other providers around pricing. That's how we're approaching deals, that's how we're making sure that we insulate our margins while driving best-in-class growth.

Vibhor Singhal - Analyst, Nuvama
Got it. Got it. That was really helpful. Just a related question on that, Sudhir, since we've now reached a revenue run rate of almost $2.6 billion, deal wins were over $1 billion plus in this quarter, and you mentioned it might be another quarter, Q3, that we do another $1 billion deal wins. Do you think at our size of revenue and deal wins we can sustain the growth momentum by focusing only on the -- so, on the solely basically source deals? Or do you think at some point of time we will also have to take the plunge of being part of the basically vendor-driven deals, so to sustain the growth momentum?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Well, the short answer there is I don't think we can only just sustain. The intent is to actually accelerate the growth going forward. We have a very strong collective belief across the firm that the demand slowdown that we are talking about is largely on account of the fact that the procurement-driven RFPs have slowed down. The intensity of the ask around delivering AI-led transformation for enterprises is only getting stronger. And the tech services partners who have the ability, the understanding of the domain and technology to craft proactive solutions have a very strong, a very long, and we believe a lengthening runway of growth ahead of us. John, would you like to add anything to that?

John Robert Speight - President and Executive Director, Coforge Limited
The only thing I'll add to that is in parallel to leveraging the solutions capability for proactive deals, we've also started to increasingly use some of the more advisory channels, and we're starting to see deals come in through those routes, which traditionally we've never had.

Vibhor Singhal - Analyst, Nuvama
Got it. Got it. Great, John, thanks for answering that and completing that question. My just last question to Saurabh. Saurabh, just a bookkeeping thing on the revenue part. If I look at our revenue number in this quarter of around $652 million, and the organic growth rate on CC terms that we have called out at 3.8%, it looks like there was a slight miss or maybe a small, basically number miss at the Encora level. Because if I back calculate, I think the revenue for Encora comes out to be around $144 million, $145 million, whereas last quarter I think we had two months of Encora which was

around $100 million, and also which ties up with the $600 million revenue that we had kind of acquired. So if you could just help me reconcile the math, that would be really helpful.

Saurabh Goel - Chief Financial Officer, Coforge Limited
So, Vibhor, number one, the organic -- the reported dollar is $652 million, which is 10.1%. The CC growth is 10.9%, which actually reflects $657 million, $658 million of revenue. So now if you apply 3.8% of organic growth, you're left with $147 million, $148 million of revenues in Encora in the current quarter. Last quarter we reported two months which was $100 million. The average for the quarter, the last quarter, the full quarter number was close to $148 million. So it's largely flat in the current quarter and as we've already mentioned that with all the actions that we've taken, with all the deal pipeline that we've built up over five months of acquisition, Q3 is going to mirror -- the Encora is going to mirror the growth of Coforge from Q3 onwards.

Vibhor Singhal - Analyst, Nuvama
Got it. Got it. So the Encora revenue was largely flat Q-on-Q, Q2 over Q1.

Saurabh Goel - Chief Financial Officer, Coforge Limited
It is largely flat. Exactly.

Vibhor Singhal - Analyst, Nuvama
Got it. And Q3 onwards, we can expect Encora plus Coforge to be at the same -- Encora and organic Coforge should be at the same rates.

Saurabh Goel - Chief Financial Officer, Coforge Limited
Absolutely right. There is no -- because this is full quarter integration that has happened, there is no internal within Coforge differentiation of what is Coforge, what is Encora. It's one single unit now.

Vibhor Singhal - Analyst, Nuvama
Got it. Got it. Great. Thank you so much for taking my questions and I wish you all the best.

Operator
Thank you. Our next question is from Abhishek Pathak of Motilal Oswal Financial Services. Please go ahead.

Abhishek Pathak - Analyst, Motilal Oswal Financial Services Limited
Yeah, hi, I'm audible?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Yeah.

Abhishek Pathak - Analyst, Motilal Oswal Financial Services Limited
Yeah. Hi. Hi, Sudhir. Hi, Saurabh. Congrats on a good quarter. My question was on margins. If you look at our margin gains, most of them have actually come from SG&A optimization and our gross margins have been kind of flat. From that perspective, when we talk about slightly higher margins going forward as well, do we see some gains on the gross margin side from selling IPs or selling sort of, let's say, Momentuum Blue, for example, I don't know what margins we are earning on that. But is there a possibility to kind of increase GMs a bit from these levels? And as a corollary to that, does it mean we can kind of invest a bit of that into SG&A as well, because this SG&A number is kind of the lowest we've had in a while?

And of course, I mean, they are growing very well. But just wondering if kind of recycling that back into SG&A could lead to even higher growth rates from where we stand? That's the first question. And the second one is just largely on the growth outlook for the next couple of quarters. So again, I mean, the deal wins were pretty solid. Trying to understand the ramp-up schedules for this order intake. Should we see a meaningful acceleration in organic growth in 3Q, 4Q? And if so, how should we just model that in the short term? Thank you.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Sure. So let's -- let me just take those in order. The first question around margins. Abhishek, we've been investing very significantly in the four AI initiatives that we talked about. Momentuum Blue, the Forward Deployed Engineer factory that we are building, as you can imagine, is a factory we're building on site, and we are pumping in an exceptionally high order of investment to sustain it. I suspect, if not in Q3, starting Q4, you will see a material spike in gross margin at the consolidated level of the firm. So that's answer one. As far as SG&A reduction is concerned, it is only because the G&A part with AI injection is being and will continue to be very aggressively reduced. So that's answer two.

The third thing as far as the trade-off between SG&A investment and growth is concerned, the one thing that we wish to reassure you is that for 10 years, we've been a growth firm. There is zero change of heart. There is zero likelihood of there ever being a change of heart. We continue to be the firm that prioritizes growth over everything else. It's just that at the current point in time, with the advent of AI, we believe there is an opportunity also to materially delink margin profile from scale, and we will ride that wave. But growth is the first, second and the third imperative. As far as we are concerned, we will not let anything come in the way of it.

Saurabh Goel - Chief Financial Officer, Coforge Limited
And maybe just to add to that, Abhishek, our revenues Y-on-Y has grown 53%. S&M has actually grown 52%. It's G&A which has only grown 15.6%. So there is no reduction which has happened on the front end when it comes to sales efforts, sales motions, solutioning architects and presales team. It is the G&A, which again has grown 15.6%. So no reduction has happened there. It is optimization. And with the growth in revenues that have come in, we didn't have to hire more people purely because we've been investing in technology.

Abhishek Pathak - Analyst, Motilal Oswal Financial Services Limited
Got it. And the second one on just the deal ramp-up schedule and how I should build in the organic growth rate for the next couple of quarters.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
These are not deals which will take a long time to ramp up and we're not going to ask you to wait for next year or end of quarter four to see the ramp-up. The ramp-ups will be near immediate in most cases and growth outlook continues to be very robust.

Abhishek Pathak - Analyst, Motilal Oswal Financial Services Limited
Thanks, Sudhir. And sorry, just very quickly, Saurabh, on a bookkeeping one. Our FCF net income is extremely healthy, but the OCF to EBITDA conversion seems to have like fallen off a bit. Is that temporary? Or I mean, is that a result of Encora being integrated? Or how should we just look at that particular metric going forward as well? Thank you.

Saurabh Goel - Chief Financial Officer, Coforge Limited
So I think there are a couple of things. One, we are currently in a process of, and I talked about legal entity rationalization and tax -- investment in tax consultants. So we are moving contracts from U.S. to India. The contracts are getting novated because when we acquired Encora, it was, the entrepreneur was U.S. entity and Coforge -- parent is Indian company, so contracts are getting novated, which has led to delay in certain invoicing and certain collection because of that. That's why you see certain increase in unbilled as well. So as we move forward, you will start seeing a correction in that, number one. Number two, we are guided for FCF to PAT of 100%. We are sitting at 92%. I guess by the time we end the year, we should be more than 100% on that front.

Abhishek Pathak - Analyst, Motilal Oswal Financial Services Limited
Thank you so much, and all the best.

Operator
Thank you. Our next question is from Prateek Maheshwari of HSBC Securities. Please go ahead.

Prateek Maheshwari - Analyst, HSBC
Hi, thank you for the opportunity and congratulations on strong deal wins this quarter. I wanted to check on the order book. So fantastic deal wins, but on the executable order book, I wanted to check if you could break it up for Encora as well. And based on that, like I know it start mirroring the Coforge growth in third quarter and fourth quarter. Is it equal confidence that it will probably grow as good as Coforge has in FY28 as well?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Absolutely. I mean -- and you'll hear both John and me say the same thing, equally confident. And we did allude to the pipeline, not the order book. The largest deal in the Company's arsenal today is from the Encora stable. The largest healthcare account, which offers the most promise and healthcare is the most promising vertical for the firm is from the Encora stable. We feel rock-solid about where the Encora acquisition is. We feel really solid about how it's progressing. But John, would you like to add anything around what you see on Encora as well?

John Robert Speight - President and Executive Director, Coforge Limited
Yeah, I mean what I'm seeing is a steady integration of the capabilities within the wider Coforge ecosystem. And that is actually helping us differentiate increasingly and drive the deal -- the large deal momentum and backing that with a very, very strong capability around areas such as data, cloud, AI and the core engineering sort of muscle that is underpinning a lot of what we're doing.

Prateek Maheshwari - Analyst, HSBC
Right. Just one more. So I was looking at your S&M expenses and within marketing, so marketing cost, I know it's lumpy. It was strong last quarter. It has -- cost has fallen this quarter. And I was tying it up with the comment that John made earlier that advisory relationship and analyst marketing has helped a lot in this deal within this quarter as well. So I just wanted to understand your marketing investments, like how do you see the outlook for that going forward?

Saurabh Goel - Chief Financial Officer, Coforge Limited
See, advisory costs are not part of marketing costs. Those are largely events and conferences, which will be lumpy because of depending upon when you're attending a conference. Advisory costs will sit as part of either sales cost or other S&M cost. It's largely around that. It's not that the

advisory cost is very, very significant. It is more about how they take us to clients and how they recommend us to clients. It's more about that. It's not that it's a significant portion of our cost base when it comes to S&M.

Prateek Maheshwari - Analyst, HSBC
Right. Thanks, Saurabh.

Saurabh Goel - Chief Financial Officer, Coforge Limited
Yeah.

Prateek Maheshwari - Analyst, HSBC
Thank you. Those were my questions. Thank you so much.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you, Prateek.

Operator
Thank you. We'll take our next question from Dipesh Mehta of Emkay Global. Please go ahead.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
Yeah, thanks for the opportunity. Just couple of questions more about clarity. Now the deal intake what we report and next 12 months order book what we report -- can you hear me?

Saurabh Goel - Chief Financial Officer, Coforge Limited
Yeah, yeah, go ahead.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
Yeah. So deal intake and next 12 months order book, what we report now started including Encora or it is yet not including Encora?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
It includes Encora.

Saurabh Goel - Chief Financial Officer, Coforge Limited
The executable actually included Encora previous quarter as well, only intake was not included.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
So now all the metrics include Encora when we look?

Saurabh Goel - Chief Financial Officer, Coforge Limited
Yes.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
Okay. And the second, I think I heard you said EBIT margin for next year should be mirroring quarter four exit kind of thing. Am I right or I misunderstood it?

Saurabh Goel - Chief Financial Officer, Coforge Limited
No, you heard it right.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
You heard it right. I mean, if we exit at 17%, the least we should deliver next year should be 17%.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
Understand. And let's say, considering the overall industry dynamics in terms of the AI-led efficiency generally passing on to the client kind of thing. In terms of the contract which we signed more than $1 billion and next quarter also more than $1 billion, are you seeing some of that also, let's say, getting captured by client, which could have some margin implication? Or do you think the way sole-source deals, some of those economics are in our favor?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
We run a real business in the real world. In some deals, you have to pass some to the client and other deals you don't. Net-net, as you can see clearly from the margin outlook, things are positive, net positive.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
Understand. Thank you.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
John, would you like to add to that?

John Robert Speight - President and Executive Director, Coforge Limited
Yeah, there's one other thing there is, I think Sudhir alluded to earlier is the fact that with a proactive proposal approach and the focus through AI on efficiency and value and outcome. So it's a significant move away from a cost play to a value play, and we feel that is core to success going forward.

Dipesh Mehta - Analyst, Emkay Global Financial Services Limited
Thank you.

Operator
Thank you. Our next question is from Yash Sedani of Entigrity Ventures. Please go ahead. Yash, could you please go ahead?

Yash Sedani - Analyst, Entigrity Ventures & Partnerships
Yeah, hi, congratulations on the great set of numbers. Just wanted to know the growth trajectory on organic basis. Like I think the growth right now is 3.8% on organic basis. Since now Encora is consolidated. On a consolidated basis, how the growth numbers would look like?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Yash, we are struggling to hear you. Could you please get closer to the mic?

Yash Sedani - Analyst, Entigrity Ventures & Partnerships
Hello? Am I audible?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Now you are. Yes.

Yash Sedani - Analyst, Entigrity Ventures & Partnerships
Yeah. Just wanted to ask on organic growth. Now since Encora is merged in the full quarter, on a quarter-on-quarter basis or maybe on a full year when we see along with Encora, how the organic growth would look like?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
The organic growth will continue to be exceptionally robust. As we said when we did acquire Encora that starting Q3 onwards, the Encora growth will be on par with the Coforge growth. And as we said repeatedly, our intent, we take the fact that we are going to be the growth leader in the industry for the third year. We take great pride in it, and we expect to deliver best-in-class growth on a consolidated basis, including Encora in Q3 and beyond.

Yash Sedani - Analyst, Entigrity Ventures & Partnerships
And what about the synergy benefits that we may get from this consolidation along with Encora?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Synergy benefits are very evident in the fact that margin has expanded very significantly for the consolidated entity. So synergy benefits on the cost side are very clear. Revenue to the point that John made, we have cross-breeding capabilities across clients on both sides of the aisle. We talked about the fact that the largest deal in our pipeline today is the next Encora client. We talked about the fact that the largest client that we have in the healthcare space, one of the most storied name in healthcare and is growing -- expected to grow very fast is from Encora. So we feel extremely good about the composite and the standalone stories in play.

John Robert Speight - President and Executive Director, Coforge Limited
And you also have the fact that as a result of the Encora acquisition, we have a very, very strong nearshore capability now built up across Eastern Europe and LATAM, which has been very complementary to our delivery execution capabilities.

Yash Sedani - Analyst, Entigrity Ventures & Partnerships
Got it. Got it. Thank you so much.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you very much, Yash. Thank you for your questions.

Operator
Thank you. Our next question is from Ruchi Mukhija of ICICI Securities. Please go ahead. Ruchi, could you go ahead with your question?

Ruchi Mukhija - Analyst, ICICI Securities
Yeah, thank you for the opportunity. Am I audible?

Operator
Yes.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Yes, you are.

Ruchi Mukhija - Analyst, ICICI Securities
Yes, two questions. First, this quarter, as we reconcile the Encora revenue, seems like the Encora had sequentially flat revenue. Was that on expected line?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Yes, it was on expected lines, and it's also in line with what we said last quarter in the investor call.

We were very categorical. We were very clear that the margin expansion is going to be immediate starting this quarter and the revenue parity across both firms will be starting next quarter. Plans are absolutely on track. John, would you like to add to that?

John Robert Speight - President and Executive Director, Coforge Limited
No more to that one. Thanks, Sudhir.

Ruchi Mukhija - Analyst, ICICI Securities
Yeah. Secondly, it's heartening to hear margin update. It would be -- would you help us understand when we are setting out guidance -- for the margin guidance, which indicates upside, what element has led us to surprise -- was surprise, which gave us confidence to increase the margin?

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
There's no surprise. I think the confidence primarily stems from the fact that for 10 years we've said there are very few firms and very few teams that can execute and deliver on the promise of technology like Coforge can. Now that we have AI available in the arsenal of tools that we use to drive efficiency, we have been not just trying to create AI-led transformation for our enterprise clients. We have, with a single-minded focus, embedded AI across all functions including delivery ops, and that's where the confidence comes from. But John, who's really led this, is better placed to speak on this.

John Robert Speight - President and Executive Director, Coforge Limited
I was just going to say, if you look at our offerings around Nuuron, Momentuum Blue, Mod Squads, what that's enabled us to do is we -- you think about the domain-centric view we've had. So we're using this to connect data, processes, policies, business knowledge and decisioning. And what is that doing? That is creating the context that AI needs to generate efficiently and predictably for the enterprise. And that is leading a lot of our conversation today with customers and the proposals and the bookings coming out as a result of that. It is fundamental to what we are. And we see ourselves as stealing a march on much of the competition.

Ruchi Mukhija - Analyst, ICICI Securities
Yeah. Here, if I double click tying into the comment that I heard from Saurabh as well. So if you look at the AI use for delivery also the new AI deals that we are winning, do you see first needle moving more favorably on margin because we are able to use AI more efficiently for fixed price deals and that's moving the needle more quickly? Or it is the second vector that the AI projects that we are winning are coming with much better margin profile?

Saurabh Goel - Chief Financial Officer, Coforge Limited
So Ruchi, there are two parts to it. One, as I mentioned in the call that, it's the investments are being done in making sure that there are a lot of POCs done within the organization, it is checked, tested in small projects. Right now, the margin uptick that we are seeing is in the existing fixed price projects where AI is getting infused. We are not -- the margin uptick is not on anticipated lines, what we will do in future in terms of new projects coming in at a better pricing.

It is what we are seeing right now, what discussions we've already had with the delivery organization. And that's why I said that starting Q4, you will start seeing the benefits of that because strategy planning is already done. It is getting executed. Numbers will get reflected in Q4. That is one lever. And second, on G&A, if you look at, because everyone talks about SG&A, but it is not S&M

costs which have gone down. We have not cut expenses on S&M.

The G&A organization, whether it is finance, HR, IT, we have not let go [Phonetic] of people. But because we have infused technology in that, with the growth that we have seen of 40%, 50%, we didn't have to hire more people. So immediate benefit on that front as well. And that's why you see on a year-on-year basis, when revenue grew 50%, G&A only grew 15%. So maybe, John, if you want to add, but this is what it is.

John Robert Speight - President and Executive Director, Coforge Limited
I think you've done a pretty good job there. I mean the only thing I will come back to at the end of the day, if you can have that conversation which is value-orientated, not just not cost, then your margin will naturally improve. And everything is pivoting to that. Momentuum Blue is all about creating that pool of FDEs that actually can sit with the customer, understand the context of what they're trying to do, understand the outcome in a very short, sharp period and actually help customers achieve that outcome. And customers will increasingly pivot towards that value conversation. That's what we're seeing.

Ruchi Mukhija - Analyst, ICICI Securities
Got it. Thank you. Thank you for patiently answering my questions.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you.

Operator
Thank you. We'll take our last question from Karan Uppal of PhillipCapital India. Please go ahead.

Karan Uppal - Analyst, PhillipCapital (India) Pvt. Ltd.
Yeah, I hope I'm audible.

Saurabh Goel - Chief Financial Officer, Coforge Limited
Yeah, Karan, go ahead.

Karan Uppal - Analyst, PhillipCapital (India) Pvt. Ltd.
Yeah. Just wanted to check on the AI engagements, which John portrayed. So 520 AI engagements for 225 clients, it appears that more than two AI engagements per client. So just wanted to check the nature of the projects and the size of these projects along with the margin profile. And second question is which verticals are leading adopters of these AI engagements and which are the laggards? And also are these sole-sourced or these are joint GTMs with hyperscalers and frontier AI companies?

John Robert Speight - President and Executive Director, Coforge Limited
Okay. I would say to start off, it's reasonably broad-based, the adoption of AI. We're seeing -- certainly I can speak from the European perspective, and it's across all verticals, be it BFS, public sector, travel, insurance. Obviously, in the insurance space, we're seeing a significant adoption because of that they do have a significant legacy challenge, which AI is ideally suited for resolving. What we're also seeing is broad-based as far as how it's being applied across clients. On the one aspect, you have it within the engineering space, within the SDLC. So increasing the combination of agents and humans.

You've heard about Mod Squads and actually how we're combining the two together to drive

efficiency and outputs. And then you're also seeing it gravitate more into the business side. So agents within, from a service desk perspective, all the way through to underwriting decisions, KYC processes, to name a few. And obviously, within the travel industry, it is a significant driver within some of the large, large programs that we're currently engaged in and accelerating the execution sides. Hopefully, that answers your question.

Karan Uppal - Analyst, PhillipCapital (India) Pvt. Ltd.
Yeah, yeah. Also if you can share the size of the projects as well as the margin profile, if it is better than, let's say, the Company margin?

John Robert Speight - President and Executive Director, Coforge Limited
I would say the size of the projects vary up to the largest customers that we have, both to $100 million run rate customers we have, have embedded significant amounts of AI to deliver right down to small, small-scale POCs. We have one running at the moment where we're looking to complete, for example, completely transform for one of the European banks, the entire bereavement process. And again, so it varies.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
And just to add some more color to what John said, the largest legacy modernization program that we're running warrants migration of 12 million lines of code from a machine language platform to Google Cloud. That program is completely underlaid with Copilot. It's completely underlaid with Forge-X, which is our engineering asset platform. And depending on how you classify it, even the largest program that we are running at this point in time, 12 million lines of code, four and a half years long migration. It's fundamentally AI-led, AI-infused or AI-injected. We can choose the verb or the adverb, but that's how things stand.

Karan Uppal - Analyst, PhillipCapital (India) Pvt. Ltd.
Great, thanks, Saurabh and Sudhir, as well as John, on answering the question. Just one more thing I wanted to check below EBIT. So Saurabh, you mentioned that exceptional items will reduce going ahead, as well as you said that hedge losses will come down by Q4. What about minority interest? How should we model that?

Saurabh Goel - Chief Financial Officer, Coforge Limited
So I said exceptional expenses will be zero. So they are $5.9 million in the current quarter, it will be zero next quarter. Hedge losses from $10 million will go down to $7 million -- assuming now it's mark-to-market, assuming the dollar stays at where it is today, it will come down to $7.5 million next quarter and $1.2 million in Q4 and then zero. Minority will stay where it is because it is linked to Coforge BPS business, which is a JV and wherein the client owns 20% share in the entity.

Karan Uppal - Analyst, PhillipCapital (India) Pvt. Ltd.
Okay, great. Thanks, and all the best.

Saurabh Goel - Chief Financial Officer, Coforge Limited
Yeah. But massive upside on the hedge losses going away and exceptional expenses going away, which straightaway flows through the bottom line. And plus the EBIT expansion, I think the EPS should be anywhere touching around INR19 to INR20 in Q4.

Karan Uppal - Analyst, PhillipCapital (India) Pvt. Ltd.
Got it. Thanks, and all the best.

Saurabh Goel - Chief Financial Officer, Coforge Limited
Thank you.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you, Karan. Thanks a lot.

Operator
Thank you. As there are no further questions, I now hand the floor back to Mr. Sudhir Singh for closing comments. Over to you, sir.

Sudhir Singh - Chief Executive Officer and Executive Director, Coforge Limited
Thank you, Imba, and thank you, ladies, gentlemen. We know it's the end of the week and the evening of the end of the week, and we really appreciate you making time for us and for sharing your comments and your insights. We look forward to seeing you again next quarter. Thank you. Stay safe. See you next quarter. Bye-bye.

Operator
[Operator Closing Remarks]