

IT Services

India

Sector View: **Neutral**

NIFTY-50: **24,855**
July 31, 2025

CTSH—outperforming peers, gaining ground in large deals

CTSH reported c/c revenue growth of 7.2% for the June 2025 quarter, above the guided range, led by strong growth in financial services. The growth rate has now converged with/exceeded peer growth rates. Deal TCV was impressive, with two US\$1 bn+ deals signed in the quarter. The company has tightened its CY2025 revenue growth guidance range to 4-6% (3.5-6% earlier). Read-through for the rest—CTSH has started gaining wallet share in a few verticals and has emerged as a formidable player in large deals.

Another good quarter; growth exceeds top end of guidance range again

CTSH delivered revenues of US\$5,245 mn, representing growth of 8.1% yoy and 2.5% qoq. Growth in c/c stood at 7.2% yoy above the guided range of 5-6.5%. Acquisitions contributed 400 bps to growth, implying organic revenue growth of 3.2%, ahead of several peers. Revenue growth was led by the financial services vertical (6% yoy in c/c). Healthcare was soft qoq, though still strong at 5.3% on yoy comparison, with growth coming in far ahead of peers. Product and resources grew 14.7% in c/c yoy and declined 1.3% on an organic basis, while communication, media and technology (CMT) grew 2.2% in c/c. EBIT margin of 15.6% increased 40 bps yoy and was led by an increase in utilization and SG&A leverage. Adjusted EPS of US\$1.31 grew 12% yoy.

Marginal increase in CY2025 revenue growth guidance

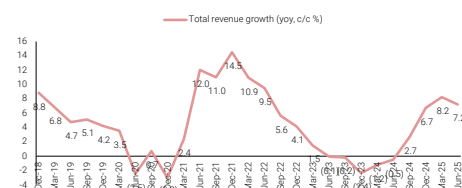
CTSH increased CY2025 revenue growth guidance to 4-6% from 3.5-6%. The guidance assumes 250 bps from acquisitions, with organic revenue growth guidance at 1.5-3.5%. The guidance's lower end assumes further macro deterioration; the midpoint factors in deterioration so far, offset by improved deal pipeline, while the upper end assumes some improvement, further supported by large deals.

For the September 2025 quarter, CTSH has guided for revenues of US\$5.27-5.35 bn, implying 3-5% yoy growth in c/c and 1-3% organically. This translates to 0.5-2.0% qoq growth in USD terms, with slightly lower growth in c/c. For 4QCY25, the guidance implies a sequential range of -4% to +1%. The company also raised its EPS guidance to US\$5.08-5.22, up from US\$4.98-5.14, factoring in the USD depreciation against other currencies and strong operational performance.

Strong bookings with two deals above US\$1 bn+ TCV

Bookings rebounded strongly in 2QCY25, growing 18% yoy, with ttm bookings up 6% yoy. CTSH signed two deals above US\$1 bn TCV, both with a meaningful net new component—one in the healthcare vertical and the other in CMT. CTSH has significantly stepped up its game in large and mega-deals, a notable shift from its earlier absence in this space. These deals are cost take-out driven, a trend expected to continue through the year.

YoY c/c revenue growth trend, %, Dec18-Jun25



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of July 30, 2025

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Read-through for the sector

CTSH has delivered an impressive rebound in growth, now outpacing peers and reflecting improved execution. Wallet share gains are visible in the healthcare vertical, which grew 5.5% yoy, despite being weak qoq—while all major peers reported yoy revenue declines in the same vertical during the quarter.

The company has significantly upped its game in mega-deals, emerging as a formidable competitor. In fact, CTSH has closed more mega-deals in CY2025 than the top three players combined, underscoring the progress in its turnaround journey under the leadership of Ravi Kumar.

Historically, CTSH was an easy target for market share gains by India-listed players. That is no longer the case, with CTSH now demonstrating its own share gains. Competitive intensity has risen across the sector, especially during a phase of industry-wide growth slowdown, which is a concern.

The stock trades at an inexpensive ~14X CY2025E EPS, offering potential value if execution sustains.

Growth decelerates in the healthcare vertical but still above select peers

Revenue growth decelerated to 5.3% from 11.4% in the previous quarter, possibly due to lower contribution from the ramp-up of previous large deals and muted discretionary spending trends. The payer segment faces further risks to discretionary spending due to cuts in Medicaid funding, while the life sciences segment also faces pressure from uncertainty over tariffs. Headwinds in the vertical will be across industry and could be more pronounced for those with higher exposure to the payer segment. These need to be offset by large cost take-out deals. Payers will likely be willing to offshore more work to lower-cost locations and use automation/AI to save costs, which can be tapped by service providers. Note that CTSH has already indicated a mega deal win in the healthcare segment in 2QCY25, which is likely with a payer client, in our view.

Takes a proactive approach to leverage AI for market share gains

The CEO believes that AI can lead to significant productivity gains in software development. CTSH intends to proactively infuse AI into software development to save costs and pass on savings to clients. Revenue deflation in existing business can be more than offset by gaining share from peers who are reluctant to do so. CTSH also wants to be a front-runner in innovation programs driven by AI and intends to capitalize on the agentic AI trend through partnerships and leveraging internal IP. Furthermore, the company has announced the launch of AI training data services to broader G-2000 clients from a focus on technology companies earlier to capture new revenue opportunities in BPO.

Key highlights from the earnings call

- ▶ **Revenue growth.** Organic growth was led by financial services and health and aided by the ramp-up of large deals. Belcan contributed 400 bps of inorganic growth. The demand environment remains similar. Visibility is still limited. Clients are prioritizing productivity and value in the current environment. The ramp-up of large deals more than offset discretionary spending pressure.
- ▶ **Deals.** Won two mega deals, each valued around US\$1 bn. Cost take-outs powered both the mega deals. TCV of large deals more than doubled yoy. Won six US\$100 mn+ deals. There was a healthy mix of small, large and mega deals. CTSH is working hard to add to the pipeline in 2HCY25. Mega deals have sizeable new business component. CTSH originated one of the mega deals. Overall bookings included a balance of new wins and renewals. TTM ACV increased in high-single digits yoy.
- ▶ **AI opportunity.** Delivered a healthy combination of AI-led deals in efficiency deals and innovation. Agentic AI is leading to new opportunities. 97% of key accounts are adopting AI, out of which 56% are experimenting with generative AI. Nearly 30% of code was AI generated in 2QCY25. Cognizant has 59 patents related to AI. Seeing more innovation-led deals in AI. It is working on 2,500 AI projects.

- ▶ **Vertical-wise commentary.** (1) **Financial services.** Performing well. There is broad-based demand across sub-industries. Gen AI productivity deals, vendor consolidation deals and GCC opportunities are available. Insurance is showing signs of improved growth. (2) **Healthcare.** Growth was across payers, providers and life sciences. Cuts in Medicaid funding will weigh on near-term discretionary demand on payers and providers. Life sciences clients face heightened uncertainty from tariffs. One of the mega deals was signed with a healthcare client. CTSH is helping the client drive productivity and innovation. (3) **Products and resources.** Discretionary spending demand is tempered. Demand is healthy for cost take-outs. (4) **Telecom and hi-tech.** Organic growth was led by the technology sector. Companies are investing in R&D and other capex investments. Signed a mega deal in the communications segment. Good mix of new business through the contract duration.
- ▶ **One-time non-cash tax expense.** The One Big Beautiful Bill Act repealed the requirement to capitalize US research and experimental (R&E) costs. CTSH has deferred tax assets of US\$400 mn related to R&E costs capitalized outside the US, which will likely not be available to offset certain future US taxes on non-US earnings. CTSH anticipates a one-time, non-cash tax expense of approximately US\$400 mn in 3QCY25 as a result.
- ▶ **Guidance.** Expect ~200 bps inorganic growth in 3QCY25. Continue to expect inorganic growth of 250 bps in 2025. The high end of the guidance assumes an improved demand environment, supported by large deals.
- ▶ **Margin outlook.** Margin expansion will be driven by cost discipline and SG&A leverage. 2HCY25 will have margin investments from large deal ramp-ups and wage hikes.
- ▶ **Renewals.** Clients are not proactively pushing to renew earlier in general. CTSH is proactively reaching out to clients to sole-source deals even in clients where CTSH is the incumbent.
- ▶ **BPO.** Have 10k people training AI models. CTSH is a large player in the space, mainly serving technology companies. The company announced the launch of AI Training Data Services to bring this expertise to the broader G-2000 client base.

Exhibit 1: Cognizant interim results, December fiscal year-ends (US\$ mn)

	2QCY24	1QCY25	2QCY25	Change (%)	
				qoq	yoy
Revenues	4,850	5,115	5,245	2.5	8.1
Cost of revenues	(3,204)	(3,397)	(3,479)	2.4	8.6
SG&A expenses	(781)	(791)	(810)	2.4	3.7
Restructuring charges	(29)	-	-		
(Gain) on sale of property and equipment		62	-		
EBITDA	836	989	956	(3.3)	14.4
Depreciation and amortization	(128)	(136)	(139)	2.2	8.6
EBIT	708	853	817	(4.2)	15.4
Other income	20	19	25		
PBT	728	872	842	(3.4)	15.7
Provision for taxes	(165)	(213)	(197)	(7.5)	19.4
PAT	563	659	645	(2.1)	14.6
Income from associates	3	4	-		
Net profit	566	663	645	(2.7)	14.0
Margins (%)					
EBITDA	17.2	19.3	18.2		
EBIT	14.6	16.7	15.6		
Adjusted EBIT	15.2	15.5	15.6		
Net income	11.6	12.9	12.3		
SG&A as a % of revenues	16.1	15.5	15.4		
Tax rate (%)	22.7	24.4	23.4		

Source: Company, Kotak Institutional Equities

Exhibit 2: Revenues by industry verticals and geographies, 2QCY25 (US\$ mn, %)

	Jun-25		Growth (%)		
	Revenue	% of revenues	qoq	yoy	yoy, c/c
Verticals					
Financial Services	1,547	30.4	5.8	6.9	5.3
Health Sciences	1,551	30.5	(1.3)	6.2	6.0
Products and resources	1,306	25.7	2.2	16.0	14.7
Comm, Media and Tech (TMT)	841	16.5	4.6	3.1	2.2
Total	5,245	100	2.5	8.1	7.2
Geographies					
North America	3,912	77.0	1.5	8.1	8.1
Europe	1,002	19.7	5.5	9.6	4.0
Rest of the world	331	6.5	6.4	4.7	6.0
Total	5,245	100	2.5	8.1	7.2

Source: Company, Kotak Institutional Equities

Financial services and healthcare verticals grew in all geographies yoy in 2QCY25

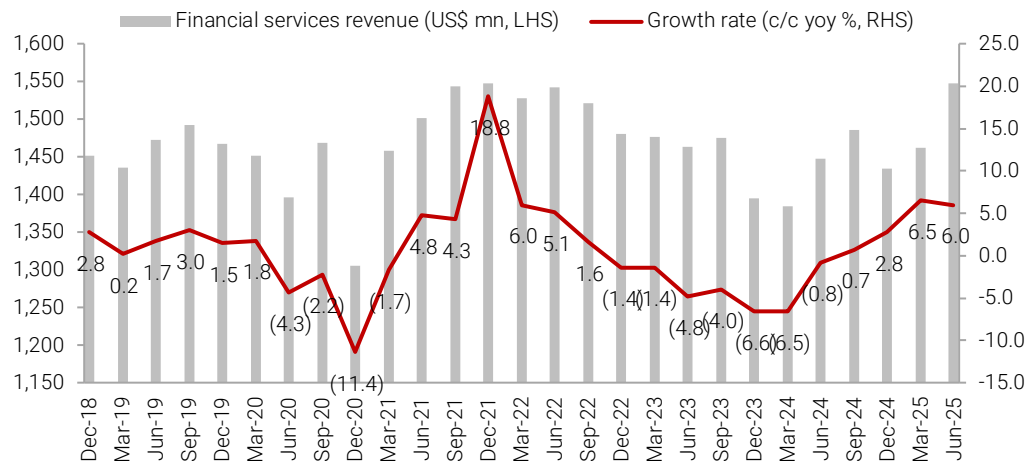
Exhibit 3: Geo-vertical revenue and growth breakdown, 2QCY25, (US\$ mn, %)

	North America	Europe	RoW	Total
Revenue (US\$ mn)				
Financial services	1,096	319	132	1,547
Health sciences	1,298	217	36	1,551
Products and resources	918	307	81	1,306
Communications and technology	600	159	82	841
Total	3,912	1,002	331	5,245
Contribution to revenue				
Financial services	22.6	6.6	2.7	29.5
Health sciences	26.8	4.5	0.7	29.6
Products and resources	18.9	6.3	1.7	24.9
Communications and technology	12.4	3.3	1.7	16.0
Total	80.7	20.7	6.8	100.0
C/C yoy growth (%)				
Financial services	5.6	5.3	10.8	6.0
Health sciences	3.7	12.6	33.8	5.3
Products and resources	20.6	5.9	(8.8)	14.7
Communications and technology	5.5	(10.7)	6.0	2.2
Total	8.1	4.0	6.0	7.2

Source: Company, Kotak Institutional Equities

Healthy revenue uptick in financial services

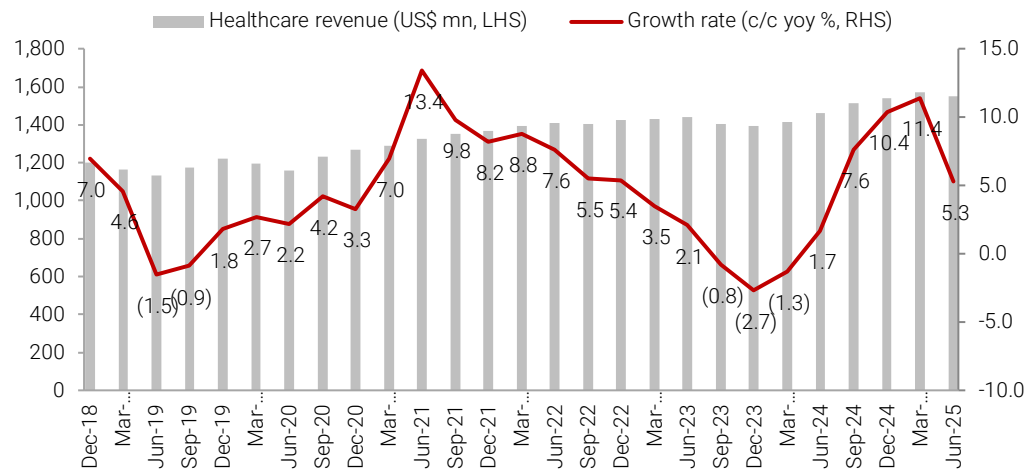
Exhibit 4: Revenue and growth trend in financial services vertical, Dec 2018-Jun 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

Growth deceleration in healthcare vertical

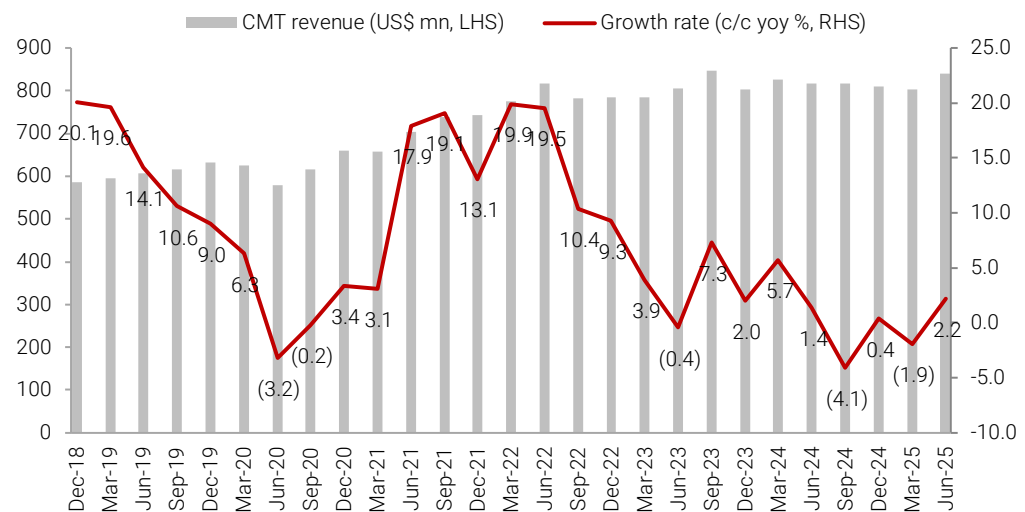
Exhibit 5: Revenue and growth trend in healthcare vertical, Dec 2018-Jun 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

CMT vertical remains weak with muted discretionary spending trends

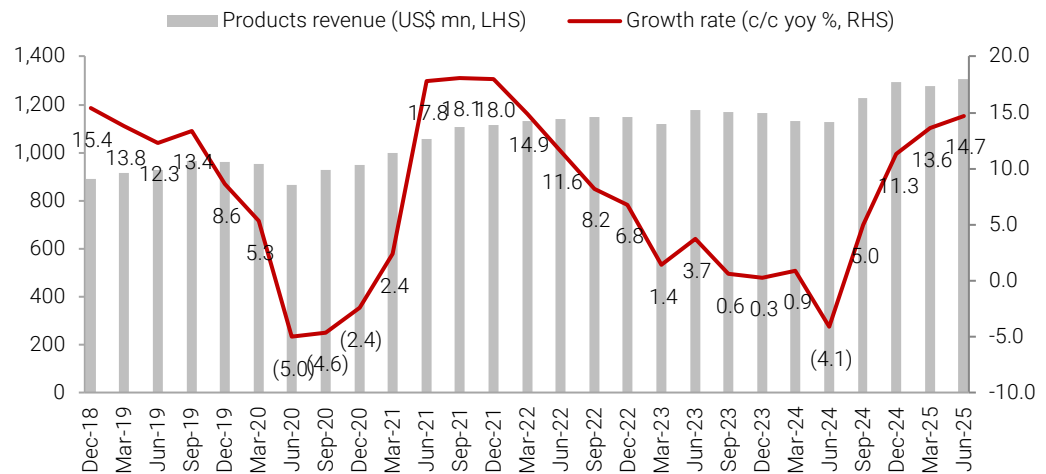
Exhibit 6: Revenue and growth trend in CMT vertical, Dec 2018-Jun 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

Belcan acquisition drives yoy growth in products & resources vertical

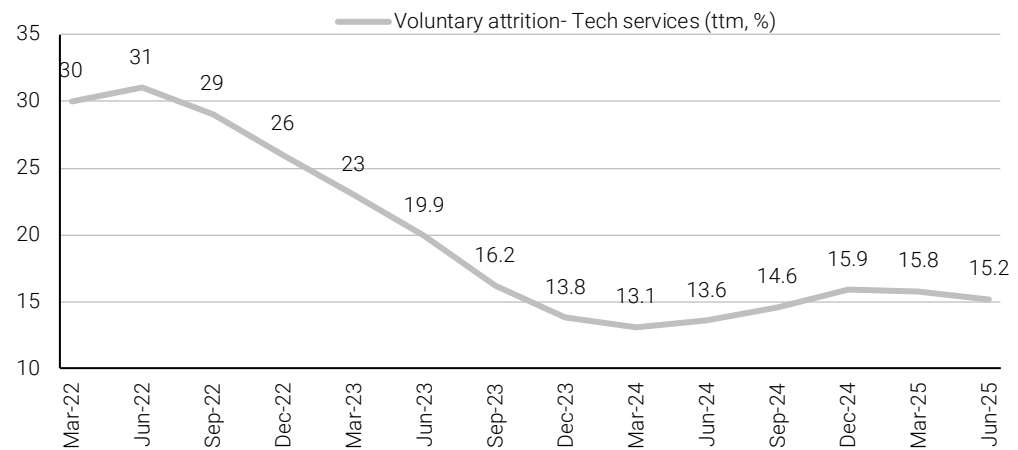
Exhibit 7: Revenue and growth trend in products and resources vertical, Dec 2018-Jun 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

Some uptick in attrition yoy; increases by 160 bps on yoy basis; declines 60 bps on qoq basis

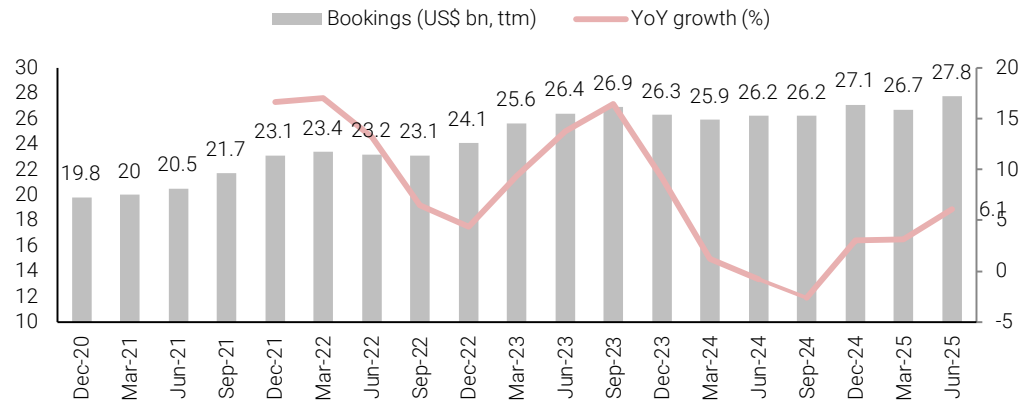
Exhibit 8: Trend in voluntary attrition rates excluding BPO (ttm), Mar 2022-Jun 2025 (%)



Source: Company, Kotak Institutional Equities

TTM deal TCV increased 6.1% yoy

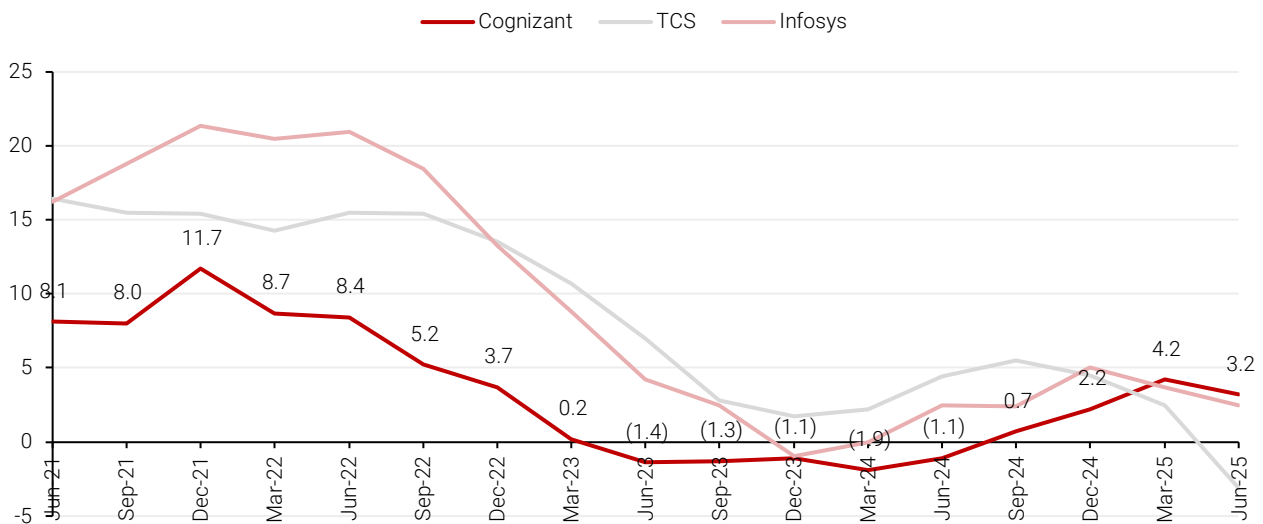
Exhibit 9: Trend in TTM TCV of bookings, Dec 2020-Jun 2025 (US\$ bn)



Source: Company, Kotak Institutional Equities

Cognizant reported better organic c/c yoy growth in the last couple of quarters compared to TCS and Infosys

Exhibit 10: Organic yoy c/c growth comparison of CTSH, TCS and Infosys



Source: Companies, Kotak Institutional Equities estimates

Cognizant leads TCS and Infosys in yoy revenue growth in financial services and healthcare verticals in Jun-25 quarter

Exhibit 11: Organic c/c growth comparison of CTSH, TCS and Infosys across financial services and healthcare verticals yoy

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
YoY c/c revenue growth (%)													
Financial services													
Cognizant	5.1	1.6	(1.4)	(1.4)	(4.8)	(4.0)	(6.6)	(6.5)	(0.8)	0.7	2.8	6.5	6.0
TCS	13.9	13.1	11.1	9.1	3.0	(0.5)	(3.0)	(3.2)	(0.9)	0.1	0.9	2.5	1.0
Infosys	12.1	11.5	5.5	0.4	(4.2)	(7.3)	(5.9)	(8.5)	0.3	2.3	6.1	12.6	5.6
Healthcare and lifesciences													
Cognizant	7.6	5.5	5.4	3.5	2.1	(0.8)	(2.7)	(1.3)	1.7	7.6	10.4	11.4	5.3
TCS	11.9	14.5	14.4	12.3	10.1	5.0	3.1	1.7	4.0	0.1	(4.3)	(5.6)	(9.6)
Infosys	15.8	10.3	5.0	15.7	13.9	18.4	6.3	1.0	2.9	(3.5)	6.3	(3.4)	(7.9)

Source: Companies, Kotak Institutional Equities

Exhibit 12: Kotak Institutional Equities: valuation summary of key Indian technology companies

Company	30-Jul-25 Price (Rs)	Rating	Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
			(Rs m)	(US\$ m)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Coforge	1,750	BUY	585,250	6,692	29.0	41.0	53.3	60.3	42.7	32.9	29.3	20.7	17.1	19.5	21.1	24.5
Cyient	1,224	REDUCE	135,998	1,555	55.5	58.3	68.1	22.1	21.0	18.0	10.8	11.2	9.3	11.9	10.9	11.9
HCL Technologies	1,477	REDUCE	4,006,727	45,814	63.6	63.3	69.9	23.2	23.3	21.1	14.6	14.3	13.1	25.3	24.5	25.8
Hexaware Technologies	712	BUY	433,580	4,958	19.3	23.2	27.2	36.9	30.7	26.2	22.9	20.3	16.4	23.6	25.0	26.2
Indegene	546	BUY	131,186	1,500	17.0	20.0	23.6	32.1	27.3	23.2	20.8	17.3	14.4	20.9	17.1	17.4
Infosys	1,519	BUY	6,310,340	72,154	63.3	66.7	73.2	24.0	22.8	20.7	15.4	14.6	13.4	28.6	27.9	28.9
KPIT Technologies	1,269	SELL	347,751	3,976	27.6	29.3	35.9	46.0	43.3	35.3	27.1	25.0	20.8	29.7	25.2	26.0
L&T Technology Services	4,310	REDUCE	456,727	5,222	119.4	123.5	144.5	36.1	34.9	29.8	22.6	21.5	18.6	22.2	20.3	21.2
LTIMindtree	5,128	REDUCE	1,519,680	17,376	155.7	170.1	196.2	32.9	30.1	26.1	21.3	20.0	17.3	21.5	21.1	22.0
Mphasis	2,807	REDUCE	533,954	6,105	89.9	99.1	110.8	31.2	28.3	25.3	19.4	17.9	16.2	18.4	18.9	19.9
Persistent Systems	5,163	SELL	807,415	9,232	90.0	110.5	129.2	57.3	46.7	40.0	38.7	31.6	26.6	24.8	25.1	24.9
Rategain	442	REDUCE	52,190	597	17.6	15.9	19.4	25.1	27.7	22.8	20.1	22.4	16.7	13.3	10.6	11.5
Tata Elxsi	6,101	SELL	380,002	4,345	126.0	102.8	130.5	48.4	59.3	46.8	36.3	43.0	33.5	30.0	22.1	26.9
Tata Technologies	709	SELL	287,761	3,290	16.7	17.6	19.8	42.5	40.3	35.8	28.9	29.9	26.8	19.9	19.0	19.4
TCS	3,054	BUY	11,048,192	126,327	134.2	140.5	151.8	22.8	21.7	20.1	15.7	15.3	13.8	51.2	50.2	49.8
Tech Mahindra	1,463	BUY	1,294,578	14,802	48.1	58.4	77.8	30.4	25.1	18.8	17.5	14.2	11.1	15.8	18.6	23.7
Wipro	250	SELL	2,622,791	29,989	12.5	12.7	13.3	20.0	19.7	18.8	12.5	12.5	11.6	16.5	15.5	15.7

Company	Fair Value (Rs)	O/S shares (mn)	EPS CAGR (%) 2025-27E	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
				2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Coforge	2,000	351	35.5	9.1	41.3	30.0	9,773	14,397	18,814	19,866	28,255	33,829	121,912	163,733	194,761
Cyient	1,180	111	10.8	(16.3)	5.1	16.8	6,157	6,470	7,554	11,433	10,664	12,783	73,604	73,427	82,335
HCL Technologies	1,500	2,718	4.9	9.9	(0.4)	10.4	172,704	172,158	190,204	254,929	261,179	282,005	1,170,567	1,261,704	1,367,409
Hexaware Technologies	910	611	18.7	17.5	20.2	17.2	11,764	14,188	16,627	18,302	20,824	25,833	119,744	132,838	150,960
Indegene	700	241	17.7	13.8	17.5	18.0	4,225	4,819	5,687	5,501	6,404	7,358	28,393	32,359	37,217
Infosys	1,850	4,151	7.5	8.2	5.3	9.7	262,930	276,940	303,886	392,350	409,559	445,468	1,629,900	1,720,320	1,871,006
KPIT Technologies	1,000	274	14.2	29.5	6.3	22.6	7,544	8,027	9,840	12,298	13,176	15,541	58,423	64,400	74,681
L&T Technology Services	4,100	106	10.0	(2.9)	3.4	17.0	12,668	13,091	15,323	18,925	19,765	22,535	106,702	119,148	133,159
LTIMindtree	5,100	296	12.3	0.4	9.3	15.4	46,020	50,284	58,007	64,949	68,125	77,682	380,081	405,998	447,064
Mphasis	2,600	189	11.0	9.1	10.3	11.8	16,991	18,737	20,940	26,467	28,503	31,093	142,299	154,615	171,416
Persistent Systems	4,800	156	19.8	22.2	22.8	16.9	14,001	17,263	20,181	20,582	24,982	29,294	119,387	141,572	165,669
Rategain	540	119	4.9	36.6	(9.5)	21.6	2,089	1,891	2,298	2,321	1,965	2,484	10,767	11,566	12,982
Tata Elxsi	4,000	62	1.8	(0.9)	(18.4)	26.9	8,047	6,403	8,126	9,927	8,335	10,684	37,290	37,096	42,560
Tata Technologies	450	406	9.0	(2.1)	5.4	12.7	6,770	7,136	8,046	9,341	8,935	9,853	51,685	51,569	56,154
TCS	3,800	3,619	6.3	3.5	4.7	8.0	485,530	508,242	549,122	674,070	687,271	756,064	2,553,240	2,581,947	2,803,253
Tech Mahindra	1,830	890	27.2	51.9	21.4	33.3	42,788	51,951	69,226	69,911	86,208	109,385	529,883	548,631	601,211
Wipro	240	10,347	3.0	22.2	1.4	4.6	130,225	131,523	139,602	180,851	177,891	186,981	890,917	904,649	958,044

Source: Kotak Institutional Equities estimates

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Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

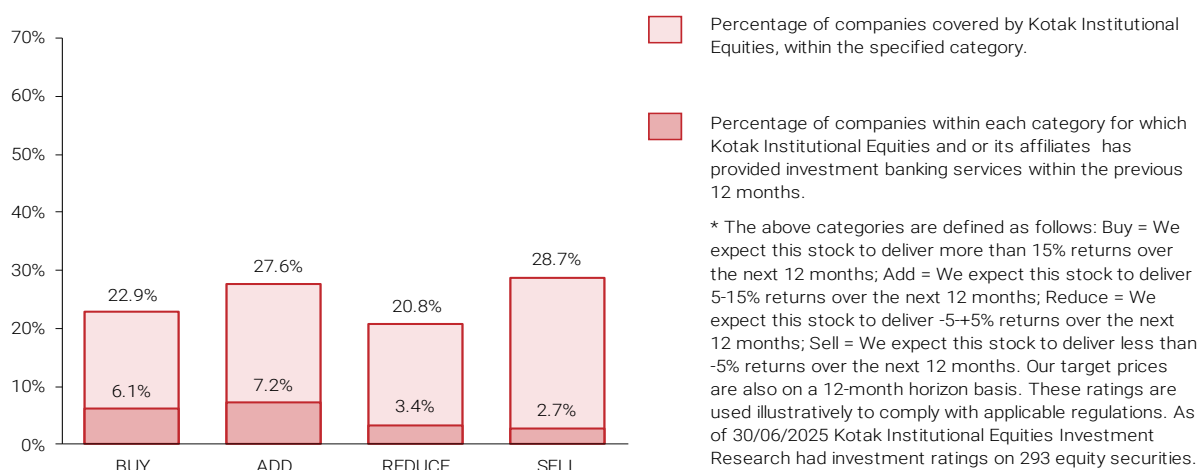
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Distribution of ratings/investment banking relationships

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of June 30, 2025

Coverage view

The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: **Attractive, Neutral, Cautious.**

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