



NASDAQ: CTSH

EQUITY RESEARCH REPORT

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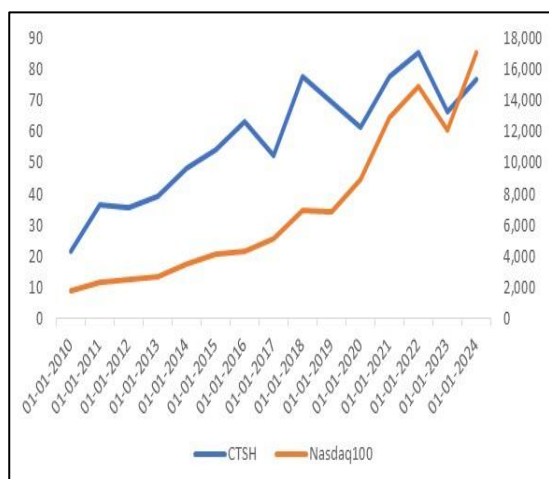
Market Profile

Market Cap	38.349B
O/s Shares	496 M
52 Week H/L	80.27/62.14
NASDAQ	CTSH
EV/EBITDA	10.67
EV/Sales	1.94
P/E	17.57

Recent News

Analyst price targets range from \$75 to \$88, reflecting varied perspectives on Cognizant's growth potential and the impact of its strategic initiatives.

Source: Investing.com



Recent News

Delve into Cognizant's \$1.3 billion acquisition of Belcan, a strategic move to diversify services and enter the lucrative aerospace and defense industries.

Source: Investing.com

About the Company

Cognizant Technology Solutions Corporation is an American multinational information technology services and consulting company. It is headquartered in Teaneck, New Jersey, U.S. Cognizant is part of the NASDAQ-100 and trades under CTSH. It was founded in Chennai, India, as an in-house technology unit of Dun & Bradstreet in 1994, and started serving external clients in 1996. After a series of corporate reorganizations, there was an initial public offering in 1998. Ravi Kumar S has been the CEO of the company since January 2023, replacing Brian Humphries. Cognizant is ranked 185 on the Fortune 500 and is consistently listed among the most admired companies in the world.

Business Model

Cognizant provides a wide range of services, including digital, technology, consulting, and operations services. Its business model focuses on helping companies modernize technology, reimagine processes, and transform experiences to stay ahead in a fast-changing world.

Global Presence

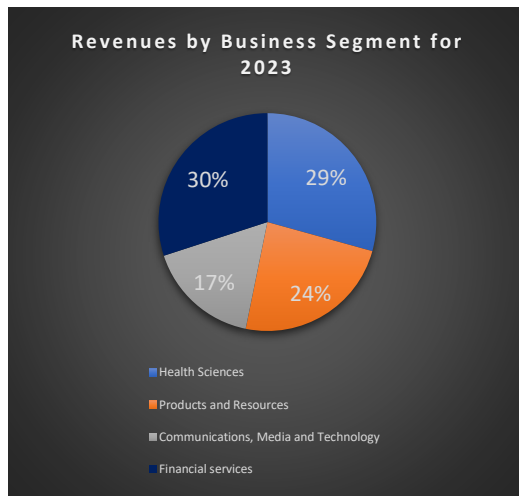
With a significant global footprint, Cognizant operates in North America, Europe, and the Asia-Pacific region, serving clients across various industries such as banking, healthcare, manufacturing, and retail.

Strategic Initiatives

Cognizant invests heavily in innovation and capabilities that support the digital transformation of its clients. This includes initiatives in artificial intelligence, cloud computing, and cybersecurity. The company also focuses on strategic acquisitions to enhance its service offerings and market reach.

Workforce

We had approximately 347,700 employees at the end of 2023, with 254,000 in India, 40,500 in North America, 16,300 in Continental Europe, 8,500 in the United Kingdom and 28,400 in various other locations throughout the rest of the world.



Recent News

Explore Cognizant's ability to gain market share and secure large deals in an uncertain environment, demonstrating its competitive edge in IT services.

Source: Investing.com

Major shareholders

Vanguard Fiduciary Trust Co.	11.74%
BlackRock Advisors LLC	7.79%
State Street Corp.	4.87%
Pzena Investment Management, Inc.	3.76%
Dodge & Cox	3.72%
Nomura Holdings, Inc.	2.77%
Geode Capital Management LLC	2.64%
JPMorgan Investment Management, Inc.	2.59%
Fidelity Management & Research Co. LLC	2.46%

Business Segments

• Financial Services (FS)

- Banking
- Insurance

• Health Sciences (HS) - This reportable business segment is comprised of a single operating segment of the same name.

• Products and Resources (P&R)

- Retail and Consumer Goods
- Manufacturing, Logistics, Energy and Utilities
- Travel and Hospitality

• Communications, Media and Technology (CMT) - This reportable business segment is comprised of a single operating segment of the same name.

Competitive Positioning

The markets for information services are highly competitive, characterized by a large number of participants and subject to rapid change. Direct competitors include, among others, Accenture, Atos, Capgemini, Deloitte Digital, DXC Technology, EPAM Systems, Genpact, HCL Technologies, IBM Consulting, Infosys Technologies, Tata Consultancy Services and Wipro.

Cognizant Technology Solutions (CTSH) has a market cap of ₹3.220 trillion, making it the 559th most valuable company in the world.

Despite challenging market conditions, Cognizant has demonstrated an ability to gain market share. The company has secured significant large wins in recent quarters, which are now beginning to contribute to revenue growth. This success in navigating an uncertain market by securing discretionary deals indicates Cognizant's strong competitive position within the IT services industry.

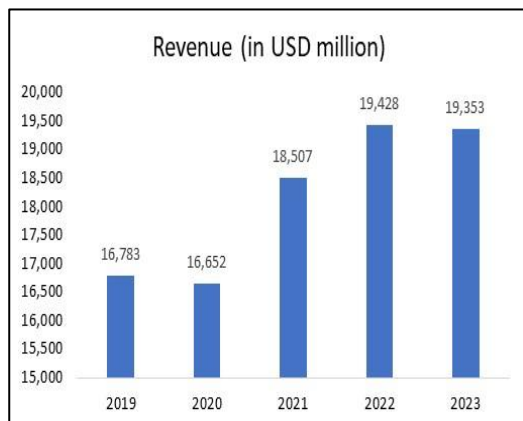
Con-Call highlights

- Cognizant Technology Solutions delivered a robust performance in Q2 2024, demonstrating strong execution and resilience in a challenging market environment. The company reported revenue of \$4.85 billion, which surpassed the high end of their guidance, marking a 2.1% sequential growth in constant currency.
- The adjusted operating margin improved to 15.2%, up by 10 basis points sequentially and 100 basis points year-over-year, reflecting effective cost management and operational efficiencies driven by the NextGen program. The program's focus on cost optimization and structural actions has been instrumental in expanding margins.
- A significant strategic development was the acquisition of Belcan, aimed at enhancing Cognizant's engineering, research, and development (ER&D) capabilities in the high-growth aerospace and defense sectors. This acquisition aligns with the company's strategy to diversify its service offerings and expand into new verticals, which is expected to drive future growth.
- Generative AI initiatives continue to gain traction, with over 750 early client engagements, up from 450 in the previous quarter. Projects span content aggregation, customer experience, and internal tech enhancements, positioning Cognizant as a leader in AI-driven innovation.
- Looking ahead, Cognizant has provided a positive outlook for Q3 2024, expecting revenue to be flat to 1.5% year-over-year in constant currency. For the full year, revenue is projected to range from \$19.3 billion to \$19.5 billion, reflecting a slight decline to modest growth. The company maintains its adjusted operating margin guidance at 15.3% to 15.5% and has raised its adjusted EPS guidance to \$4.62 to \$4.70.

Risk Factors

Cognizant face various important risks and uncertainties, that could adversely affect the business, results of operations and financial condition and, as a result, cause a decline in the trading price of the common stock.

- ❖ Many of contracts with clients are short-term, and the business, results of operations and financial condition could be adversely affected if clients terminate their contracts on short notice.
- ❖ We face challenges related to growing our business organically as well as inorganically through acquisitions, and we may not be able to achieve our targeted growth rates.
- ❖ NextGen program and the associated reductions in headcount and consolidation of office space could disrupt the business, may not result in anticipated savings, and could result in total costs and expenses that are greater than expected.
- ❖ Fluctuations in foreign currency exchange rates, or the failure of the hedging strategies to mitigate such fluctuations, can adversely impact the profitability, results of operations and financial condition.



Financial Analysis

Net Operating Revenue

As the revenue has increased with the CAGR of 3.63% over the period rising to \$19,353 million in 2023 from \$16,783 million in 2019, it gives the strong performance of company to increase its revenue despite of having a slight decline in the year 2020 which was during COVID-19 pandemic. The projections show a consistent upward trend in net operating revenues, reaching \$21,629 million by the end of the year 2028.

Recent News

Cognizant surpasses expectations with robust Q2 2024 results, showcasing strong performance in Financial Services and Healthcare sectors amid market challenges.

Source: Investing.com

Operating Income

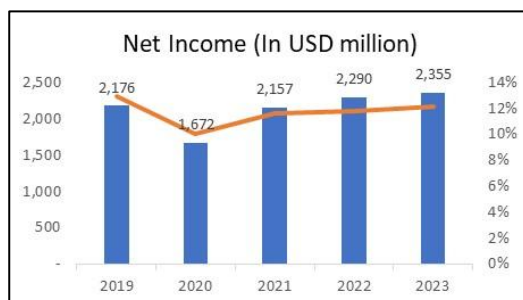
As the operating income decreased from \$2,968 million in 2022 to \$2,918 million in 2023. This fall is due to increase in operating expenses of restructuring charges occurred due to adaption of NextGen Program which increased the operating expenses. Operating income is projected to increase over the period of forecasted years, reaching \$3,318 million by 2028.

Net Income



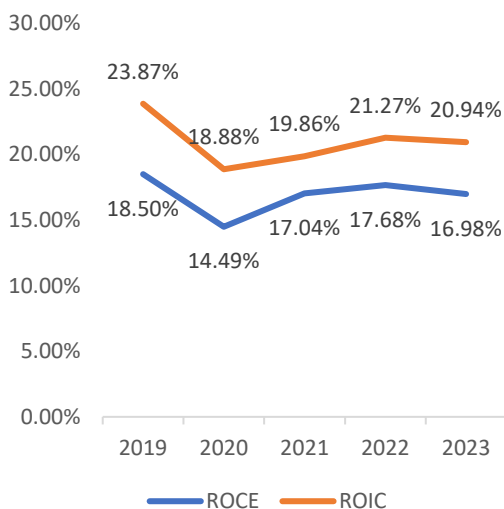
Net income increased after the sharp decline during COVID-19 from \$1,672 million in 2020 to \$2,355 in 2023. This indicates that after accounting for all the expenses including taxes and all other expenses, the company have put a lot of efforts to recover its profit ratio by managing all the expenses efficiently. The company's profit is expected to grow in the future also, although at a slower pace than other metrics.

Cash Conversion Cycle



Cognizant's Cash Conversion Cycle was on an average of historical data is around 60 days which is generally not a good sign for the company future as it may not able to convert its accounts receivables into cash efficiently. By focusing on better receivables management practices, Cognizant can work towards optimizing its CCC to enhance liquidity and operational efficiency.

ROCE & ROIC



ROCE (Return on Capital Employed)

ROCE declined sharply to 14.49% in 2020 during the COVID pandemic the period, but after that company has shown stable return so this indicates that the capital is used efficiently to generate the income, although it keeps on fluctuating in the range of 16.5%-17.5%.

ROIC (Return on Invested Capital)

ROIC has also decreased to 18.88% in 2020 during the COVID but after that it increased to 20.94% by 2023. The recovery and stabilization indicate Cognizant's ability to adapt and optimize its capital usage, returning to strong performance levels. This indicates effective management strategies and resilience in operations.

Recent News

Cognizant and Aston Martin Aramco Formula One® Team celebrate partnership with a visit to Chennai by two-time world champion Fernando Alonso.

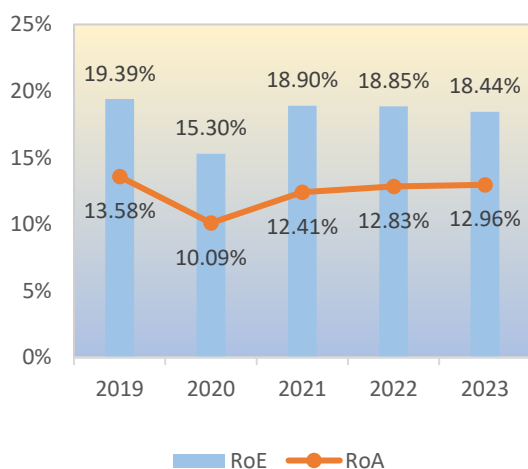
Source: Cognizant.com

ROE (Return on Equity)

ROE has recovered after the COVID pandemic from 15.30% in 2020 to 18.90% in 2021 but after that it has shown stable returns although it declined slightly to 18.44% by 2023. This suggests that Cognizant is able to maintain the return for its shareholders in a consistent way, becoming trustworthy for them.

ROE (Return on Assets)

ROA has also recovered after the COVID pandemic, rising to 12.41% in 2021 from 10.09% in 2020, and after that showing consistent returns steadily increased to 12.96% by 2023. This indicates that the company has used its assets efficiently to generate consistent returns over the period and also utilizing its acquisitions very effectively to generate the returns, indicating the better management of assets.



Ratio Analysis

Ratios	2019	2020	2021	2022	2023	Mean	Median
<u>Profitability</u>							
Operating Profit	16.61%	14.38%	15.38%	15.28%	15.08%	15.34%	15.28%
Net Profit	12.97%	10.04%	11.66%	11.79%	12.17%	11.72%	11.79%

<u>Liquidity</u>							
Current & Quick Ratio	2.55	1.94	2.08	2.17	2.25	2.20	2.17

<u>Efficiency</u>							
Accounts Receivable	5.15	5.39	5.20	5.12	5.03	5.18	5.15
Accounts Payable	44.65	27.34	32.14	34.58	37.58	35.26	34.58
PP&E Turnover	12.82	13.31	15.80	17.65	18.47	15.61	15.80
Working Capital Turnover	3.63	5.03	4.85	4.96	4.64	4.62	4.85
Total Asset Turnover	0.70	0.70	0.73	0.77	0.74	0.73	0.73

<u>Cash Conversion Cycle</u>							
Accounts Receivable Days	70.81	67.66	70.15	71.32	72.59	70.51	70.81
Accounts Payable Days	8.17	13.35	11.36	10.56	9.71	10.63	10.56
CCC	62.64	54.31	58.80	60.76	62.88	59.88	60.26

<u>Rates of Return</u>							
Return on Equity	19.74%	15.43%	17.99%	18.60%	17.80%	17.91%	17.99%
Return on Assets	13.43%	9.88%	12.08%	12.83%	12.74%	12.19%	12.74%
Return on Capital Employed	18.50%	14.49%	17.04%	17.68%	16.98%	16.94%	17.04%
Return on Invested Employed	23.87%	18.88%	19.86%	21.27%	20.94%	20.96%	20.94%

Dupont Analysis – RoE (Return on Equity) and RoA (Return on Assets)

Dupont Analysis breaks down RoE and RoA to understand the reasons behind the changes in RoE & RoA over the period.

Return on Equity (ROE)					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Net Profit	2176	1672	2157	2290	2355
Average Shareholder Equity	11,223	10,929	11,414	12,150	12,768
Return on Equity	19.39%	15.30%	18.90%	18.85%	18.44%
ROE - Dupont Equation					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Net Profit	2176	1672	2157	2290	2355
Revenue	16,783	16,652	18,507	19,428	19,353
Net Profit Margin (A)	12.97%	10.04%	11.66%	11.79%	12.17%
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Revenue	16,783	16,652	18,507	19,428	19,353
Average Total Asset	16,025	16,564	17,388	17,852	18,168
Asset Turnover Ratio (B)	1.05x	1.01x	1.06x	1.09x	1.07x
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Average Total Asset	16,025	16,564	17,388	17,852	18,168
Average Shareholder Equity	11,223	10,929	11,414	12,150	12,768
Equity Multiplier (C)	1.43x	1.52x	1.52x	1.47x	1.42x
Return on Equity (A*B*C)	19.39%	15.30%	18.90%	18.85%	18.44%
Return on Asset (ROA)					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Net Profit	2176	1672	2157	2290	2355
Average Total Asset	16,025	16,564	17,388	17,852	18,168
Return on Asset	13.58%	10.09%	12.41%	12.83%	12.96%
ROA - Dupont Equation					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Net Profit	2176	1672	2157	2290	2355
Revenue	16783	16652	18507	19428	19353
Net Profit Margin (A)	12.97%	10.04%	11.66%	11.79%	12.17%
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Revenue	16783	16652	18507	19428	19353
Average Total Asset	16025	16564	17388	17852	18168
Asset Turnover Ratio (B)	1.05x	1.01x	1.06x	1.09x	1.07x
Return on Asset (A*B)	13.58%	10.09%	12.41%	12.83%	12.96%

Dupont Summary

- During the COVID-19 pandemic, ROE dropped to 15.30% in FY2020. It recovered to 18.90% in FY2021, nearly reaching pre-COVID levels, but has slightly declined to 18.44% as of December 31, 2023. Over the past five years, ROE has decreased from 19.39% to 18.44%.
- Despite changes in ROE, Cognizant has kept improving net margins after a decline to 10.04% in FY2020 during covid, recovering to 12.17% in FY2023, close to pre-covid levels. This shows the company's strong operational performance.
- The company has been improving its asset efficiency consistently after the decline to 1.01x. However, the drop in ROE is mainly due to reduced financial leverage, which was highest at 1.52x in FY2020 and has since decreased to 1.42x in FY2023.
- ROA fell from 13.58% in FY2019 to 10.09% during the COVID but has since recovered, rising from 12.41% in FY2021 to 12.96% in FY2023. This increase in ROA is due to better use of the company's assets and improving net margins after a decline during the COVID.

SWOT Analysis

Strengths

- Strong financial performance, consistently beating market expectations.
- Successful implementation of cost-saving initiatives.
- Ability to gain market share in challenging conditions.
- Diverse portfolio of IT and consulting services.

Weaknesses

- Short-term earnings dilution from recent acquisitions.
- Dependence on specific sectors (Financial Services, Healthcare).
- Exposure to macroeconomic uncertainties affecting client spending.

Opportunities

- Expansion into aerospace and defense sectors through Belcan acquisition.
- Increasing adoption of Generative AI technologies.
- Potential for cross-selling and upselling to existing clients.
- Further strategic acquisitions to enhance capabilities and market reach.

Threats

- Intense competition in the IT services sector.
- Ongoing macroeconomic uncertainties affecting client decision-making.
- Potential integration challenges from acquisitions.
- Rapid technological changes requiring continuous adaptation.

Cost of Equity from Bottom Up Beta

Particulars	Notes	Value
Risk-free Rate (%)	10-year treasury rate	3.72%
Beta	Bottom Up Beta	0.90
Equity Risk Premium (%)	ERP Damodaran	4.60%
Cost of Equity Capital	CAPM	7.86%

Cost of Equity from Regression Beta

Particulars	Notes	Value
Risk-free Rate (%)	10-year treasury rate	3.72%
Beta	Regression Beta	0.79
Equity Market Risk Premium (%)	ERP Damodaran	4.60%
Cost of Equity Capital	CAPM	7.35%

Cost of Debt

Particulars	Notes	Value
Pre-Tax Cost of Debt		6.30%
Tax Rate	Marginal Tax Rate - ERP Damodaran	25%
Post Tax Cost of Debt		4.73%

Weighted Average Cost of Capital

Particulars	Total Cost	Total Weight
Debt	4.73%	1.78%
Equity	7.36%	98.22%
WACC		7.31%

Valuation

Two different valuation methodologies were utilized in deriving a target price for Cognizant Technology Solutions Corp., a 5-year **DCF (Discounted Cash Flow)** and a **Relative Multiple Valuation** using Public Comparable Company Analysis.

DCF Model

A **Discounted Cash Flow** Analysis was used to estimate the Intrinsic Value of Cognizant due to the predictability of cash flows in relation to growth and profitability. The base case for this model was formulated using guidance from historical performance, industry outlook, an assessment of Cognizant competitive positioning, and company guidance on acquisitions, revenue and earnings growth. This model is driven by **Free Cash Flow to the Firm (Unlevered Free Cash Flow)** as this represents cash that is available for both debt and equity holders and is calculated as

EBIT

Less: Taxes

NOPAT (Net Operating Profit after Taxes)

Add: Depreciation & Amortization

Less: Capex

Less: Change in Net Working Capital

Free Cash Flow to the Firm

The historical horizon is five years (2019 to 2023), where we have seen steady sales growth rates and margins, making FCF forecasts more predictable and reliable.

- Under this model we step in finding the **value per share of company** considering two different methods one is **Gordon Growth Model/Perpetual Growth Model** (When co. is strategizing to grow business investments and achieve synergies) and the other one is **Exit Multiple Method** (When co. is investing with the motive to exit from the probable business investments after some time period or value gained)
- **Gordon growth model** is useful for valuing broad-based equity indexes and the stock of businesses with earnings that are expected to grow at a stable **rate comparable to or lower than the economy's nominal growth rate**. Gordon Growth Model's values are very **sensitive** to the assumed **growth rate** and **required rate of return**.
- The **exit multiple** uses a **market multiple basis** to fairly value a business.

Particulars (Amt. in USD million except no. of shares & per share value)	Gordon growth	
WACC Rate	7.80%	7.31%
Long Term Growth Rate	2%	2%
Terminal Value	45,037	49,156
Present Value of TV	32,326	35,994
Present value for explicit period cash flows	9,860	9,969
DCF Value of Firm / Operating Business Enterprise Value	42,186	45,963
Add: Non Operating Assets/ Investments	98	98
Total Value of Firm	42,284	46,061
Less: Gross Debt & Debt Equivalents	623	623
Add: Cash	2,193	2,193
Less: Non Controlling Interest	-	-
DCF value of Common Equity	43,854	47,631
No. of shares o/s	496	496
DCF value per share	88	96

Particulars (Amt. in USD million except no. of shares & per share value)	Exit Multiple	
WACC Rate	7.80%	7.31%
LTM EV/EBITDA	10.6	10.6
Terminal Year EBITDA	3,885	3,885
Terminal Value	41,022	41,022
Present Value of TV	29,445	30,038
Present value for explicit period cash flows	9,860	9,969
DCF Value of Firm / Operating Business Enterprise Value	39,305	40,007
Add: Non Operating Assets/ Investments	98	98
Total Value of Firm	39,403	40,105
Less: Gross Debt & Debt Equivalents	623	623
Add: Cash	2,193	2,193
Less: Non Controlling Interest	-	-
DCF value of Common Equity	40,973	41,675
No. of shares o/s-Diluted	496	496
DCF value per share	83	84

WACC Rate Impact: The choice of discount rate (WACC) significantly influences the DCF valuation. A lower WACC (7.31% in the second scenario) results in higher present values for both terminal and explicit period cash flows, consequently increasing the overall DCF value of the firm and per share. Uses a long-term growth rate of 2.0% and the last projected FCFF to estimate the perpetuity value.

Gordon Growth Method

Uses a long-term growth rate of 2.0% and the last projected FCFF to estimate the perpetuity value.

Terminal value

\$45,037 million: Represents the estimated value of the business beyond the explicit forecast period, calculated using the perpetuity growth model under the Gordon Growth approach.

\$32,326 million: This is the present value of the terminal value discounted back to the present time using the WACC of 9.1%.

According to the Gordon Growth rate Method the **value** of Cognizant Technology Solutions Corp is **calculated \$88 per share and \$96 Per share** respectively (**depending on the method used to calculate beta**).

Exit Multiple Method:

Terminal Value:

\$41,022 million: Lower than in the Gordon Growth scenario, reflecting a lower estimated value of the business beyond the forecast period.

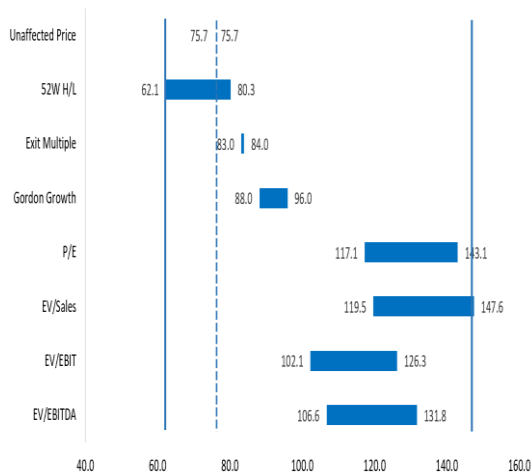
According to the Exit multiple Method, the **value** of Cognizant Technology Solutions Corp is **calculated \$83 per share and \$84 Per share** respectively (**depending on the method used to calculate beta**).

Relative Valuation

For relative valuation, comparable companies are selected based on geographic area, size, products and capital structure. Then, to calculate the potential share price range, different multiples are taken in consideration of peer companies for the LTM (2024), FY1(2025) and FY2(2026) period and then multiplied by the Cognizant metrics. The detailed process is provided in Annexure of this report. To accurately see the share price of the company, lower and higher ranges is calculated from different valuation methods.

Particulars	Lower	Difference	Higher
EV/EBITDA	106.6	25.2	131.8
EV/EBIT	102.1	24.2	126.3
EV/Sales	119.5	28.1	147.6
P/E	117.1	26.0	143.1
Gordon Growth	88.0	8.0	96.0
Exit Multiple	83.0	1.0	84.0
52W H/L	62.1	18.1	80.3
Unaffected Price	75.7		75.7
Final Range	62.1		147.6

- According to the EV/EBITDA multiple method the Cognizant should range from \$106.6 - \$131.8 per share.
- According to the EV/EBIT multiple method the Cognizant should range from \$102.1 - \$126.3 per share.
- According to the EV/Sales multiple method the Cognizant should range from \$119.5 - \$147.60 per share.
- According to the P/E multiple method the Cognizant should range from \$117.1 - \$143.1 per share.



Football Field Analysis

A football field is a graph used to compare and summarize the results of different valuation methodologies to value a company.

Use of different valuation methods and assumptions results in a wide valuation range. A football field shows the range and the mean valuation arrived at using different methodologies (and their underlying assumptions) in a single chart. This process helps in reducing the margin for error and also assists the decision-maker in choosing the most appropriate method to achieve the best valuation.

Annexure A:

Valuation as per DCF Model and Sensitivity Analysis

Income Statement



(In USD millions except per share data)

Income Statement

As on

	12 Months Dec. 31, 2019	12 Months Dec. 31, 2020	12 Months Dec. 31, 2021	12 Months Dec. 31, 2022	12 Months Dec. 31, 2023	6 Months June 31, 2024	12 months Dec. 31, 2024	12 months Dec. 31, 2025	12 months Dec. 31, 2026	12 months Dec. 31, 2027	12 months Dec. 31, 2028
Net Operating Revenue	16,783.0	16,652.0	18,507.0	19,428.0	19,353.0	9,610.0	19,233.1	19,806.0	20,395.9	21,003.4	21,629.0
EBITDA	2,960.0	2,666.0	3,400.0	3,537.0	3,208.0	1,662.0	3,354.4	3,605.5	3,704.1	3,798.8	3,884.7
Less: D&A	507.0	552.0	574.0	569.0	519.0	259.0	538.5	566.6	574.8	576.3	566.1
Income from Operations (EBIT) - Reported	2,453.0	2,114.0	2,826.0	2,968.0	2,689.0	1,403.0	2,816.0	3,038.8	3,129.4	3,222.6	3,318.6
Impact of special items	334.0	280.0	20.0	-	229.0	52.0	96.0	-	-	-	-
Income from Operations (EBIT) - Normalised	2,787.0	2,394.0	2,846.0	2,968.0	2,918.0	1,455.0	2,912.0	3,038.8	3,129.4	3,222.6	3,318.6
Interest Income	176.0	119.0	30.0	59.0	126.0	30.0	30.0	-	-	-	-
Interest Expense	(26.0)	(24.0)	(9.0)	(19.0)	(41.0)	(10.0)	(29.6)	(35.1)	(33.0)	-	-
Foreign currency exchange gains (losses), net	(65.0)	(116.0)	(20.0)	7.0	2.0	1.0	1.0	-	-	-	-
Other, net	5.0	3.0	-	1.0	11.0	(1.0)	(1.0)	-	-	-	-
Total Other Income/(Expense)	90.0	(18.0)	1.0	48.0	98.0	20.0	0.4	(35.1)	(33.0)	-	-
EBT	2,877.0	2,376.0	2,847.0	3,016.0	3,016.0	1,475.0	2,912.4	3,003.8	3,096.4	3,222.6	3,318.6
Provision for Income Taxes	(643.0)	(704.0)	(693.0)	(730.0)	(668.0)	(165.0)	(517.7)	(737.0)	(759.7)	(790.6)	(814.2)
Income (loss) from equity method investments	(58.0)	-	3.0	4.0	7.0	3.0	3.0	-	-	-	-
Net income	2,176.0	1,672.0	2,157.0	2,290.0	2,355.0	1,313.0	2,397.7	2,266.8	2,336.7	2,431.9	2,504.4
Weighted average number of common shares outstanding- Basic	559.0	540.0	527.0	518.0	505.0	497.0	498.0	498.0	498.0	498.0	498.0
Dilutive effect of shares issuable under stock-based compensation plans	1.0	1.0	1.0	1.0	-	1.0	-	-	-	-	-
Weighted average number of common shares outstanding- Diluted	560.0	541.0	528.0	519.0	505.0	498.0	498.0	498.0	498.0	498.0	498.0
Diluted EPS	3.89	3.09	4.09	4.41	4.66	2.64	4.81	4.55	4.69	4.88	5.03
Dividend per Share	0.96	0.96	0.96	1.08	1.16	0.68	1.24	1.17	1.21	1.26	1.29

Balance Sheet



(In USD millions except per share data)

Valuation Date **July 31, 2024**

Balance Sheet

As on

	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Jun 30, 2024	Dec. 31, 2024	Dec. 31, 2025	Dec. 31, 2026	Dec. 31, 2027	Dec. 31, 2028
Assets											
Current assets:											
Cash and cash equivalents	2,645.0	2,680.0	1,792.0	2,191.0	2,621.0	2,193.0	3,532.0	5,738.7	7,801.4	9,438.9	11,637.5
Short-term investments	779.0	44.0	927.0	310.0	14.0	12.0	12.0	12.0	12.0	12.0	12.0
Trade accounts receivable	3,256.0	3,087.0	3,557.0	3,796.0	3,849.0	3,973.0	3,715.3	3,826.0	3,939.9	4,057.3	4,178.1
Other current assets	931.0	1,040.0	1,066.0	969.0	1,022.0	1,067.0	1,067.0	1,067.0	1,067.0	1,067.0	1,067.0
Total current assets	7,611.0	6,851.0	7,342.0	7,266.0	7,506.0	7,245.0	8,326.3	10,643.7	12,820.3	14,575.2	16,894.6
Property and equipment, net	1,309.0	1,251.0	1,171.0	1,101.0	1,048.0	1,009.0	1,433.4	1,272.2	1,310.1	1,349.2	1,389.3
Goodwill	3,979.0	5,031.0	5,620.0	5,710.0	6,085.0	6,395.0	6,395.0	6,395.0	6,395.0	6,395.0	6,395.0
Intangible assets, net	1,041.0	1,046.0	1,218.0	1,168.0	1,149.0	1,129.0	1,047.5	888.5	733.5	589.5	468.5
Deferred income tax assets, net	585.0	445.0	404.0	642.0	993.0	1,095.0	1,095.0	1,095.0	1,095.0	1,095.0	1,095.0
Long-term investments	17.0	440.0	463.0	427.0	435.0	86.0	86.0	86.0	86.0	86.0	86.0
Operating Lease Assets	926.0	1,013.0	933.0	876.0	611.0	553.0	553.0	553.0	553.0	553.0	553.0
Other noncurrent assets	736.0	846.0	701.0	662.0	656.0	1,068.0	1,067.0	1,067.6	1,067.6	1,067.5	1,068.3
Total assets	16,204.0	16,923.0	17,852.0	17,852.0	18,483.0	18,580.0	20,003.8	22,001.0	24,060.5	25,710.3	27,949.8
Liabilities and Stockholders' Equity											
Current liabilities:											
Accounts payable	239.0	389.0	361.0	360.0	337.0	298.0	358.1	368.8	379.8	391.1	402.7
Deferred revenue	313.0	383.0	403.0	398.0	385.0	391.0	399.3	411.2	423.4	436.1	449.0
Short-term debt	38.0	38.0	38.0	8.0	33.0	33.0	33.0	33.0	524.0	-	-
Accrued expenses and other current liabilities	2,191.0	2,519.0	2,532.0	2,407.0	2,425.0	2,076.0	2,568.9	2,645.4	2,724.2	2,805.4	2,888.9
Operating Lease Liabilities	202.0	211.0	195.0	174.0	153.0	148.0	148.0	148.0	148.0	148.0	148.0
Total current liabilities	2,983.0	3,540.0	3,529.0	3,347.0	3,333.0	2,946.0	3,507.0	3,606.0	4,199.0	3,780.0	3,889.0
Deferred revenue, noncurrent	23.0	36.0	40.0	19.0	42.0	29.0	29.0	29.0	29.0	29.0	29.0
Deferred income tax liabilities, net	35.0	206.0	218.0	180.0	226.0	203.0	203.0	203.0	203.0	203.0	203.0
Long-term debt	700.0	663.0	626.0	638.0	606.0	590.0	557.0	524.0	-	-	-
Long-term income taxes payable	478.0	428.0	378.0	283.0	157.0	-	-	-	-	-	-
Operating Lease Liabilities	745.0	846.0	783.0	714.0	523.0	466.0	466.0	466.0	466.0	466.0	466.0
Other noncurrent liabilities	218.0	368.0	287.0	362.0	369.0	448.0	448.0	448.0	448.0	448.0	448.0
Total liabilities	5,182.0	6,087.0	5,861.0	5,543.0	5,256.0	4,682.0	5,210.0	5,276.0	5,345.0	4,926.0	5,035.0
Stockholders' equity:											
Preferred stock, \$0.10 par value, 15 shares authorized, none issued	-	-	-	-	-	-	-	-	-	-	-
Class A common stock, \$0.01 par value, 1,000 shares authorized, 498 and 509 shares issued and outstanding as of	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Additional paid-in capital	33.0	32.0	27.0	15.0	15.0	15.0	105.1	352.6	607.5	870.0	1,140.3
Retained earnings	11,022.0	10,689.0	11,922.0	12,588.0	13,301.0	14,028.0	14,833.7	16,517.4	18,253.0	20,059.3	21,919.4
Accumulated other comprehensive income (loss)	(38.0)	110.0	37.0	(299.0)	(94.0)	(150.0)	(150.0)	(150.0)	(150.0)	(150.0)	(150.0)
Total stockholders' equity	11,022.0	10,836.0	11,991.0	12,309.0	13,227.0	13,898.0	14,793.8	16,725.0	18,715.5	20,784.3	22,914.8
Total liabilities and stockholders' equity	16,204.0	16,923.0	17,852.0	17,852.0	18,483.0	18,580.0	20,003.8	22,001.0	24,060.5	25,710.3	27,949.8

Cash Flow Statement



(In USD millions)

Cash Flow Statement As on

6 months	12 months	12 months	12 months	12 months
Dec. 31, 2024	Dec. 31, 2025	Dec. 31, 2026	Dec. 31, 2027	Dec. 31, 2028

Cash Flow From Operations

Net Income	1084.71	2266.79	2336.67	2431.92	2504.36
Add: Non Cash Expenses	279.45	566.61	574.76	576.26	566.13
Add: Interest Expense	19.62	35.09	33.01	0.00	0.00
Add: Stock Based Compensation Exp.	90.12	247.52	254.89	262.49	270.30
Cash Before Changes in Working Capital	1473.91	3116.02	3199.33	3270.67	3340.80
Accounts Receivables	257.70	-110.66	-113.96	-117.35	-120.85
Accounts Payables	60.10	10.67	10.98	11.31	11.65
Accrued Expenses and other Current Liabilities	492.90	76.52	78.80	81.14	83.56
Deferred Revenue	8.30	11.89	12.25	12.61	12.99
CFO	2292.92	3104.44	3187.40	3258.38	3328.15

Cash Flow From Investing Activities

Capital Expenditure	-622.27	-246.50	-457.65	-471.28	-485.32
CFI	-622.27	-246.50	-457.65	-471.28	-485.32

Cash Flow From Financing Activities

Dividend Paid	-279.03	-583.11	-601.08	-625.58	-644.22
Debt Raised	0.00	0.00	0.00	0.00	0.00
Debt Repaid	-33.00	-33.00	-33.00	-524.00	0.00
Interest Expense	-19.62	-35.09	-33.01	0.00	0.00
CFF	-331.65	-651.20	-667.09	-1149.58	-644.22

Cash Opening Balance	2193.00	3532.00	5738.73	7801.39	9438.91
Cash Generated during the year	1339.00	2206.74	2062.66	1637.52	2198.61
Cash Closing Balance	3532.00	5738.73	7801.39	9438.91	11637.52

Calculation of Beta



Calculation of beta - Regression

Name Of Comps	Beta	Rsquare
Cognizant	0.79	37%
Accenture	1.01	65%
IBM	0.39	13%
Automatic Data Processing	0.54	25%
CrowdStrike Holdings	1.26	26%
EPAM Systems	1.17	23%
Genpact	0.74	31%
DXC Technology	1.15	23%

Calculation of Beta - Bottom Up

Particulars	Levered beta	D/(D+E) (last three years)	E/(D+E) (last three years)	Tax rate (%)	Unlevered beta	Relevered beta
Bottom-up						
Accenture	1.01	0.3%	99.7%	25.0%	1.01	1.02
Automatic Data Processing	0.54	2.8%	97.2%	25.0%	0.52	0.53
CrowdStrike Holdings	1.26	1.5%	98.5%	25.0%	1.25	1.27
EPAM Systems	1.17	0.2%	99.8%	25.0%	1.17	1.19
Genpact	0.74	16.6%	83.4%	25.0%	0.65	0.65
DXC Technology	1.26	50.1%	49.9%	25.0%	0.72	0.73
			Industry Average			0.90

Calculation of Capital Structure of Peer Group Companies

	Debt	Share Price	Equity Shares O/S	M.Cap	Tax Rate
Cognizant					
26 July 2024	623	74.57	496	36,961	25%
28 July 2023	646	65.76	505	33,212	25%
22 July 2022	646	69.10	518	35,779	25%
Avg.	638			35,317	25.00%
Weightage	1.78%			98.22%	
Accenture					
20 June 2024	1678.903	306.16	672	2,05,726	25%
22 June 2023	54.254	307.25	664	2,04,110	25%
23 June 2022	60.314	285.83	664	1,89,845	25%
Avg.	667			1,99,894	25.00%
Weightage	0.33%			99.67%	
Automatic Data Processing					
02 August 2024	2,991	263.52	408	1,07,462	25%
31 July 2023	2,989	247.26	412	1,01,868	25%
29 July 2022	2,987	241.12	416	1,00,189	25%
Avg.	2,989			1,03,173	25.00%
Weightage	2.82%			97.18%	
CrowdStrike Holdings					
29 August 2024	743.24	271.67	245	66,593	25%
31 August 2023	741.75	163.03	239	38,930	25%
31 August 2022	740.26	182.61	233	42,618	25%
Avg.	742			49,380	25.00%
Weightage	1.48%			98.52%	
EPAM Systems					
08 August 2024	26	191.16	57	10,884	25%
03 August 2023	26	245.02	57	13,957	25%
05 August 2022	37	427.39	57	24,518	25%
Avg.	29			16,453	25.00%
Weightage	0.18%			99.82%	
Genpact					
09 August 2024	1266.962	37.50	178	6,682	25%
09 August 2023	1426.289	35.60	181	6,455	25%
09 August 2022	1655.909	47.29	183	8,677	25%
Avg.	1,450			7,271	25.00%
Weightage	16.62%			83.38%	
DXC Technology					
09 August 2024	4,147	19.64	181	3,551	25%
03 August 2023	4,585	19.10	205	3,919	25%
04 August 2022	4,778	26.15	230	6,011	25%
Avg.	4,503			4,494	25.00%
Weightage	50.05%			49.95%	



DCF Valuation

(in USD million except per Share Data)

Valuation Date	31-Jul-24
Latest Filing	30-Jun-23
Choose Discounting	Year End Discounting 1 Mid-Year Discounting 2
Discounting Method Used	Year End Discounting 1

Date of cash flows

	6 months Dec. 31, 2024	12 months Dec. 31, 2025	12 months Dec. 31, 2026	12 months Dec. 31, 2027	12 months Dec. 31, 2028
EBIT	1,457	3,039	3,129	3,223	3,319
Tax Rate	25%	18%	25%	25%	25%
NOPAT	1,100	2,499	2,362	2,432	2,504
Add: Depreciation and amortisation	279	567	575	576	566
Add/Less: (Increase)/ Decrease in net working capital	811	(23)	(24)	(25)	(26)
Less: Capital expenditure	(622)	(247)	(458)	(471)	(485)
Debt free cash flow (Free Cash Flows to Firm)	1,567	2,795	2,455	2,512	2,560
Discount rate (%)	7.80%				
Full Period or Partial Period	1.00	1.00	1.00	1.00	1.00
Discounting Period-Year End	0.42	1.42	2.42	3.42	4.42
Discounting Period-Mid Year	0.17	0.92	1.92	2.92	3.92
Present value factor- Year end discounting	0.97	0.90	0.83	0.77	0.72
Present value factor- Mid year discounting	0.99	0.93	0.87	0.80	0.75
Present value debt free cash flow	1,519	2,513	2,047	1,944	1,837

Present value for explicit period

9,860

Terminal value	Gordon growth
Long Term Growth Rate	2.0%
Terminal Value	45,036.53
Present Value of TV	32,326
DCF Value of Firm / Operating Business Enterprise Value	42,187
Add: Non Operating Assets/ Investments	98
Total Value of Firm	42,285
Less: Gross Debt & Debt Equivalents	(623)
Add: Cash	2,193
Less: Non Controlling Interest	-
DCF value of Common Equity	43,855
No. of shares o/s	496
DCF value per share	88

Terminal Value	Exit Multiple Method
LTM EV/EBITDA	10.6
Terminal Year EBITDA	3,885
Terminal Value	41,022
Present Value of TV	29,445
DCF Value of Firm / Operating Business Enterprise Value	39,305
Add: Non Operating Assets/ Investments	98
Total Value of Firm	39,403
Less: Gross Debt & Debt Equivalents	(623)
Add: Cash	2,193
Less: Non Controlling Interest	-
DCF value of Common Equity	40,973
No. of shares o/s-Diluted	496
DCF value per share	83

		WACC								
	88	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	8.75%
LTGR	1.00%	91.71	88.09	84.76	81.69	78.85	76.21	73.75	71.45	69.30
	1.25%	94.98	91.06	87.47	84.17	81.13	78.31	75.69	73.25	70.97
	1.50%	98.55	94.30	90.42	86.86	83.59	80.57	77.77	75.17	72.75
	1.75%	102.49	97.85	93.63	89.79	86.26	83.01	80.01	77.24	74.66
	2.00%	106.84	101.75	97.15	92.97	89.16	85.66	82.44	79.47	76.71
	2.25%	111.67	106.07	101.03	96.47	92.32	88.53	85.06	81.87	78.92
	2.50%	117.07	110.86	105.31	100.31	95.78	91.67	87.92	84.48	81.31
	2.75%	123.14	116.22	110.06	104.55	99.60	95.11	91.03	87.31	83.89
	3.00%	130.03	122.24	115.38	109.27	103.81	98.89	94.44	90.40	86.70

		WACC								
	83	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	8.75%
Exit Multiple	6.5x	61.9	61.4	60.9	60.4	59.9	59.4	59.0	58.5	58.0
	7.5x	67.8	67.2	66.7	66.1	65.6	65.0	64.5	63.9	63.4
	8.5x	73.7	73.0	72.4	71.8	71.2	70.6	70.0	69.4	68.8
	9.5x	79.5	78.8	78.2	77.5	76.8	76.2	75.5	74.9	74.2
	10.5x	85.4	84.7	83.9	83.2	82.5	81.7	81.0	80.3	79.7
	11.5x	91.3	90.5	89.7	88.9	88.1	87.3	86.6	85.8	85.1
	12.5x	97.2	96.3	95.4	94.6	93.7	92.9	92.1	91.3	90.5
	13.5x	103.0	102.1	101.2	100.3	99.4	98.5	97.6	96.7	95.9
	14.5x	108.9	107.9	106.9	106.0	105.0	104.1	103.1	102.2	101.3

Trading Comparables

(All numbers are in millions except per share data)

Industry			IT																	
Geography			US																	
Currency			USD																	
	G11		G33	G18	G32	G61	G67	G65	G76		H61	H67	H65	H76		I61	I67	I65	I76	
	Reported	Exchange																		
Peer Group Companies	Currency	Rate	CMP	Market Cap	EV	LTM Multiples					FY1 Multiple					FY2 Multiple				
						EV/Sales	EV/EBITDA	EV/EBIT	P/E		EV/Sales	EV/EBITDA	EV/EBIT	P/E		EV/Sales	EV/EBITDA	EV/EBIT	P/E	
Accenture	USD	1.000	330.62	222909.15	221164.13	3.43	18.17	22.21	28.01		3.41	18.04	22.04	30.65		3.20	16.48	20.44	27.45	
ADP	USD	1.000	262.62	107262.54	107340.44	5.59	19.65	21.51	27.81		5.30	18.07	20.06	26.24		5.03	17.00	18.79	24.53	
CRWD	USD	1.000	231.96	57200.60	53884.73	15.32	62.85	77.23	70.82		13.82	56.23	69.00	478.67		11.26	44.94	52.93	248.27	
IBM	USD	1.000	192.14	177127.60	224050.60	3.59	17.43	26.92	22.36		3.55	14.55	19.53	21.04		3.38	13.84	18.26	20.53	
DXC	USD	1.000	20.34	4675.69	7568.69	0.56	4.01	15.67	6.31		0.59	4.17	8.83	34.89		0.60	4.07	8.31	20.92	
					Mean	5.7x	24.4x	32.7x	31.1x		5.3x	22.2x	27.9x	118.3x		4.7x	19.3x	23.7x	68.3x	
					Median	3.6x	18.2x	22.2x	27.8x		3.5x	18.0x	20.1x	30.7x		3.4x	16.5x	18.8x	24.5x	
					25th Percentile	3.4x	17.4x	21.5x	22.4x		3.4x	14.6x	19.5x	26.2x		3.2x	13.8x	18.3x	20.9x	
					75th Percentile	5.6x	19.7x	26.9x	28.0x		5.3x	18.1x	22.0x	34.9x		5.0x	17.0x	20.4x	27.4x	

[illegible]