
NSE & BSE / 2025-26 / 206

January 27, 2026

The Manager,
Corporate Services,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai 400 051

The Manager,
Corporate Services,
BSE Limited
P J Towers, Dalal Street,
Mumbai 400 001

Ref: Symbol: PERSISTENT

Ref: Scrip Code: 533179

Dear Sir/Madam,

Sub.: Transcript of the investor/analyst call held on Tuesday, January 20, 2026

Ref.: Our earlier intimation under Ref. No. NSE & BSE / 2025-26 / 200 dated January 20, 2026

In continuation to the above-referred intimation and pursuant to Regulation 30 read with Schedule III (Para A) (15) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to submit the transcript of the investor/analyst call held on Tuesday, January 20, 2026, for the quarter and nine months ended December 31, 2025.

The transcript of the investor/analyst call is also made available on the Company's website as follows:

[Investor/Analyst call transcript - Q3FY26](#)

Kindly take this information on record.

Please acknowledge the receipt.

Thanking you,

Yours sincerely,

For **Persistent Systems Limited**

Amit Atre
Company Secretary
ICSI Membership No.: ACS 20507

“PERSISTENT SYSTEMS EARNINGS CONFERENCE CALL, THIRD QUARTER, FY26 ENDED DECEMBER 31, 2025”

6:00 PM IST, Tuesday, January 20, 2026

MANAGEMENT:

Dr. Anand Deshpande
Chairman and Managing Director

Mr. Sandeep Kalra
Executive Director and Chief Executive Officer

Mr. Vinit Teredesai
Executive Director and Chief Financial Officer

Mr. Jaideep Dhok
Chief Operating Officer

Mr. Debashis Singh
Chief Information Officer

Mr. Saurabh Dwivedi
Corporate Vice President, Finance and Strategy

Moderator: Ladies and gentlemen, good day and welcome to Persistent Systems Earnings Conference Call for the **third** quarter of FY26, **ended December 31, 2025**. We have with us today on the call,

- Dr. Anand Deshpande - Chairman and Managing Director,
- Mr. Sandeep Kalra - Executive Director and Chief Executive Officer,
- Mr. Vinit Teredesai - Executive Director and Chief Financial Officer,
- Mr. Jaideep Dhok - Chief Operating Officer,
- Mr. Debashis Singh - Chief Information Officer, and
- Mr. Saurabh Dwivedi - Corporate Vice President, Finance and Strategy.

Please note, all participants' line will be in listen-only mode and there will be an opportunity for you to ask questions after management's opening remarks. Should you need any assistance during the conference call, please raise your hand from the 'Participant' tab on the screen. While asking questions, requesting you to please identify yourself and your company. Please note, this conference is being recorded.

I now hand over the conference to Mr. Saurabh Dwivedi. Thank you and over to you Sir.

Saurabh Dwivedi: We sincerely appreciate your participation in today's call. I will quickly outline the agenda.

- Sandeep will begin with an overview of our results and commentary on the business.
- Vinit will take you through the financial details and key operational metrics for this quarter.
- Debashis, our Chief Information Officer, will highlight how we are using AI internally at Persistent as Customer Zero.
- Jaideep will provide you an update on how we are helping our customers adopt and scale AI.
- I will then provide an overview of our key deal wins and awards and recognitions for this quarter.
- Sandeep will come back for a quick summary of the prepared remarks post which we will open the conference for questions.

Let me also remind you that as part of our prepared remarks and during Q&A, we may make certain statements which are forward-looking and may involve significant uncertainty. Persistent does not take any responsibility to update such forward-looking statements and your discretion is warranted while making any investment decisions.

With this, let me hand over to Sandeep for his prepared remarks.

Sandeep Kalra: Thank you, Saurabh.

Before I begin, I would like to wish all of you a very happy and prosperous new year. I hope all of you are doing well.

Now, let me start with a quick financial summary for the quarter gone by.

We achieved a healthy revenue growth of 4.0% quarter-on-quarter and 17.3% year-on-year, delivering \$422.5 million in Q3 of fiscal 2026.

On a Trailing Twelve-Month basis, our revenue stood at \$1.6 million. This marks our 23rd sequential quarter of revenue growth.

In Rupee terms, the growth for the quarter came in at 5.5% quarter-on-quarter and 23.4% year-on-year.

In constant currency terms, the growth for the quarter was 4.1% quarter-on-quarter.

As you might be aware, New Labor Codes were recently announced in India, which required additional provisioning for gratuity payment and leave encashment, leading to an impact of ~2.3% on the EBIT margin and approximately 1.8% on the PAT margin. After accounting for this impact, the EBIT for the quarter came in at 14.4%, which translates into a decline of 7.0% quarter-on-quarter and an increase of 19.1% year-on-year in absolute terms.

Profit After Tax for the quarter came in at 11.6%, a decline of 6.8% quarter-on-quarter and an increase of 17.8% year-on-year in absolute terms.

Vinit, our CFO, will provide a detailed color on the financials and margin movement later in this call.

Coming to the order book for the quarter.

The Total Contract Value for the quarter stood at USD 674.5 million with the Total Contract Value of new bookings coming in at USD 369.1 million.

The Annual Contract Value of bookings for the quarter is USD 501.9 million out of which the ACV from new bookings contributed USD 255.8 million.

As always, both the TCV and ACV numbers include all bookings, small and large, renewals as well as new bookings across existing and new customers.

Also, as highlighted in our earlier calls, our revenue conversion on a quarterly basis is a function of ACV bookings closed in previous quarters as well as the conversion from multi-year deals booked in previous years, which are included in our Total Contract Value or TCV bookings that we announce on a quarterly basis.

Now, let me give you some color on our **client movement across various reported categories**.

This quarter we witnessed healthy year-on-year growth among our various client buckets with our:

- **Top 5** customer revenue growing by 25.6%,
- **Top 10** by 28.3%,
- **Top 20** by 26.3%,
- **Top 50** by 22.7% and
- **Top 100** customers by 20.1%.

Coming to the year-on-year movement of customers across various reported buckets.

- Customers with annual revenues **greater than USD 75 million** increased from 3 to 4 on a year-on-year basis,
- Customers with **USD 50 million plus** annual revenue remained stable at 4.
- Customers in **USD 20 million plus** category increased from 10 to 12,
- Those in **USD 10 million plus** category increased from 22 to 28 and
- Customers in **USD 5 million plus** category saw a significant increase from 47 to 61 over the last year,
- Customers in **USD 1 million plus** category increased from 189 to 195.

This demonstrates our consistent success in cultivating deeper, more resilient partnerships with our customers over time.

Coming to the details of our geographic performance.

In terms of year-on-year growth this quarter in USD terms,

- **North America** revenue grew by 18.6%,
- **Europe** grew by 22.0%,
- **India** declined by 2.5% and
- **Rest of the World** grew by 37.9% although on a smaller base.

In terms of industry segments, this quarter's growth was led by BFSI vertical with 29.3% growth followed by Software Hi-Tech and Emerging Industries and Healthcare, Life Sciences which grew by 14.7% and 7.4% respectively on a year-on-year basis.

Coming to the update on Interim Dividend.

I am pleased to share with you that the Board of Directors has declared an interim dividend of ₹22 per share on face value of ₹5 per share. It is our endeavor to maintain a consistent dividend payout ratio while we augment our growth through capability-led acquisitions.

Coming to other organizational updates.

I am pleased to share an update on our annual planning exercise which we call the '*Huddle*'. The *Huddle* successfully concluded last week in Pune. This year's *Huddle* brought together about 650 senior global leaders across sales, delivery and enabling functions, making it one of our most comprehensive strategic gatherings till date.

Over the course of this intensive offsite, we not only charted our priorities and focus areas for FY27 but also assessed our progress towards our long-term aspiration of reaching \$5 billion in annual revenue by FY31 and did intensive trainings on the AI side for our entire leadership.

I am also happy to share that we remain firmly on track, advancing confidently towards our aspiration of \$2 billion by March 2027 and laying the foundation of \$5 billion by March 2031.

With this, I conclude my prepared remarks and would like to invite Vinit, our CFO, to give a detailed color on quarterly financials and related matters. Vinit, over to you.

Vinit Teredesai: Thank you, Sandeep.

Good evening and good day to all. Thank you for taking the time to join us today. Let me now take you through the financial highlights for the quarter gone by.

- Q3 FY26 revenue stood at USD 422.5 million, registering a year-on-year growth of 17.3%. In rupee terms, it translates to ₹37,782.1 million, growth of 23.4% year-on-year.
- EBIT margin for Q3 FY26 came in at 14.4%, 50 basis decline year-on-year. EBIT for this quarter was ₹5,427.5 million, translating to a growth of 19.1% year-on-year.

Let me now give you a quarter-on-quarter EBIT margin walkthrough.
Starting with the tailwinds this quarter.

- Favorable currency moment has resulted in a tailwind of 30 basis points.
- Lower subcontractor cost has contributed to 20 basis point improvement in margins.
- A combination of higher utilization at on-site, pyramid rationalization and SG&A optimization resulted in a margin benefit of 40 basis points.
- As we have been sharing with you, a greater proportion of our services engagements are now driven by our AI platform and tools. Our commercials with the customers are also evolving to include a combination of people and tool-driven pricing models. Couple of engagements of this nature, which we signed in the last quarter and which are now scaling up, have contributed to an improvement in margin by 150 basis points.

In terms of headwinds,

- As we had mentioned last quarter, wage hike awarded to employees effective October 1, 2025 has resulted in a headwind of 180 basis points.
- In addition, there was a one-time impact of 230 basis points on EBIT margin on account of increased provisioning for gratuity and leave encashment in accordance with the New Labour Code announced by the Government of India. Going ahead, our provisioning will be in accordance with the New Labour Codes.

- Furloughs have impacted the margins by 20 basis points this quarter.

All these headwinds and tailwinds put together have resulted in a 190 basis point impact on our EBIT margin on a quarter-on-quarter basis. Excluding the one-time impact of labour code, our EBIT margin would have been 16.7%, a 40 basis point improvement over Q2 FY26.

Other Income, net of Finance cost, stood at ₹300.6 million as against ₹58.9 million in Q2 of FY26. Increase in Other Income was primarily due to earn-out credit of ₹129.8 million from one of our recent acquisitions.

Foreign exchange loss of ₹78.2 million this quarter as against a gain of ₹272 million in Q2 of FY26 was primarily on account of mark-to-market losses on hedges.

Effective Tax Rate for the quarter came in at 22.2% versus 23.5% last quarter. ETR for FY26 will be in the range of 20%-24%. The ETR needs to be looked at on a yearly basis as all seasonal elements to be taken care of on a yearly basis.

Profit After Tax was ₹4,394.5 million, a growth of 17.8% year-on-year. This translates to a PAT margin of 11.6%.

Earnings Per Share was ₹28.20 per share in Q3 of FY26 compared to ₹30.30 paise per share in previous quarter. Year-on-year growth in EPS was 16%.

Excluding one-time impact of new labor codes, our PAT would have been 13.4%, a growth of 35.7% in year-on-year terms.

Excluding cash from capital employed, Return on Capital Employed for Q3 FY26 came in at 43.8% versus 45.5% in the previous quarter. Total cash and investments stood at ₹29,046.5 million as on 31st December 2025.

In this quarter, billed DSO came in at 57 days while unbilled DSO came in at 24 days. Billed DSO increased by 3 days and unbilled DSO increased by 3 days compared to Q2 of FY26.

Operating Cash Flow to PAT for this quarter came in at 91% compared to 114.3% in the previous quarter. This increase in the DSO and decline in the OCF to PAT ratio were driven by collection spillover to the first week of January due to the holiday season for certain customers.

Forward contracts outstanding as of 31st December 2025 were at USD 490 million at an average rate of ₹89.1/dollar.

Let me now give you some operational updates.

At the end of Q3 FY26, our total headcount stood at 26,711, an increase of 487 from the previous quarter. Trailing Twelve Months attrition this quarter came in at 13.5% compared to 13.8% in the previous quarter.

Coming to updates on ESG.

Our commitment to sustainability and responsible business practices continues to deliver measurable progress reinforcing our position as a trusted and forward-thinking organization.

This quarter, I'm pleased to announce that our S&P Global ESG score has improved to 86, a step up from last year's score of 85. This improvement underscores the effectiveness of our ESG strategy and the consistent progress we are making across ESG dimensions.

As we move ahead, we remain focused on embedding ESG principles into every aspect of our operations. These efforts not only strengthen our resilience but also create a long-term value for our stakeholders and communities we serve.

With this, let me now hand over to Debashis for commentary on AI progress.

Debashis Singh:

Thanks, Vinit. I am pleased to join all of you today. My name is Debashis Singh and I serve as the Chief Information Officer at Persistent. My mandate is to drive enterprise-wide technology transformation in alignment with our business priorities. We are focused on accelerating a scalable, secure and AI-driven IT foundation that enables our growth, improves operational efficiency, strengthens our risk posture and enhances employee experience.

As Customer Zero, our early investment in trusted AI platforms, combined with deep partnerships with hyperscalers like Microsoft, AWS, Google, Oracle, Salesforce have allowed us to move AI from pilots to production enabled by strong data foundations and responsible AI governance.

What we consistently observe across the industry is that successful AI programs depend less on model sophistication and more on operational maturity, data readiness, process redesign and governance. To drive this transformation at scale, we have built a modular agentic AI platform,

AssistX, which embeds domain-specific AI agents across the enterprise within our system of records, system of intelligence and system of action.

Our system of records, including Oracle, Microsoft SharePoint and Salesforce, serve as the enterprise's single source of truth. The system of intelligence powered by Microsoft Azure Lakehouse, along with AWS, Google and Azure Fabric based models, provide consistent, accurate and trusted insights.

AssistX, our system of action, enables autonomous fulfillment through AI agents across sales, sales operations, legal, delivery excellence, finance, HR, IT, procurement and the talent supply chain. AssistX is governed by our AI management system, aligned with ISO 42001, ensuring responsible and secure AI operations at scale.

At its core, AssistX is transforming how work gets done at Persistent. By eliminating manual bottlenecks and enabling autonomous fulfillment, it drives true enterprise hyper-productivity enabling employees to focus on higher-value, decision-making tasks while AI agents manage operational workloads. All AssistX agents are accessible within Microsoft Teams providing a conversational experience with human-in-the-loop oversight. To name a few examples, AssistX includes:

- N(AI)vigateAssist and RenewalAssist in sales operations,
- PiAssist and CareerAssist in HR,
- ITAssist and ObservabilityAssist in technology operations,
- LegalAssist and ContractAssist in legal.

The breadth and maturity of these agents continue to strengthen our enterprise-wide AI operating model with measurable outcomes. Since inception, our agents like –

- N(AI)vigateAssist has reduced content search and proposal preparation time significantly accelerating development of proposals.
- PiAssist now resolves 83% of employee HR queries and workflow requests autonomously.
- ITAssist has reduced mean time to resolution for IT-related incidents from 3 hours to under 30 minutes cutting manual workload by 70%.

To further extend this value, we recently introduced P(AI)X, a unified agentic interface that enables voice-driven natural language interaction and orchestrates task fulfilment through AI agents. These innovations are not only transforming Persistent internally, becoming showcases for our

customers' pursuits but also earning strong external recognition from industry-leading stalwarts and institutions.

- Satya Nadella, Microsoft's CEO, highlighted AssistX's impact in his AI World Tour keynotes in January and December 2025.
- Rob Howard, VP of Product Management at Microsoft, showcased N(AI)vigateAssist LIVE during Microsoft Ignite 2025.
- Persistent was recently awarded the prestigious CII AI Award demonstrating our leadership for responsible and scalable Enterprise AI innovation.

In summary, leveraging our landscape we are building a future-ready AI-powered digital enterprise, strengthening operational maturity, accelerating growth, positioning Persistent as a lighthouse of innovation as Customer Zero.

Now, I will hand over to Jaideep, our Chief Operating Officer, to discuss how we are progressing externally with our customers.

Jaideep Dhok:

Thank you, Deb. Let me share a few updates on how we are helping our clients adopt and scale up AI with measurable outcomes. Our AI execution strategy is anchored around three strong pillars –

- AI for Technology, focused on engineering hyper productivity.
- AI for Business, focused on business hyper productivity and
- Enterprise Data Readiness along with Responsible AI.

In engineering hyper productivity, our AI platform for engineering, SASVA, continues to be the central driver for our clients. Our scale out continues through two proven models –

- Assessment-led expansion, delivering 60%-75% cycle time reduction in work streams such as due diligence for private equity clients and application as well as data modernization initiatives across organizations.
- Outcome-based managed services with end-to-end accountability to deliver measurable business and operational impacts.

Let me share an example of what SASVA achieves for our clients.

For a global bank based in Europe, we assessed their complex millions of lines of legacy code which led us to win the full-blown engagement of

transformation to the modern technology stack. This engagement required on-premise deployment, which not only understood the domain but also comprehended the complexities within their banking landscape. Our SASVA platform helped us decode the legacy logic, which is otherwise scattered across the enterprise. It then helped us arrive at the modern technology-based solution along with the overall transformation plan while preserving mission critical continuity and targeting around 22% productivity as well as time-to-market improvement.

Our recent partnership with DigitalOcean and Anthropic are accelerating this scale-out further. DigitalOcean strengthens our footprint for private Cloud and sovereign deployments while Anthropic enhances access to frontier models.

Our IP portfolio continues to expand for SASVA. It's now having 105 patents filed, including 30 in the last quarter, along with over 20 research publications. Our first open-source MLX solution on Apple Silicon delivers virtual LLM-style performance significantly reducing cost and latency for agent-driven inference. These assets strengthen our competitive position in Enterprise AI and accelerate development across the software development lifecycle.

In business hyper-productivity, we continue to reimagine end-to-end workflows as self-orchestrating ecosystem of AI agents powered by our domain-driven reasoning engines. We cover the entire value chain of assessment, to adoption, to scale for agentic AI solutions with measurable business impact.

To share a recent success story, for a leading Life Sciences client we helped shorten their drug discovery cycle by using GenAI Hub and Agent Studio. The solution involved AI-enhanced biomedical knowledge graph designed specifically for their Crohn's disease R&D pipeline. The solution delivered a 60% uplift in data mining efficiency and drove up to 40% higher productivity in their drug discovery process.

Our business hyper productivity portfolio now comprises of 200+ agents developed both in-house and across our partner ecosystem, including the likes of Google Gemini Enterprise, Microsoft AI Foundry, Salesforce Agentforce, NVIDIA and leading automation platforms such as UiPath, Appian, and OutSystems. This quarter, we also launched the Agent Processing Unit to support onboarding and orchestration of external agents in our Agent Studio.

Moving on to the enterprise data readiness, which remains the single most important driver of scaled AI adoption. Our platform-oriented approach based on the pillars of responsible AI, agentic data operations and workforce enablement continues to differentiate us.

To share an example, for one of the world's leading global banks we're actively migrating a 25-year-old legacy code data platform to a modern Snowflake and AWS-based data stack. This engagement fully leverages multiple accelerators within our agentic data platform iAURA spanning across assessment, platform development, governance, observability and the migration itself. The result is a stronger data outcome while fully addressing regulatory, governance and data sharing obligations and we are seeing overall program effort reduced by approximately 40%.

On the technology front, our strategic partnership ecosystem across the lines of Google, Microsoft, Databricks, Snowflake and Kong continue to play an important role in accelerating AI adoption and expanding the enterprise impact for our clients.

In summary, we're delivering strong momentum in our AI initiatives and our execution continues to earn strong external recognition. Persistent has been awarded as Emerging Leader in Gartner's Innovation Guide for GenAI Consulting, Leader in ISG Provider Lens for Generative AI and Leader in Everest Talent Readiness for Next-Gen Data Analytics and AI.

I would now invite Saurabh to take you through the key deal wins, awards and recognitions for the last quarter.

Saurabh Dwivedi: Thank you, Jaideep. I will first talk about key deal wins for the quarter by industry segments.

Starting with our Software Hi-Tech and Emerging Industries vertical:

- Persistent was selected by a leader in Next-Gen Manufacturing and Supply Chain Solutions for a 360-degree partnership across engineering, Cloud operations, professional services and go-to-market collaboration. The strategic engagement involves SASVA-led scaled factory model for migrating end clients of the customer to Cloud-native ERP, ownership of AI-led engineering of the digital commerce product as well as transformation of its infrastructure and Cloud operations.

- Persistent was chosen by an EdTech leader specializing in software and analytics for pre-kindergarten to high school education domain to transform its customer success and tech support organizations. We will help the customer enhance productivity of its support organization and deliver seamless data-driven customer experiences.
- Persistent was chosen by a global leader in materials purity and process control in the Semiconductor industry to modernize its R&D architecture. As part of this strategic engagement, we will deliver an end-to-end digital platform that will connect instruments, data and researchers working for the customer. This integrated platform will transition fragmented and bespoke R&D efforts to a cohesive strategy and streamlined architecture that will accelerate product creation and decision making. This is a first-of-its-kind strategic win in the materials science industry and will likely drive more opportunities in the broader semiconductor domain for Persistent.

Moving on to Banking, Financial services and Insurance.

- We were selected as a strategic partner by a leading global fintech and insurance firm following its recent acquisition of a major SMB payroll and HCM provider to modernize the acquired platforms. Leveraging our proprietary SASVA and iAURA platforms, we will re-architect the payroll platform for easier maintenance, migrate HCM to Microsoft Azure for cost and performance optimization, build a secure and scalable app marketplace and deploy governance, automation and AI-led frameworks for productive insights.
- We were selected as a strategic partner by a leading French multinational banking and financial services company to accelerate data platform migration and modernization. The partnership spans across 3 major initiatives - building a global data factory, modernizing data operations with iAURA and standardizing and automating the documentation process. Persistent's expertise in data engineering and data modernization using the Databricks platform led to direct engagement with the customer bypassing a multi-vendor RFP.
- A Tier-I bank in the US selected Persistent to support their transformation program in its cybersecurity organization. The

initiative drives an improvement in data provisioning for monitoring and adherence, data leakage prevention, and process optimization in the identity and access management space across all of its enterprise applications. We are pleased to share that with this tier one banking customer, we won a total of \$100 million TCV deal this quarter, which included 25% new TCV component.

Moving next to our healthcare and life sciences vertical:

- Persistent was selected by a leading US-based professional organization for pathologists and laboratory professionals as an end-to-end technology partner to modernize and manage apps, data, cloud, infrastructure, and security. The benefits to the customer include automation of its information systems, support activities, reduction in technology debt, and gradual migration to 100% cloud native technologies. This is a \$50 million plus engagement over five years, and it's one of the largest deals that we have signed in the pathology and laboratory automation domain.
- Persistent was chosen by a global leader in kidney and vital organ therapy to modernize and manage its IT infrastructure, delivering 24/7 multilingual support to automation, predictive analytics, and self-healing systems. This is another example of our established playbook where we build and manage a modern IT infrastructure for businesses which get carved out in private equity transactions.
- Persistent was selected by a leading provider of patient support services, market access strategy, and data-driven analytics to life sciences and pharma companies to integrate its CRM systems and modernize its data platforms. This deal is unique as it marks our first significant win in the Salesforce Life Sciences Cloud domain.

Now coming to the awards and recognitions we received during the quarter:

- Persistent was recognized by Microsoft as a Frontier Firm for its leadership and innovation, earning a featured spot on stage and in Microsoft's official look book.

- Persistent was recognized by Kantar BrandZ as one of India's most valuable brands, ranking sixth in its category, a testament to the company's brand strength, performance, and business impact.
- Our leaders, Dr. Anand Deshpande and Sandeep Kalra, were jointly recognized by Fortune India as India's best CEOs in the IT Services (Midcap) Category for 2025. Presented by Hon'ble Minister Piyush Goyal, the award reflects disciplined execution and consistent ability to drive sustainable long-term value.
- Our CEO, Sandeep Kalra, won the Impactful Large Enterprises CEO Award at the ET Edge India's Impactful CEO Awards 2025.
- Persistent earned 2025 ISG Star of Excellence™ Award for AI and Data, with a CX score of 92, highlighting a strong client impact.
- Persistent was named a leader in 2025 ISG Provider Lens for Insurance Digital Engineering and Insurance Generative & Agentic AI Services, recognizing our AI-powered Insurance strength.
- Persistent was commended for building a future-ready, high-performing talent ecosystem and has received multiple awards by leading organizations such as Everest Group, SHRM, and TISS. The details of these awards are available in our investor presentation.

With this, let me hand it back to Sandeep.

Sandeep Kalra

Thank you, Saurabh.

Let me conclude our prepared remarks by saying we are happy with the consistent performance that we have been able to deliver in the quarter gone by, combined with our progress on the AI-led platform-driven strength.

Operator, with this, let's open the floor for questions.

Moderator

Thank you, sir. We will now open the call for Q&A session. We will wait for a few minutes until the queue assembles. We request participants to restrict to two questions and then return to the queue for more questions. Please raise your hand on the participant tab on the screen to ask the question.

The first question is from Mehta Bhavik.

Bhavik Mehta

Hi, thank you. So, a couple of questions. Firstly, Sandeep, can you talk about how the demand environment has changed in the last three months across different verticals?

And the second question is on margins. It's good to see the combination of using AI tools and people, is helping the margins to an extent. How much do you see from here in terms of margin tailwinds over the next 18 to 24 months?

Sandeep Kalra

Yeah, we're going to look at your first part of it, the demand side of it. So, if we were to go vertical by vertical, the good part is that we saw in the last three to four months a significant amount of discussions on application and data modernization when it came to Healthcare Life Sciences or BFSI. We also saw in Healthcare Life Sciences a good amount of discussions on transformation programs in mid to large firms.

In hi-tech, we saw adoption of AI in terms of doing product development, related productivity. In terms of private equity, we saw further inroads into using AI to get end-to-end programs. And that's where when Vinit talked about it, we were able to showcase our technology. Right from doing an assessment and going to the private equity firms as well as their portfolio firms that we can do things with much better productivity and long-range savings are significantly higher. Those are the kind of tailwinds that we saw. We were able to open many new logos and these logos, while we have won some very good deals, they have a good propensity over a period of time to grow with us. That's at a high level where we saw the demand environment.

Now, if you were to look at the margin side of it, obviously, when we are able to use our technology to deliver better productivity, we are able to monetize the platforms like SASVA, iAURA, GenAI Hub, and that's what we saw having an impact on the market.

As far as the future is concerned, we don't give forward looking guidance. I'll just pause it there. Happy to take any other questions.

Bhavik Mehta

That's helpful. Thank you.

Moderator

Thank you. The next question is from Sandeep Shah.

Sandeep Shah

Yeah, thanks. Thanks for the opportunity and congratulations on a very good set of numbers. Sir, I have two bookkeeping questions.

So, if I look at the nature of the software license revenue growth, in this quarter it has gone up by 40% q-on-q. And if I strip out from the total revenue, the services revenue has gone up by 2.6%. So how to read this line of software license revenue growth?

And the second related question to Vinit sir, on the balance sheet, if I look at the intangible assets under development, it has been increasing. So, it constitutes 1% of the revenue, but it has increased incrementally by 50 bps for the last two years. So, what is the nature of this capitalization on the balance sheet?

Sandeep Kalra

So, Sandeep, I'll take the first question and I'll have Vinit answer the second question.

So as far as the software licenses are concerned, there are three different or at high level two different components. On one side, these are software licenses that are third-party software licenses, where if we are doing let's say cybersecurity related managed services or overall managed services, then we need certain licenses, which are getting passed through us with certain margins. That's first part of it. And they are important for us to stick together the technology stack that we take to market in order to win deals and so on.

The second part of it is where we have our own technology stack, whether it is iAura, GenAI Hub, or SASVA, more and more, we are not pricing things in a way that we are taking these things as independent sales. These are integrated sales and the timing of the revenue recognition will depend on how these are priced. So overall, the combination that you see, if you see the 2.6% that you've quoted on services, I would want to say over a period of time, the IP and services will get clubbed together and these lines will blur.

Second part on the bookkeeping, if you can, Vinit.

Vinit Teredesai

Yeah. So, Sandeep, in terms of the intangible assets that you're seeing on the balance sheet, as we called out that we have been heavily investing into developing new AI tools, productivity tools, SASVA platform, iAura, etc. As a result of that, you're seeing the increment that is happening on the intangible assets. I think so it has, they are now at a pretty good amount of maturity level whereby the growth in these intangibles will not be at the same level as what you have seen in the past. The good part is we are also being able to link and generate revenue out of it, which sort of justifies the capitalization that we are seeing at this point of time.

Sandeep Shah Okay. Thanks. I will come in the follow-up.

Moderator Thank you. The next question is from Sucrit Patil.

Sucrit Patil Congratulations to the team. Am I audible?

Moderator Yes.

Sucrit Patil Thank you. I have two questions. As Persistent continues to scale in data, cloud and digital engineering, what specific initiatives are being prioritized to deepen the client relationships and expand into new verticals? Over the next 12 to 18 months, how do you see the company positioning itself to sustain this growth momentum while navigating evolving labor and regulatory frameworks? That's my first question.

I'll ask my second question after this. Thank you.

Sandeep Kalra So, if you were to look at it, Sucrit, the data, cloud, digital engineering, that's exactly where we are investing. So, if you look at our investments in building SASVA over the last, let's say 24 months plus, that basically is in the product development life cycle, so it's at a cusp of digital engineering, whether it's new product development, whether it is taking over products, sustaining them at a better, effective productivity or doing even things like professional services, customer support, nine yards. Take to the enterprise that helps us in even doing application modernization, pre-engineering programs that were not possible earlier and so on. So, there's a significant amount of things that we are doing with SASVA there.

Similarly, on the data side, some of the work that we are doing with even Fortune 100 customers or Fortune 50 and even bigger customers is on the data side, where we are investing in building our components around iAURA. Jaideep talked about how we have used the technology to build even 200 plus agents that can help us in modernizing the landscape of a larger enterprise using these tools, taking them from legacy to modern kind of platforms and so on.

So, there's a significant amount of IP capability, case studies that we have, which we are taking to our top 100 customers. And if you look at our top 100 customers, they give us close to 82% of the revenue. And they are growing today at about 20% plus.

So, there's a significant amount of bringing all of this together, customer being at the center of it and adding more value there. And we are

confident whether it's 12 to 18 months, this is an ongoing journey. We are confident this should lead to good growth as we move along.

Sucrit Patil

Thank you. My second question is with EBIT margins resilient despite the one-time labor code impact, how are you planning to balance cost discipline with investments in talent and technologies? Could you outline how the company is approaching capital allocation to support both shareholder returns and long-term growth? Thank you.

Sandeep Kalra

Yeah. So, if you were to look at it, the total shareholder return is a function of what we deliver as growth. And it leads to capital appreciation on one side. On the other side, we have had a very healthy dividend payout ratio. So, if you look at even our current announcement that we have done last year, interim dividend, if I'm remembering it right, it was Rs. 20. Today it is 22, so it has also increased. So, from that perspective, our continued investment in talent leads to market share gains, leads to our ability to have both the capital appreciation as well as the dividend payout ratios and take care of our investors in the long run while delivering value to our customers and our employees.

Sucrit Patil

Thank you for the guidance and I wish the entire team best of luck for next quarter.

Sandeep Kalra

Thank you.

Moderator

The next question is from NPN Puranik. Mr. Puranik, can you unmute yourself?

Okay, we'll move to the next question. The next question is from Nitin Padmanabhan.

Nitin Padmanabhan

Hello, good evening. Wishing all of you a very happy new year and congrats on a solid quarter.

Sandeep, I need your advice or maybe better understanding on this. So, this quarter, there's a 150 bps improvement in margins because of tools and pricing, tool-driven pricing models. How should we think about this logically? Because, one, it's a big margin jump in a single quarter. Second thing is that, is this for a specific large project where there was a large accrual this quarter or because people normally would tend to sort of extrapolate this linearly. So, better sort of thought process, how should we think about this?

And the second thing is this obviously should have led to higher fixed price. We don't disclose that, but is that a fair understanding?

And going forward, when you think about this, over a period of time, we'll have competition who also build these tools and accelerators and stuff. So, at that point of time, do you think this gets sort of commoditized in some way and just comes off? Or should this be a sustainable kind of margin that it'll pull up? That was the first one.

And the second one was for Vinit. This quarter, we announced 1.1 million sort of share that we are sort of issuing to the ESOP Trust. How should we think about the impact on margins as we get into next year from that specifically? These are the two questions. Thank you.

Sandeep Kalra

Sure. So, Nitin, first of all, this 150 basis points increment that you're seeing, it's not on account of one deal. So, there are multiple deals that we have won using the SASVA side of it, iAURA side of it, GenAI Hub side of it. Certain things my colleague, Jaideep, covered when he talked about the AI part.

Now, if you look at these wins, some of these wins are scaling as we speak. And the way the business model in some of these things is when we are bringing our tool and IP, we are monetizing some amount upfront and some amount is basically through the productivity that get by deploying lesser number of people because we are using the technology. So, we have to monetize this technology because we are investing on the other side as well. The earlier question about intangibles, etc. alludes to that. So, we are trying to be prudent. On one side, we invest. On the other side, we harvest. So, that is the combination. Now, as far as competition is concerned, it will be a very healthy competition to have if everyone starts building tools, accelerators. It will also keep us on our toes. Today, we have a head start. And we believe with our continued investment, we should be able to manage our competitive differentiation. We are investing on an ongoing basis. So, we're happy to have more competition. But from our perspective, we have won significant deals. Those should fuel more deals, showcasing these deals with other customers.

Nitin Padmanabhan

Do you think this sort of improves the 200 basis points that you originally thought of? Do you think this sort of gives a further leg up versus what you originally thought?

Sandeep Kalra

So, look, there is only this much that we want to squeeze out of the system. We want to be able to reinvest to your point, making sure that we are ahead of the curve with respect to the technology progress in our competitive landscape. So, we are not aspiring now to take it another 200

basis points up. We are happy where we are reaching. And I think we have proven to the world we can achieve the margins we have to. And we should put this to rest, make sure that we are a growth engine for the time being.

Nitin Padmanabhan Perfect. Thank you.

Vinit Teredesai And, Nitin, your other question with reference to the ESOP 1.1 million shares that have been allocated. This is a part and parcel of the stock options of the RSUs that have been granted in the past. And as a result of that, the cost that needs to come in as per the Black-Scholes valuation methodology is being factored in. We have called it out. These are not anything new substantial that we have granted recently. So, whatever we have said in the past, it was a cost that came in FY25. This is a reduction in cost that is happening in FY26. There will be a further reduction in cost that will happen in FY27.

Nitin Padmanabhan Perfect. Very helpful. Thank you so much and all the very best.

Moderator Thank you. The next question is from Abhishek Pathak.

Abhishek Pathak Yeah, hi. Am I audible?

Moderator Yes, please.

Abhishek Pathak Hi, Sandeep. Just a couple of questions. Firstly, the kind of tools or partnerships we are kind of showcasing in AI, it looks like our client base is slightly more mature in the sense that we're talking less about the foundational stuff and more about sort of AI implementation, which probably happens beyond the POC stage and beyond when the clients have already sorted their data and foundational limitations. So how is that happening? I mean, is our client base just more mature or is the quality of the clients just that much more better? That's the first question.

And secondly, on margins, I guess it's a very interesting case because while you highlight 150 bps of margin improvement because of internal tools, the revenue per employee has kind of been a little bit flat over the last, let's say, 3-4 quarters. So how should we sort of reconcile these two numbers? And to that point, if at all the internal sort of tools kind of improve, let's say, going forward as well, is there more margin juice coming from higher revenue per employee going forward or no? So, I see Vinit smiling, but I hope the questions are slightly more relevant than that.

Sandeep Kalra

So, we'll just keep it high level. We have 10 minutes in the call, but we will answer it at a high level. The revenue per employee, if you were to factor out the impact of the one-time thing that you talked about, you will see a certain different thing than what you're seeing there. Now, obviously, the intent here is build better technology, leverage it to deliver more productivity per employee so that our revenue and headcount have a breakage from the linear correlation versus a traditional tech services world. We'll let it pan out. This is going to mature over a period of time, and I'm hopeful that it will move in the right direction.

Now, you talked about the client base, more mature, beyond POC stage. Look, in our industry, and if you look at our top 100 customers, they give us 82% of our revenue. We're trying to go deeper. We're trying to understand their business challenges better. We're trying to take our technology in the context of their business challenges, doing proof of concepts, sometimes even a number of these are proactive, and so on, proving to them that we have the technology that can solve for their business problems. So, it is not about selling a model versus another model. It is about understanding what is the business issue that we're trying to solve for, what is the right tool to bring, whether it's our tool or a partnership, and as long as we can prove we are able to win the business.

And in one of the case studies that Jaideep highlighted, this is a fairly large European bank. They were struggling to solve for a particular problem for the last several months. We did a proof of concept, which was about three weeks. We could prove to them that we can solve it and it landed up in a pretty decent multi-year deal for us. So, it's not about mature customers or immature customers. It's about understanding, taking those things, working with them, hand-holding them into this.

Abhishek Pathak

Thanks, Sandeep. And if I may just squeeze in sort of one last question around the hi-tech vertical. Some of our larger peers have indicated that spends are currently kind of tied up in Capex and there's little room for sort of the services or the software stack of it. Looks like our hi-tech vertical seems to be kind of defying that particular trend. So, just again, just very curious what we are doing differently, what are we selling differently, where our hi-tech clients are kind of coming in and prioritizing the software stack in addition to the Capex sort of spends that they're obviously doing.

Sandeep Kalra

So, if you look at traditionally, where Persistent has played in the hi-tech market versus a number of our peers are playing in hi-tech market, number of our peers address what is the typical IT part of the hi-tech customer. We are at the core of the engine. We are in the product development and the related side of it, whether it is doing professional services, customer support, nine yards.

So, if you look at it, the technology that we are building, the business model that we are taking, not just directly to the company, but also customizing it. If it is a private equity held company, what are they trying to solve for? If a private equity company is trying to carve out a smaller company from a bigger tech company, trying to stand up these guys as an independent company on one side, yeah, we can do the stand up of Greenfield IT and do managed services. But more importantly, how do we help them take the modern tool set from a product development perspective, accelerate their product development, squeeze out costs from their mature products and so on. So, our pitch is very, very different, very differentiated in the hi-tech space as compared to most of our competition.

Abhishek Pathak

Got it. Thanks, and all the best.

Moderator

Thank you. The next question is from Vibhor Singhal.

Vibhor Singhal

Yeah, hi. Thanks for taking my question and congrats on a solid performance yet again. Just two questions from my side, one for Sandeep and one for Vinit.

Sandeep, just on the healthcare vertical, in the past you had mentioned that this year you anyways expect BFSI and hi-tech to lead the growth and it's playing out pretty much in the same manner. But how has the hi-tech vertical overall demand environment kind of played out over the past two quarters? The big beautiful bill, of course, is behind us in terms of how clients are looking to change their spend in this vertical. And more importantly, the payers and providers, where do you see a higher delta or a higher growth potential in the coming quarters? And then I'll have a follow-up for Vinit.

Sandeep Kalra

So, Vibhor, you talked about hi-tech vertical. I'm assuming your question was on the healthcare vertical.

Vibhor Singhal

Oh, I'm sorry. I meant the healthcare vertical.

Sandeep Kalra

That's fair. So, if you look at our healthcare vertical, we are very pleased with the way we have seen the demand shape up. Partly it is the market, and I would credit our team more than just the market dynamics for getting to the right audience, understanding their imperatives and the kind of wins that we have highlighted that Saurabh talked about. A number of them are new logos in addition to the expansion in the existing accounts as well.

Now, if you look at it, you talked about the payer-provider ecosystem. Actually, if you look at our wins, they are in the payer-provider tech side of the house, provider side of the house, pharma side of the house, and so on. So, it is fairly broad-based, and a number of them are forward-looking programs. So, it's pretty heartening, and I'm pretty hopeful healthcare should do well with time.

Vibhor Singhal

Got it. That's really helpful, Sandeep.

Vinit, just one question. Just wanted to understand the accounting part of the 150 basis point margin expansion that we have reported because of the platforms and the pricing. How does this work? So, basically, the work that we did in this quarter, we have booked that benefit in this quarter, and next quarter we have again to decide, and this might be 100 basis point or 50 basis point or zero next quarter, or does it get built into the base, and that basically flows for the life of the project or till the next milestone is reached? How does this work?

Vinit Teredesai

So, Vibhor, without getting into the details of specifics of what happens. As we said, there is a combination of multiple deals that basically have a component of certain license and services. Sometimes there is a component of license that comes in, in terms of the revenue play, because that gets delivered and gets recognized. Sometimes it's over a period of the entire contract because it's not specifically identified. So, the commercial construct defines how we recognize the revenue. If there is a specific call out, the customer wants a license, it comes into it. If it is embedded as a part and parcel of our services, it happens over a period of time.

Sandeep Kalra

Just to add to this, so just think about it. There are different kinds of customers in the market. If there's a private equity customer who basically has done a new company from a carveout basis, and we are involved in engineering, they have a certain way that they want to do the upfront investment, etc. Our business model has to dovetail into what our customer wants. So, depending on that, the revenue recognition is

also a form of what the customer wants, how we are implementing the technology, how it is embedded, whether it's an outcome-based, end-to-end, and so on. So, it varies.

Vibhor Singhal

Right. So maybe just the last part to harp a bit more on this. So, this basically gets built into the base going forward. And hereafter, we could have more of such projects or some of these projects going out also. It can go either way in terms of the margin benefit for specific projects.

Sandeep Kalra

Absolutely. Absolutely.

Vibhor Singhal

Got it. Thank you so much.

Vinit Teredesai

I will just add to that, our endeavor will be to have more and more such deals so that we get a revenue predictability over a period of time.

Vibhor Singhal

Got it. Got it. Thanks a lot for taking my questions and wish you all the best.

Moderator

Thank you. And the last question will be from Ravi Menon.

Ravi Menon

Hi. Thanks for the opportunity. Congrats on a good quarter.

I had a question about this last deal that you mentioned for modernization of a bank. Can you explain what sort of productivity benefit that you're getting in this mainframe modernization? Is it like about 20 to 30%? I think you mentioned a number, but just wanted some clarity on that.

And second is on the platforms that you have for the cyber productivity, you put in GitHub, Copilot, Cursor, Windsurf, stuff like that. Are you seeing your customers actually adopt multiple platforms or are people pretty much standardizing on using one platform? And what sort of productivity benefits are they seeing on their own without your IPs coming in?

Sandeep Kalra

Sure. So, I'll try and keep it brief. We are at 6:58. We have two minutes. So as far as the productivity benefit for the mainframe modernization or I will just keep it at application modernization or platform modernization. So, see, it's not just about how much effort, effort is one part of it. But there are a number of these programs where people were not able to reverse engineer manually the business logic of these platforms because these are built over the last 20-30 years and people have gone...it's very, very difficult. Using our platforms, we are able to get to 60 to 70% of reverse engineering of business logic, convert that to even an English

document so that the business users can understand. And by doing this, we are able to get them off of legacy platforms, legacy technologies onto modern platforms, which are much more nimble, agile. Maybe there's a duplication of things that has happened over a period of time. The licensing cost goes down and there are many other things like regulatory ease of explanation and so on. And so, the benefits are far, far more than just a productivity gain.

Now on the second side of it, Cursor, Windsurf, Copilot. So many of our customers are adopting one. Some of the larger customers are adopting two or three as well. One of our largest FinTech customers is a big-time user of two of these platforms in conjunction with each other. And we are also a part of their ecosystem. So, it is their own team as well as us who are using these tools. And from a coding perspective, just the code part of the software development life cycle, people are able to get 20 to 25% benefit using these kinds of tools from the code part of it. Hopefully that answers.

Ravi Menon

Thanks so much, Sandeep.

But since that's only just one part of the SDLC overall, is it fair to say that the productivity benefit is something that people should not worry about too much?

Sandeep Kalra

Yeah, that's exactly where our platforms like SASVA come in. Because when we bring in SASVA, we are talking of right from requirement gathering to grooming it into a technical kind of backlog to doing the implementation in terms of coding, release management, nine yards. And then even doing things like maintenance after that and so on. So, all these tools are very good, but they solve for a sliver of the entire software development lifecycle. And that leaves a lot of scope for people like us to develop our platforms. We may even integrate with these tools as a part of our platform.

Ravi Menon

Thanks so much. Best of luck.

Sandeep Kalra

So, with this, I think we should close the call. So just to summarize, we are confident of our progress on the technology side. We are happy with our performance that we delivered in this quarter and we are confident of continuing the growth momentum going ahead. Look forward to giving you an update in three months from now.

Thank you.

Moderator

Thank you very much to Persistent Management team. Ladies and gentlemen, on behalf of Persistent Systems Limited that concludes today's conference. Thank you for joining us and you may now disconnect your line and exit the webinar. Thank you.

(End of transcript)

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Please note that this transcript has been edited for readability.