

PERSISTENT SYSTEMS

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	5,606
12 month price target (INR)	6,600
52 Week High/Low	6,789/4,149
Market cap (INR bn/USD bn)	877/10.1
Free float (%)	63.1
Avg. daily value traded (INR mn)	2,962.1

SHAREHOLDING PATTERN

	June-25	Mar-25	Dec-24
Promoter	30.56%	30.66%	30.66%
FII	24.19%	24.36%	24.75%
DII	27.78%	26.85%	26.26%
Pledge	0%	0%	0%

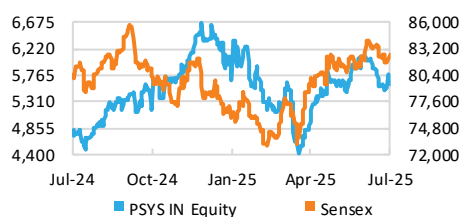
FINANCIALS

	(INR mn)			
Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	98,216	119,387	142,236	169,244
EBITDA	17,243	20,581	25,646	30,452
Adjusted profit	11,421	14,001	17,442	21,335
Diluted EPS (INR)	75.1	90.7	112.6	137.7
EPS growth (%)	17.6	20.8	24.1	22.3
RoAE (%)	24.5	24.8	24.9	25.0
P/E (x)	74.6	61.8	49.8	40.7
EV/EBITDA (x)	49.3	41.3	33.2	27.6
Dividend yield (%)	0.5	0.6	0.5	0.6

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Rev (USD mn)	1,649	1,957	-0.4%	-0.5%
EBIT	21,922	26,993	0.8%	0.9%
Adjusted profit	17,442	21,335	0.3%	-0.6%
Diluted EPS (INR)	112.6	137.7	-0.1%	-1.0%

PRICE PERFORMANCE



Solid growth; deal momentum picking up

Persistent (PSYS) posted solid Q1FY26 results. Revenue at USD390mn, 3.9% QoQ (+3.3% CC QoQ, +19% CC YoY), slightly missed our estimate of 3.5% CC QoQ. EBIT margin declined 10bp QoQ to 15.5%, in line with our estimate. TCV was strong at USD520.8mn, up +13% YoY.

PSYS reported solid growth again — slightly missing estimates — mainly due to a planned project transition. The growth thesis remains intact and the solid TCV during the quarter also pacified a major concern. Management stays confident of achieving USD2bn revenue (19% CAGR) even amid the uncertain macro environment. We maintain FY26E/27E (< 1% change). We now value PSYS at 48x FY27 PE (earlier 45x). Retain 'BUY' with a TP of INR6,600 (earlier INR6,250).

BFSI led growth; strong TCV & ACV

Revenue surged +3.9% QoQ (+3.3% CC QoQ) to USD389.7mn. BFSI (+9% QoQ) led the growth followed by tech (+3.6% QoQ). Healthcare fell -1.9% QoQ primarily due to transition of some work from onsite to offshore in a larger account it is expected to start growing again from Q2 onwards. TCV came in decent at USD520.8mn, +13% YoY, with solid ACV at USD385mn, +14.2% YoY. By geography, Europe/ India/ North America grew +11.3%/ +9.4%/ +3% QoQ while RoW declined -19.2% QoQ.

Margins stable; Aiming for top quartile growth and USD2bn by FY27

EBIT margins came in at 15.5%, -10bp QoQ led by lower ESOP costs (+230bp) partially offset by absence of earn-out reversal (-60bps), transition from onsite of offsite and delayed ramp-up in some accounts (-100bps), higher amortization costs (-40bps) and FX impact (-40bps). The wage hike has been postponed by a quarter due to macro volatility while ESOP costs are likely to remain flat for FY26, before starting to reduce again in FY27. Net Headcount addition was 746 in Q1 along with several leadership changes while attrition rose to 13.9% (12.9% in Q4FY25), within management's comfortable range. Management highlighted a pivot to an AI-led, platform-driven strategy structured around two core areas. It continues to aspire for top quartile growth in FY26 and maintain its target of USD2bn revenue by FY27. It continues to expect all three verticals to grow in FY27, with BFSI leading the growth.

Valuations appear expensive – deserves growth premium

Persistent continues to deliver industry-leading growth (18.7% YoY in Q1FY26). Its FY27 revenue target of USD2bn alludes to strong CAGR of 19%. All along, its margins and cashflow remain robust. The stock is now trading at 40x P/E FY27 – which might appear expensive, but we find it justified given the 24% earnings CAGR anticipated over FY25–27E; retain 'BUY/SO'.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	33,336	27,372	21.8	32,421	2.8
EBITDA	6,116	4,552	34.4	5,844	4.7
Adjusted Profit	4,249	3,064	38.7	3,957	7.4
Diluted EPS (INR)	27.2	19.9	36.8	25.4	7.2

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	98,216	119,387	142,236	169,244
Cost of revenues	65,231	78,740	92,547	110,359
Gross Profit	32,985	40,647	49,689	58,885
SG&A	15,742	20,066	24,043	28,433
EBITDA	17,243	20,581	25,646	30,452
Depreciation	3,094	3,069	3,724	3,459
EBIT	14,149	17,512	21,922	26,993
Add: Other income	1,280	1,382	1,907	2,111
Profit before tax	14,962	18,223	23,144	28,447
Prov for tax	3,541	4,221	5,702	7,112
Less: Other adj	(486)	0	0	0
Reported profit	10,935	14,001	17,442	21,335
Less: Excp.item (net)	0	0	0	0
Adjusted profit	11,421	14,001	17,442	21,335
Diluted shares o/s	152	154	155	155
Adjusted diluted EPS	75.1	90.7	112.6	137.7
DPS (INR)	26.3	35.3	30.0	32.0
Tax rate (%)	23.7	23.2	24.6	25.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Direct Cost (% of sales)	66.4	66.0	65.1	65.2
S&M expns (% of sales)	8.1	8.2	8.2	8.3
G&A expns (% of sales)	7.6	8.5	8.7	8.5
EBIT margin (%)	14.4	14.7	15.4	15.9
Net profit margin (%)	11.6	11.7	12.3	12.6
Revenue growth (% YoY)	17.6	21.6	19.1	19.0
EBIT growth (% YoY)	13.4	23.8	25.2	23.1
Adj. profit growth (%)	20.1	22.6	24.6	22.3

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.5	6.3	6.5	6.5
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	84.0	84.4	86.5	86.5
Depreciation	3.1	2.6	2.6	2.0
USD revenue (USD mn)	1,186.1	1,409.1	1,648.7	1,956.6
YoY growth (%)	14.5	18.8	17.0	18.7
CC YoY growth (%)	14.4	19.0	17.0	18.7
Tax rate as % of PBT	23.7	23.2	24.6	25.0
Capex (INR mn)	(1,659.8)	5,278.2	3,283.1	3,200.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	74.6	61.8	49.8	40.7
Price/BV (x)	17.2	13.7	11.3	9.3
EV/EBITDA (x)	49.3	41.3	33.2	27.6
Dividend yield (%)	0.5	0.6	0.5	0.6

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	770	779	782	782
Reserves	48,807	62,411	76,211	92,589
Shareholders funds	49,577	63,191	76,993	93,371
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	22,526	24,175	24,916	29,390
Other liabs & prov	0	0	0	0
Total liabilities	74,176	87,366	101,609	122,061
Net block	11,637	13,846	13,406	13,147
Intangible assets	0	0	0	0
Capital WIP	0	0	0	0
Total fixed assets	11,637	13,846	13,406	13,147
Non current inv	8,266	9,803	13,415	15,415
Cash/cash equivalent	6,625	6,744	4,866	15,478
Sundry debtors	17,491	19,142	26,879	32,144
Loans & advances	10,226	12,886	14,473	17,308
Other assets	7,556	10,582	14,109	14,109
Total assets	74,176	87,366	101,609	122,061

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	10,935	14,001	17,442	21,335
Add: Depreciation	3,094	3,069	3,724	3,459
Interest (net of tax)	0	0	0	0
Others	0	0	0	0
Less: Changes in WC	(8,643)	(7,675)	(12,210)	(3,624)
Operating cash flow	5,386	9,395	8,956	21,170
Less: Capex	1,660	(5,278)	(3,283)	(3,200)
Free cash flow	7,046	4,117	5,673	17,970

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	24.5	24.8	24.9	25.0
RoCE (%)	26.1	25.7	25.6	25.6
Div Payout Ratio(%)	36.6	39.0	26.6	23.2
Working cap/Sales (%)	13	15	21	20
Receivable days	62	56	59	64
Asset Turnover Ratio	0.7	0.7	0.8	0.8
Current Ratio	1.9	2.0	2.4	2.7
Net debt/equity (x)	(0.1)	(0.1)	(0.1)	(0.2)

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	17.6	20.8	24.1	22.3
RoE (%)	24.5	24.8	24.9	25.0
EBITDA growth (%)	13.5	19.4	24.6	18.7
Payout ratio (%)	36.6	39.0	26.6	23.2

Q1FY26 conference call highlights

- Revenue grew 3.3% QoQ CC. Overall demand environment was slower with difficult macro. Any improvement in macro should help going ahead.
- **Deal wins:** TCV for the quarter stood at USD520.8mn with TCV of new bookings coming in at USD337mn. The ACV of this TCV is USD385.3mn, out of which the ACV from new bookings contributed USD211.8mn. Overall pipeline is strong. Revenue conversion is a factor of ACV booking and revenue recognition from long-term deals.
- **Client metrics:** In US dollar terms, Top five customers grew 22.8% YoY, Top 10 by 20.2%, Top 20 by 23.1%, Top 50 by 22.7%, and Top 100 by 22.4%. As you would notice, there is a secular increase in revenue across all categories in the Top 100 accounts.
- **Geography:** NA grew 17.4% YoY, Europe grew 37.5% YoY, India grew 18.3% YoY and ROW grew -1.7% YoY.
- **Healthcare** decline by 2.1% QoQ, this was primarily due to transition of revenue for one client from onshore to offshore. Management expect growth in Healthcare from next quarter onwards. PSYS have grown very well in largest customer and done vendor consolidation as well. Growth was impacted by offshoring of business.
- **EBIT margin** came in at 15.5%, -10bps QoQ, +150bps YoY. Lower Esop cost (+230bps), absence of earn-out reversal (-60bps), transition from onsite to offsite and delayed ramp-up in some of account (-100bps), higher amortization (-40bps), fx impact (-40bps). Wage hike is delayed due to macro concerns. ESOP cost will remain flat for next couple of quarter before reducing again.
- **AI/GenAI:** Working on two areas. 1) AI for Tech: Focusing on enhancing engineering productivity launched Sasva 3.0. 2) AI for business enabling enterprise to be AI ready, working with multiple Fortune 1000 companies to modernize their AI architecture.
- **Employee metrics:** Headcount increased by 746 QoQ. Attrition increase to 13.9% from 12.9% QoQ. Rajiv Naithani joined as Chief people officer, succeeding Yogesh Patgaonkar. Appointed Shimona Chadha as the new chief marketing officer.
- **Outlook:** Will continue to aspire for Top quartile growth in FY26. Management remain committed of achieving USD2bn in revenue by the end of FY27.

PERSISTENT SYSTEMS

Exhibit 1: Financial snapshot INR mn)

Year to March	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)	FY25	FY26E	FY27E
Total revenues	33,336	32,421	2.8	27,372	21.8	119,387	142,236	169,244
Direct cost	21,576	21,117	2.2	18,329	17.7	78,740	92,547	110,359
Gross profit	11,760	11,304	4.0	9,043	30.0	40,647	49,689	58,885
Selling & marketing exp	5,644	5,460	3.4	4,491	25.7	20,066	24,043	28,433
EBITDA	6,116	5,844	4.7	4,552	34.4	20,581	25,646	30,452
Depreciation	253	240	5.4	212	19.5	921	3,039	3,459
Amortisation	685	551	24.3	501	36.9	2,149	685	0
EBIT	5,178	5,053	2.5	3,840	34.8	17,512	21,922	26,993
Less: Interest expense	171	185		141		671	685	658
Foreign ex (loss) / gain	189	(154)	(222.3)	(7)	(2,684.9)	89	339	200
Other income	358	338	5.9	314	14.1	1,292	1,568	1,911
PBT	5,554	5,052	9.9	4,005	38.7	18,223	23,144	28,447
Tax	1,305	1,094	19.2	941	38.6	4,221	5,702	7,112
Reported profit	4,249	3,957	7.4	3,064	38.7	14,001	17,442	21,335
Adjusted profit	4,249	3,957	7.4	3,064	38.7	14,001	17,442	21,335
as % of net revenues								
Gross profit	35.3	34.9		33.0		34.0	34.9	34.8
Selling & marketing exp	16.9	16.8		16.4		16.8	16.9	16.8
Admin exp	0.0	0.0		0.0		0.0	0.0	0.0
EBITDA	0.8	0.7		0.8		0.8	2.1	2.0
EBIT	15.5	15.6		14.0		14.7	15.4	15.9
Reported net profit	12.7	12.2		11.2		11.7	12.3	12.6
Tax rate	23.5	21.7		23.5		23.2	24.6	25.0

Source: Company, Nuvama Research

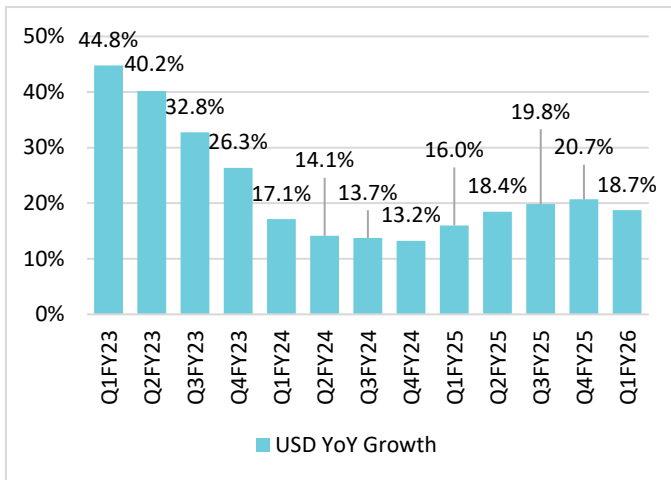
Exhibit 2: Growth by business unit and geography

Segmental Performance	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Business Units (% YoY)									
BFSI	15.9%	12.4%	8.8%	7.6%	7.2%	15.5%	21.7%	27.0%	30.7%
Healthcare & Life Sciences	9.4%	11.8%	26.5%	39.1%	66.6%	70.6%	52.8%	33.6%	12.5%
Tech & Emerging Verticals	21.4%	16.3%	11.8%	6.4%	2.5%	-0.4%	3.3%	9.4%	14.0%
Geographies (% YoY)									
North Americas	18.3%	15.0%	17.5%	16.4%	18.2%	21.6%	21.0%	21.3%	17.4%
Europe	33.7%	30.6%	12.4%	-14.2%	-6.7%	-1.5%	10.4%	30.0%	37.0%
India	2.6%	-3.7%	-7.6%	14.4%	14.8%	12.3%	12.6%	11.1%	18.7%
RoW	-21.9%	14.1%	-0.5%	25.8%	64.4%	18.4%	62.6%	8.6%	-2.2%

Source: Company, Nuvama Research

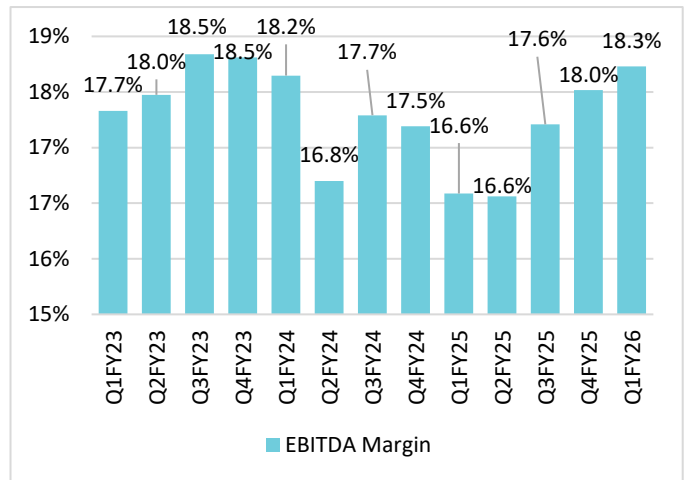
Key charts

Exhibit 3: USD revenue growth (YoY)



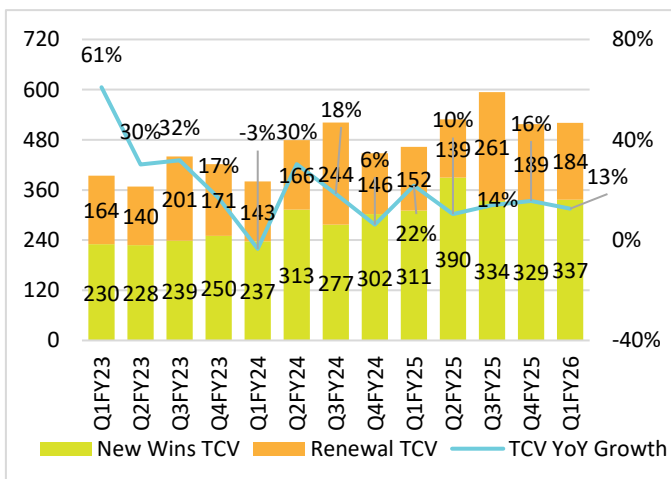
Source: Company, Nuvama Research

Exhibit 4: EBITDA margins



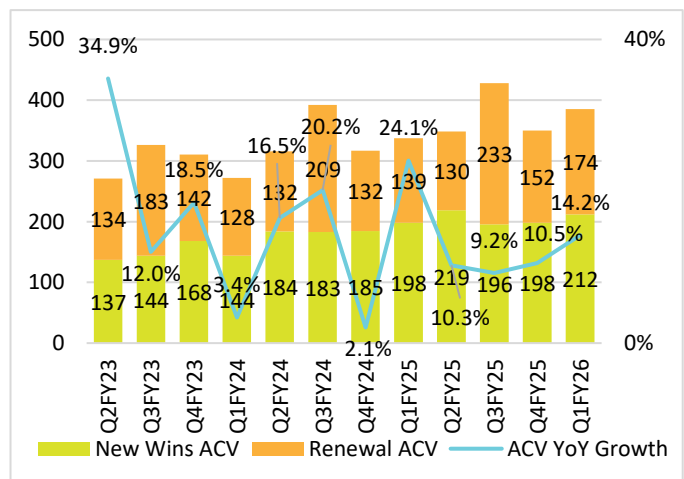
Source: Company, Nuvama Research

Exhibit 5: TCV (USD mn)



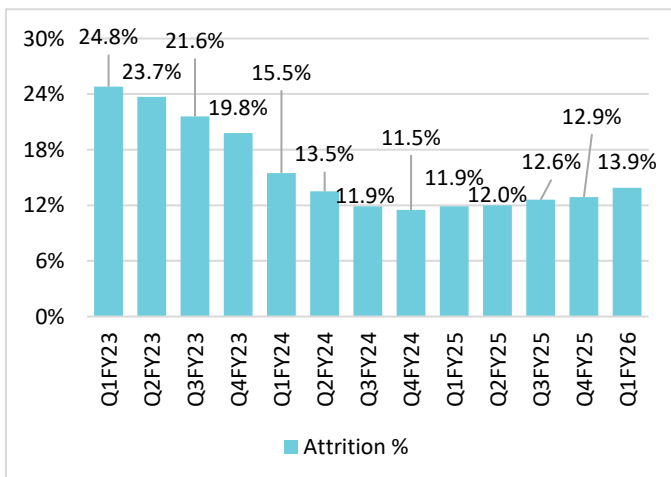
Source: Company, Nuvama Research

Exhibit 6: ACV (USD mn)



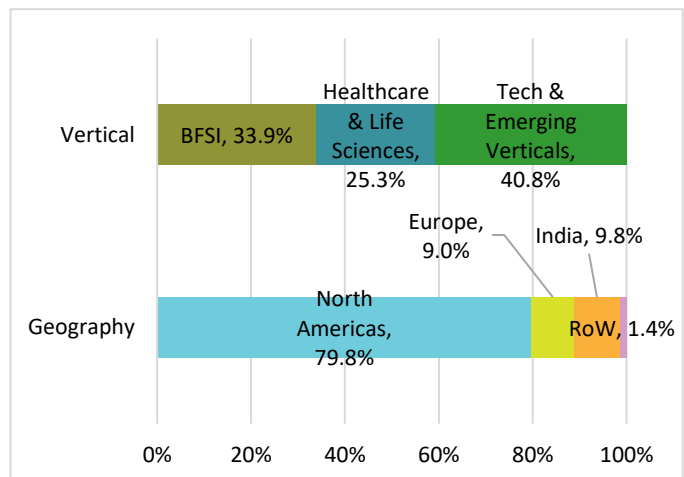
Source: Company, Nuvama Research

Exhibit 7: Attrition



Source: Company, Nuvama Research

Exhibit 8: Revenue breakdown by vertical and geography



Source: Company, Nuvama Research

Company Description

Following its initial success as a boutique firm focused on database internals, Persistent transformed itself and thus emerged as one of the leading outsourced product development (OPD) companies in India. It has deep domain expertise and employs more than 21,000 highly skilled software professionals.

The company's expertise in software platforms complements its abilities to execute digital transformation projects at scale. It also has in-depth experience in the focused areas of software, hi-tech & emerging industries, BFSI and healthcare & life sciences.

Investment Theme

Persistent's digital engineering expertise, industry solutions and delivery excellence continue to be unique and recognized by advisor community. The recent strategic investments in DataGlove, Shree Partners, SCI. Sureline and Media Agility bolstered the capabilities in key hyperscalars domain. Record-TCV, -ACV and -headcount addition indicate strong growth ahead.

Persistent's 30 years of leadership in software engineering and digital transformation along with its expertise in this space with long-term relationships and service offerings augurs robust momentum ahead. Its differentiated Digital Engineering expertise, trusted delivery model, robust client relationships and strong partner ecosystem would continue to fuel growth.

In addition, the company is proactively working with clients to help them navigate and thrive in the precarious economic environment, leveraging technologies such as cloud, AI and automation.

Key Risks

- High sensitivity to USD
- Aggressive competition from captives and lack of pricing power
- High exposure to the US, Canada geographies and limited industry exposure

Additional Data

Management

CEO	Sandeep Kalra
CFO	Vinit Teredesai
Chairman	Dr. Anand Deshpande
Other	
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

	% Holding		% Holding
Despande Anand	29.24	HDFC AMC	2.49
Motilal Oswal A	5.57	Kotak Mahindra	2.31
Kotak Mahindra	4.89	Fund Rock Manag	2.22
Vanguard Group	2.94	Nippon Life Ind	1.91
Blackrock Inc	2.75	Axis AMC	1.64

*Latest public data

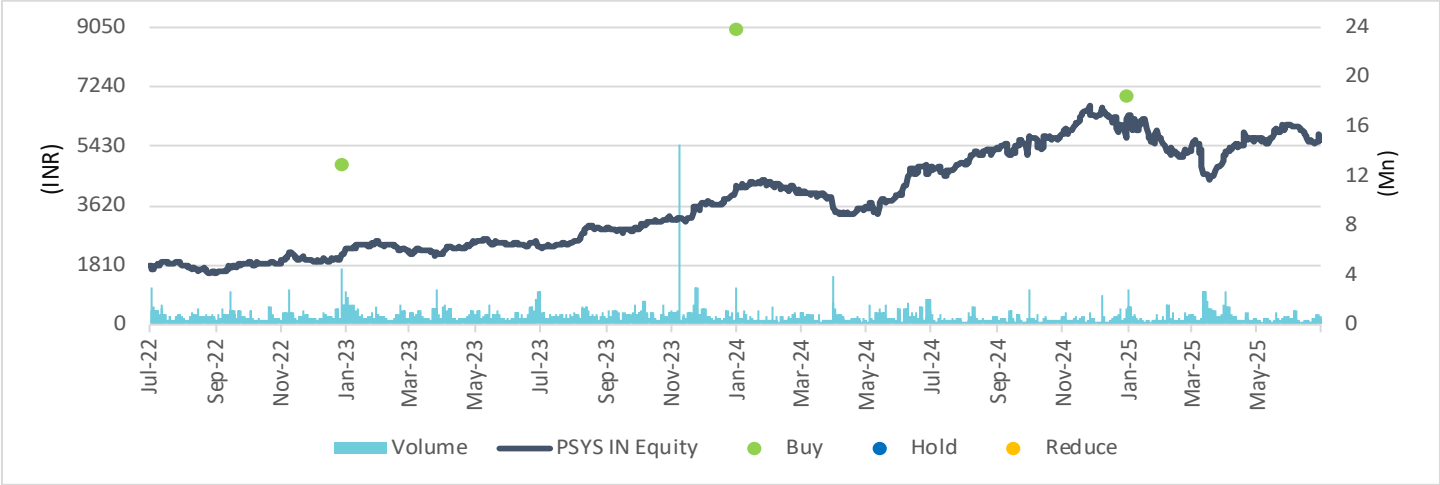
Recent Company Research

Date	Title	Price	Reco
24-Apr-25	Solid performance yet again; <i>Result Update</i>	5163	Buy
22-Jan-25	Continues to lead industry on growth; <i>Result Update</i>	6111	Buy
22-Oct-24	Growth momentum continues; <i>Result Update</i>	5158	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
22-Jul-25	Zensar Technologies Ltd	Solid results; valuations full; <i>Result Update</i>
17-Jul-25	LTIMindtree	Steady quarter; on the path to recovery; <i>Result Update</i>
16-Jul-25	Tech Mahindra	Weak macro to constrain margin expansion; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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