

India

HOLD (no change)

Consensus ratings*: Buy 22 Hold 7 Sell 13

Current price: Rs5,338
 Target price: ▼ Rs5,778
 Previous target: Rs6,863
 Up/downside: 8.2%
 InCred Research / Consensus: 0.6%

Reuters: PERS.NS
 Bloomberg: PSYS IN
 Market cap: US\$9,402m
 Rs834,848m
 Average daily turnover: US\$32.5m
 Rs2887.1m
 Current shares o/s: 155.2m
 Free float: 69.0%

*Source: Bloomberg

Key changes in this note

- Expect 15.8% US\$ revenue CAGR over FY25-28F.
- Expect 21.6% EBIT CAGR over FY25-28F.
- Expect 21.2% PAT CAGR over FY25-28F



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(1.4)	(4.8)	(5.0)
Relative (%)	(1.6)	(4.1)	(5.2)

Major shareholders	% held
Motilal Oswal Midcap Fund	6.3
HDFC MF Midcap fund	2.6
Kotak Midcap Fund	2.3

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Persistent Systems Ltd

Good 2Q but priced-in the premium valuation

- Revenue was in line, while EBIT margin beat was aided by conclusion of costs.
- Deal-win yoy growth trajectory improvement & commentary were reassuring.
- Earnings adjustments and trimming of valuation multiples drives our TP lower.

2QFY26 results summary

Persistent Systems' (PSYS) 2QFY26 revenue at US\$406.2m (up 4.2% qoq and 17.6% yoy) was in line with estimates while the EBIT margin beat was helped by conclusion of the cost of software licenses for a large customer (+80bp). Improvement in deal-win yoy growth trajectory was encouraging, and management commentary was upbeat, pending any material deterioration in the macroeconomic environment. Going ahead, 1) banking financial services (BFSI) and hi-tech could be growth drivers based on the ramp-up of existing deals and pipeline followed by healthcare, 2) wage hike (-180bp) would be key headwind to 3QFY26F EBIT margin partly offset (~80bp) by operating efficiency, while 3) utilization could be in the range of 83-85% vs. 88.2% currently.

Deal growth trajectory improvement reassures but sustainability key

TCV growth (up 17% qoq and 15.2% yoy at US\$609.2m) was driven by renewals (up 40.6%/85.6% qoq/yoy at US\$258.4m) while new component (up 4.1% qoq but down 10% yoy at US\$250.8m) was soft, while sequential ACV growth (up 28.6%/16.4% qoq/yoy at US\$447.9m) was led by both new (up 20.1%/16.4% qoq/yoy at US\$254.4m) and renewals (up 11.5%/49.2% qoq/yoy at US\$193.5m). Robust pipeline and conversion confidence, pending material deterioration in the macroeconomic environment, was encouraging but remains a key monitorable and is critical to sustaining the growth momentum.

EBIT margin improvement likely to continue

The EBIT margin at 16.3% (up 77bp/228bp qoq/yoy) beat our estimate by 42bp. Nil software license cost for a specific customer engagement and unlikely to recur (80bp), cross-currency movement (60bp) & planned offshoring (30bp) were tailwinds, while higher debt provisioning (50bp) and a decline in utilization (20bp) were key headwinds. Wage hike for all employees, effective 1 Oct 2026, could impact 3QFY26F EBIT margin by ~180bp, while the net impact could be lower driven by tailwinds from offshoring, utilization improvement and rationalization of sub-contracting expenses, SG&A and ESOP costs.

Maintain HOLD rating with a lower TP of Rs5,778 vs. Rs6,863 earlier

We introduce FY28F and now expect ~16% US\$ revenue CAGR over FY25-28F, and ~21% PAT (Rs) CAGR. We shift our valuation methodology to P/E, vs. PE/G earlier, and discount FY28F EPS. We maintain HOLD rating and value Persistent Systems at 36x FY28F EPS to arrive at our lower target price of Rs5,778 (Rs6,863). The revision of multiple is to account for growth moderation, rising competitive intensity, and macroeconomic uncertainty. Upside risks: Strong bookings and M&A-led revenue acceleration. Downside risk: Client-specific challenges.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	98,216	119,387	143,364	167,308	192,404
Operating EBITDA (Rsm)	17,243	20,582	26,425	32,073	36,514
Net Profit (Rsm)	10,935	14,001	18,208	21,804	25,086
Core EPS (Rs)	74.5	90.6	116.9	139.5	160.5
Core EPS Growth	23.6%	21.7%	29.0%	19.3%	15.1%
FD Core P/E (x)	74.87	58.92	45.67	38.27	33.26
DPS (Rs)	26.0	35.0	24.0	55.8	64.2
Dividend Yield	0.49%	0.66%	0.45%	1.05%	1.20%
EV/EBITDA (x)	46.74	39.42	30.58	24.95	21.56
P/FCFE (x)	87.34	89.65	68.14	45.40	38.63
Net Gearing	(25.9%)	(21.6%)	(30.3%)	(37.9%)	(44.7%)
P/BV (x)	16.57	13.11	10.74	9.20	7.89
ROE	25.6%	24.8%	25.9%	25.9%	25.5%
% Change In Core EPS Estimates			3.87%	(0.37%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	2QFY26F	Var. (%)
Revenue (US\$ m)	406.2	345.5	17.6	389.7	4.2	406.5	(0.1)
Revenue (Rs m)	35,807	28,972	23.6	33,336	7.4	35,490	0.9
US\$-Rs realization	88	83.9	5.1	85.5	3.1	87	1.0
EBITDA	6,838	4,807	42.2	6,116	11.8	6,637	3.0
EBITDA margin (%)	19.1	16.6	250 bp	18.3	75 bp	18.7	40 bp
EBIT	5,837	4,062	43.7	5,178	12.7	5,638	3.5
EBIT margin (%)	16.3	14.0	228 bp	15.5	77 bp	15.9	42 bp
Depreciation	1,000	745	34.3	938	6.7	998	0.2
Net other income	331	283	17.0	376	(12.0)	355	(6.8)
PBT	6,168	4,345	42.0	5,554	11.1	5,993	2.9
Provision for tax	1,454	1,095	32.7	1,305	11.4	1,468	(1.0)
% tax rate	23.6	25.2	(164bp)	23.5	8bp	24.5	(93bp)
Net profit	4,715	3,250	45.1	4,249	10.9	4,525	4.2
EPS (Rs)	30.2	10.5	45.1	27.2	10.9	29.0	4.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call highlights

- **Guidance:**
 - Reiterates achieving US\$2bn revenue by FY27F.
 - Expects a 100bp margin improvement each in FY26F and FY27F.
- **Demand environment:** Clients getting adapted to the macroeconomic uncertainty.
- **Vertical commentary:**
 - Growth in Europe driven by ramp-up of a large hi-tech deal.
 - BFSI growth aided by a large vendor consolidation deal against a Tier-I vendor.
- **AI and partnership:**
 - Leveraging SASVA, a GenAI digital engineering platform, to empower clients.
 - Filed incremental 20 new patents for SASVA, taking the total count to 75.
 - Formed partnership with DigitalOcean, a provider of private cloud for Artificial Intelligence (AI) deployments.
 - Partnered with Anthropic to accelerate solution across AI for technology and business.
 - Integrating AI across internal functions via agentic framework called Persistent Assist.
- **Deal wins:**
 - **Software, hi-tech & emerging**
 - Selected by a global cloud infrastructure provider to build and scale AI infrastructure platform using SASVA.
 - Chosen by a global cybersecurity leader to drive end-to-end R&D for mature end-point security products and enable customer migration to next-generation products.
 - To set-up an offshore R&D centre for developing and maintaining a critical grid technology platform for one of the world's largest energy technology companies.
 - **BFSI**
 - Selected by a global financial technology platform to transform their tax and accounting software.
 - Chosen by a leading global financial services company to transform its IT and business processes across product, engineering and operations.
 - Selected by a leading global wealth management company to improve customer experience using leverage GenAI.
 - **Healthcare and life sciences**
 - Modernizing digital presence for one of the world's largest healthcare companies.

- Selected by a leading US-based non-profit healthcare organization to consolidate imaging applications and strengthen data integrity to improve patient, radiologist and care-giver experience.
- Selected by a global leader in molecular diagnostic testing and precision medicine for integrating order management systems across core diagnostic products.
- Higher foreign exchange gains were led by currency depreciation.
- FY26F ETR to be in the 22.5%-23.5% range.
- Inaugurated a state-of-the-art experience transformation studio in Pune to accelerate AI-powered transformation.

Figure 2: Operating metrics trend

Operating trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (US\$m)	242	256	264	275	283	292	301	311	328	346	360	375	390	406
Growth yoy (%)	44.8	40.2	32.8	26.4	17.1	14.1	13.7	13.2	16.0	18.4	19.8	20.7	18.7	17.6
Growth qoq (%)	11.1	5.8	3.4	3.9	3.0	3.1	3.0	3.4	5.6	5.3	4.3	4.2	3.9	4.2
Revenue (Rsm)	18,781	20,486	21,694	22,545	23,212	24,117	24,982	25,905	27,372	28,972	30,623	32,421	33,336	35,807
Growth yoy (%)	52.7	51.6	45.4	37.6	23.6	17.7	15.2	14.9	17.9	20.1	22.6	25.2	21.8	23.6
Growth qoq (%)	14.7	9.1	5.9	3.9	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.9	2.8	7.4
EBIT margin (%)	14.3	14.6	15.4	15.4	14.9	13.7	14.5	14.5	14.0	14.0	14.9	15.6	15.5	16.3
US\$-INR realized rate	77.8	80.2	82.1	82.1	82.0	82.7	83.1	83.3	83.4	83.9	85.0	86.4	85.5	88.2
Headcount	21,638	22,476	22,598	22,889	23,130	22,842	23,336	23,850	23,519	23,237	23,942	24,594	25,340	26,224
Utilization - trainees (%)	79.5	79.9	77.6	77.3	78.3	80.6	81.5	80.0	82.1	84.8	87.4	88.1	88.7	88.2
LTM attrition (%)	24.8	23.7	21.6	19.8	15.5	13.5	11.9	11.5	11.9	12.0	12.6	12.9	13.9	13.8
Geography (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	78.4	78.6	77.1	77.9	79.2	79.2	79.7	80.1	80.7	81.3	80.5	80.5	79.8	79.8
Europe	8.5	8.3	9.0	10.3	9.7	9.5	8.9	7.8	7.8	7.9	8.2	8.4	9.0	9.3
India	11.3	11.5	12.3	10.0	9.9	9.7	10.0	10.1	9.8	9.2	9.4	9.3	9.8	9.2
RoW	1.8	1.6	1.6	1.8	1.2	1.6	1.4	2.0	1.7	1.6	1.9	1.8	1.4	1.7
Geography (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	189.4	200.9	203.8	213.9	224.1	231.0	239.5	249.0	264.9	280.9	290.0	302.0	311.0	324.1
Europe	20.5	21.2	23.8	28.3	27.4	27.7	26.7	24.2	25.6	27.3	29.5	31.5	35.1	37.8
India	27.3	29.4	32.5	27.5	28.0	28.3	30.1	31.4	32.2	31.8	33.9	34.9	38.2	37.4
RoW	4.3	4.1	4.2	4.9	3.4	4.7	4.2	6.2	5.6	5.5	6.8	6.8	5.5	6.9
Geography yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	43.9	40.0	29.3	25.2	18.3	15.0	17.5	16.4	18.2	21.6	21.1	21.3	17.4	15.4
Europe	29.6	32.2	44.0	54.9	33.7	30.6	12.4	-14.3	-6.7	-1.5	10.4	30.0	37.0	38.4
India	67.0	53.5	49.8	14.9	2.6	-3.7	-7.6	14.3	14.8	12.3	12.7	11.1	18.7	17.6
RoW	44.8	12.2	32.8	13.7	-21.9	14.1	-0.5	25.8	64.4	18.4	62.7	8.6	-2.2	24.9
Geography qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	10.9	6.1	1.4	5.0	4.7	3.1	3.7	4.0	6.4	6.1	3.2	4.2	3.0	4.2
Europe	12.5	3.3	12.1	18.9	-3.0	1.0	-3.5	-9.3	5.6	6.6	8.2	6.7	11.3	7.7
India	14.2	7.7	10.6	-15.5	2.0	1.0	6.2	4.5	2.4	-1.2	6.5	3.1	9.4	-2.1
RoW	0.0	-5.9	3.4	16.9	-31.3	37.5	-9.8	47.8	-10.3	-0.9	23.8	-1.3	-19.2	26.6
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	18.5	11.5	2.9	10.1	10.1	7.0	8.5	9.5	15.8	16.0	9.1	12.1	8.9	13.2
Europe	2.3	0.7	2.6	4.5	-0.8	0.3	-1.0	-2.5	1.4	1.7	2.2	2.0	3.6	2.7
India	3.4	2.1	3.1	-5.1	0.5	0.3	1.8	1.3	0.8	-0.4	2.1	1.0	3.3	-0.8
RoW	0.0	-0.3	0.1	0.7	-1.5	1.3	-0.5	2.0	-0.6	-0.1	1.3	-0.1	-1.3	1.4
Vertical (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Financial Services	33.7	32.8	32.6	32.3	33.3	32.3	31.2	30.7	30.8	31.5	31.7	32.3	33.9	34.8
Healthcare & Lifescience	19.9	19.7	19.6	19.7	18.6	19.3	21.8	24.2	26.7	27.8	27.8	26.8	25.3	25.2
Software, Hitech & Emerging industries	46.4	47.5	47.8	48.0	48.1	48.4	47.0	45.1	42.5	40.7	40.5	40.9	40.8	40.0
Business unit (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Financial Services	81.4	83.8	86.2	88.7	94.2	94.2	93.8	95.4	101.1	108.8	114.2	121.2	132.1	141.4
Healthcare & Lifescience	48.1	50.4	51.8	54.1	52.6	56.3	65.5	75.2	87.6	96.0	100.1	100.6	98.6	102.4
Software, Hitech & Emerging industries	112.1	121.4	126.4	131.8	136.1	141.2	141.3	140.2	139.5	140.6	145.9	153.5	159.0	162.5
Business unit yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Financial Services	58.4	49.8	34.4	26.0	15.7	12.4	8.8	7.6	7.3	15.5	21.8	27.0	30.7	29.9
Healthcare & Lifescience	40.6	30.3	25.7	20.3	9.5	11.8	26.5	39.1	66.5	70.6	52.8	33.7	12.5	6.6
Software, Hitech & Emerging industries	38.0	38.4	34.7	29.3	21.4	16.3	11.8	6.4	2.5	-0.4	3.3	9.4	14.0	15.5
Business unit qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Financial Services	15.6	3.0	2.8	2.9	6.2	0.0	-0.5	1.8	5.9	7.7	4.9	6.1	9.0	7.0
Healthcare & Lifescience	6.8	4.8	2.9	4.4	-2.7	7.0	16.4	14.8	16.5	9.6	4.3	0.4	-1.9	3.8
Software, Hitech & Emerging industries	10.0	8.3	4.1	4.3	3.2	3.8	0.1	-0.7	-0.5	0.8	3.7	5.2	3.6	2.2
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Financial Services	11.0	2.4	2.3	2.5	5.5	0.0	-0.4	1.7	5.6	7.7	5.4	7.0	10.9	9.2
Healthcare & Lifescience	3.1	2.3	1.5	2.3	-1.5	3.7	9.2	9.7	12.4	8.4	4.1	0.4	-2.0	3.8
Software, Hitech & Emerging industries	10.1	9.3	4.9	5.4	4.3	5.1	0.1	-1.0	-0.7	1.1	5.3	7.6	5.5	3.5
TCV deal wins (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
New wins TCV	230.3	228.3	239.0	250.3	237.2	313.1	277.4	302.0	310.8	389.8	333.6	329.0	337.0	350.8
qoq	18.0	-0.9	4.7	4.7	-5.2	32.0	-11.4	8.9	2.9	25.4	-14.4	-1.4	2.4	4.1
yoy	55.9	52.9	51.6	28.3	3.0	37.1	16.1	20.7	31.0	24.5	20.3	8.9	8.4	-10.0
TTM new wins TCV	732.3	811.3	892.7	947.9	954.8	1039.6	1078.0	1129.7	1203.3	1280.0	1336.2	1363.2	1389.4	1350.4
yoy	NA	33.0	50.7	45.9	30.4	28.1	20.8	19.2	26.0	23.1	24.0	20.7	15.5	5.5
Renewals TCV	163.7	139.5	201.2	171.3	143.1	166.2	244.0	145.7	152.0	139.2	260.5	188.5	183.8	258.4
qoq	-1.3	-14.8	44.2	-14.9	-16.5	16.1	46.8	-40.3	4.3	-8.4	87.1	-27.6	-2.5	40.6
yoy	68.6	4.7	13.9	3.3	-12.6	19.1	21.3	-14.9	6.2	-16.2	6.8	29.4	20.9	85.6
TTM renewals TCV	639.5	645.8	670.3	675.7	655.1	681.8	724.6	699.0	707.9	680.9	697.4	740.2	772.0	891.2
yoy	NA	38.7	30.0	17.9	2.4	5.6	8.1	3.4	8.1	-0.1	-3.8	5.9	9.1	30.9
TTM TCV wins	1,371.8	1,457.1	1,563.0	1,623.6	1,609.9	1,721.4	1,802.6	1,828.7	1,911.2	1,960.9	2,033.6	2,103.4	2,161.4	2,241.6

yoy	NA	35.4	41.1	32.8	17.4	18.1	15.3	12.6	18.7	13.9	12.8	15.0	13.1	14.3
ACV deal wins (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
New wins ACV	139.8	137.0	143.8	168.3	144.1	184.2	182.9	184.5	198.1	218.6	195.6	198.1	211.8	254.4
qoq	6.7	-2.0	5.0	17.0	-14.4	27.8	-0.7	0.9	7.4	10.3	-10.5	1.3	6.9	20.1
yoy	49.5	25.9	11.8	28.5	3.1	34.5	27.2	9.6	37.5	18.7	6.9	7.4	6.9	16.4
TTM new wins ACV	508.2	536.4	551.6	588.9	593.2	640.4	679.5	695.7	749.7	784.1	796.8	810.4	824.1	859.9
yoy	NA	22.1	28.9	27.5	16.7	19.4	23.2	18.1	26.4	22.4	17.3	16.5	9.9	9.7
Renewals ACV	123.2	134.2	182.5	142.1	127.8	131.7	209.2	132.3	139.2	129.7	232.7	152.1	173.5	193.5
qoq	-5.9	8.9	36.0	-22.1	-10.1	3.1	58.8	-36.8	5.2	-6.8	79.4	-34.6	14.1	11.5
yoy	29.3	45.4	12.2	8.6	3.7	-1.9	14.6	-6.9	8.9	-1.5	11.2	15.0	24.6	49.2
TTM renewals ACV	509.1	551.0	570.8	582.0	586.6	584.1	610.8	601.0	612.4	610.4	633.9	653.7	688.0	751.8
yoy	NA	35.3	25.7	20.9	15.2	6.0	7.0	3.3	4.4	4.5	3.8	8.8	12.3	23.2
TTM ACV wins	1,017.3	1,087.4	1,122.4	1,170.9	1,179.8	1,224.5	1,290.3	1,296.7	1,362.1	1,394.5	1,430.7	1,464.1	1,512.1	1,611.7
yoy	NA	28.4	27.3	24.2	16.0	12.6	15.0	10.7	15.5	13.9	10.9	12.9	11.0	15.6
Clients (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Top 5	30.8	26.9	24.7	26.5	27.9	28.3	28.0	29.2	30.7	31.4	30.8	32.7	31.8	32.9
Top 6-10	9.9	9.8	10.3	10.9	11.7	11.2	11.3	10.8	10.8	10.1	9.2	9.5	10.2	10.3
Top 11-20	10.5	11.7	12.8	10.5	10.8	11.1	12.1	11.1	10.4	10.6	10.9	10.8	11.8	11.2
Clients (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Top 5	74.4	68.8	65.3	72.8	78.9	82.6	84.2	90.8	100.8	108.5	110.9	122.7	123.9	133.6
Top 6-10	23.9	25.0	27.2	29.9	33.1	32.7	34.0	33.6	35.4	34.9	33.1	35.6	39.7	41.8
Top 11-20	25.4	29.9	33.8	28.8	30.6	32.4	36.4	34.5	34.1	36.6	39.3	40.5	46.0	45.5
Clients yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Top 5	22.2	5.3	-9.2	3.0	6.1	20.1	28.9	24.8	27.7	31.4	31.8	35.2	23.0	23.2
Top 6-10	40.5	43.1	53.7	43.5	38.4	30.4	24.7	12.2	7.1	6.8	-2.4	6.2	12.1	19.9
Top 11-20	52.0	65.7	86.8	32.7	20.5	8.3	7.5	19.7	11.7	13.1	8.0	17.4	34.7	24.2
Clients qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Top 5	5.3	-7.6	-5.0	11.4	8.5	4.6	1.9	7.9	11.0	7.7	2.3	10.6	1.0	7.8
Top 6-10	14.6	4.8	8.7	9.9	10.6	-1.3	4.0	-1.1	5.6	-1.6	-5.0	7.6	11.5	5.3
Top 11-20	16.7	17.9	13.1	-14.8	6.0	6.0	12.3	-5.1	-1.1	7.3	7.2	3.2	13.5	-1.1
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Top 5	3.8	-5.6	-3.5	7.5	6.2	3.6	1.6	6.6	10.0	7.7	2.5	11.7	1.2	9.7
Top 6-10	3.0	1.1	2.2	2.7	3.2	-0.4	1.3	-0.4	1.9	-0.6	-1.8	2.5	4.1	2.1
Top 11-20	3.6	4.5	3.9	-5.0	1.7	1.8	4.0	-1.9	-0.4	2.5	2.6	1.3	5.5	-0.5
Client metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
US\$ 30m+	3.0	3.0	5.0	5.0	5.0	6.0	5.0	6.0	NA	NA	NA	NA	NA	NA
US\$ 20-30m	1.0	3.0	2.0	4.0	5.0	3.0	6.0	4.0	NA	NA	NA	NA	NA	NA
US\$ 10-20m	7.0	6.0	9.0	8.0	7.0	7.0	5.0	7.0	9.0	11.0	12.0	11.0	10.0	13.0
US\$ 5-10m	15.0	18.0	18.0	17.0	21.0	23.0	22.0	23.0	22.0	22.0	25.0	34.0	34.0	31.0
US\$ 1-5m	104.0	116.0	118.0	126.0	129.0	136.0	138.0	138.0	137.0	141.0	142.0	136.0	135.0	135.0
Per employee analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (US\$m) - TTM	840	914	979	1,036	1,077	1,114	1,150	1,186	1,231	1,285	1,345	1,409	1,471	1,531
Employees (average TTM)	16,951	18,522	19,850	20,853	21,195	21,276	21,452	21,684	21,773	21,876	22,043	22,255	22,735	23,469
Revenue per employee (TTM)	49,569	49,321	49,309	49,684	50,835	52,340	53,597	54,697	56,554	58,747	61,008	63,316	64,684	65,249

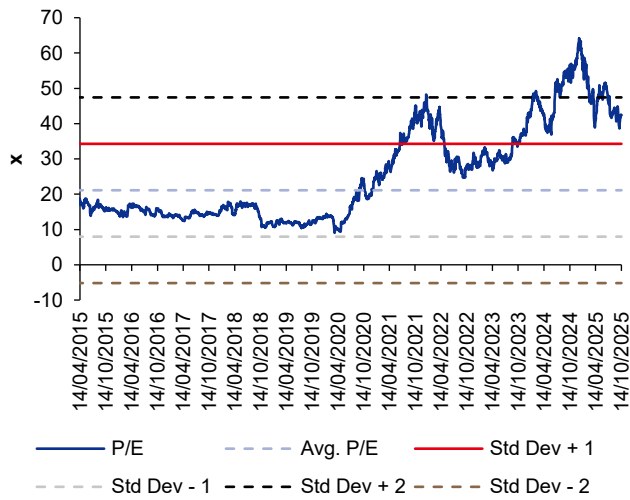
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in InCred estimates

Y/E Mar (Rs m)	FY26F			FY27F			FY28F
	New	Old	% change	New	Old	% change	New
US\$ revenue	1,646	1,671	-1.5	1,901	1,964	-3.2	2,186
Revenue	1,43,364	1,42,861	0.4	1,67,308	1,70,875	-2.1	1,92,404
EBIT	22,413	22,143	1.2	27,388	27,682	-1.1	31,512
EBIT Margin (%)	15.6	15.5	13bp	16.4	16.2	17bp	16.4
Net PAT	18,208	17,422	4.5	21,804	21,671	0.6	25,086
EPS (Rs)	116.5	112.5	4.5	139.5	140.0	0.6	160.5

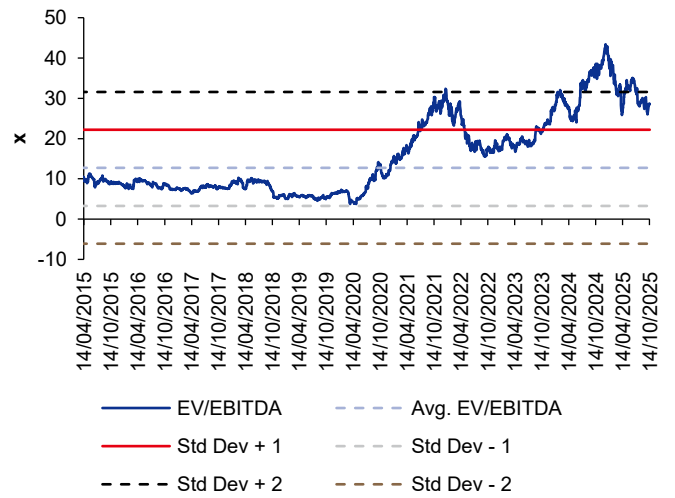
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Persistent Systems trades at a one-year forward P/E of 42.5x



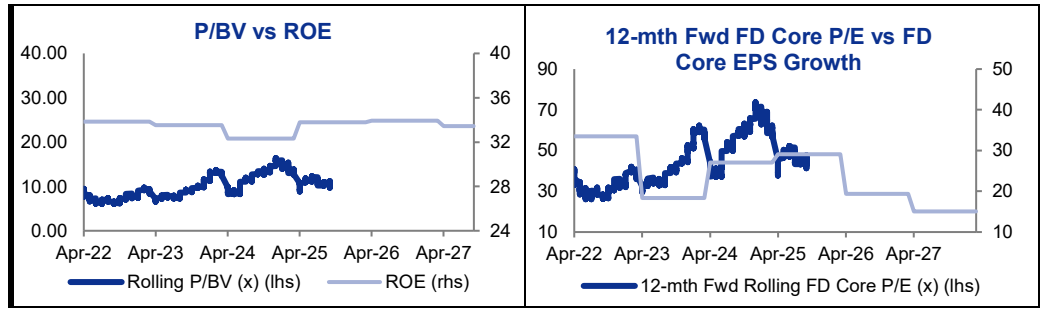
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Persistent Systems trades at a one-year forward EV/EBITDA of 28.6x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	98,216	119,387	143,364	167,308	192,404
Gross Profit	32,985	40,647	50,620	57,838	66,145
Operating EBITDA	17,243	20,582	26,425	32,073	36,514
Depreciation And Amortisation	(3,094)	(3,069)	(4,012)	(4,685)	(5,003)
Operating EBIT	14,149	17,512	22,413	27,388	31,512
Financial Income/(Expense)	813	710	1,393	1,188	1,366
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	14,962	18,223	23,806	28,576	32,878
Exceptional Items					
Pre-tax Profit	14,962	18,223	23,806	28,576	32,878
Taxation	(3,541)	(4,222)	(5,598)	(6,773)	(7,792)
Exceptional Income - post-tax	(486)				
Profit After Tax	10,935	14,001	18,208	21,804	25,086
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10,935	14,001	18,208	21,804	25,086
Recurring Net Profit	11,421	14,001	18,208	21,804	25,086
Fully Diluted Recurring Net Profit	11,421	14,001	18,208	21,804	25,086

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	17,243	20,582	26,425	32,073	36,514
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,052)	(6,233)	(5,825)	(4,121)	(4,320)
(Incr)/Decr in Total Provisions	(1,145)	918			
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,580	1,418			
Net Interest (Paid)/Received					
Tax Paid	(3,414)	(5,114)	(5,598)	(6,773)	(7,792)
Cashflow From Operations	12,213	11,569	15,002	21,179	24,403
Capex	(2,839)	(2,367)	(2,800)	(2,800)	(2,800)
Disposals Of FAs/subsidiaries	49	436			
Acq. Of Subsidiaries/investments	(2,074)	(490)			
Other Investing Cashflow	169	(1,924)	1,393	1,188	1,366
Cash Flow From Investing	(4,695)	(4,344)	(1,407)	(1,612)	(1,434)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(4,084)	(4,600)	(3,733)	(8,721)	(10,034)
Preferred Dividends					
Other Financing Cashflow	(1,853)	(1,682)			
Cash Flow From Financing	(5,937)	(6,282)	(3,733)	(8,721)	(10,034)
Total Cash Generated	1,581	943	9,861	10,846	12,934
Free Cashflow To Equity	9,374	9,202	12,202	18,379	21,603
Free Cashflow To Firm	7,518	7,225	13,594	19,567	22,969

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	12,955	13,643	23,504	34,350	47,284
Total Debtors	23,282	27,737	35,347	41,250	47,438
Inventories					
Total Other Current Assets	4,994	8,880	8,880	8,880	8,880
Total Current Assets	41,232	50,260	67,731	84,480	103,602
Fixed Assets	7,062	8,191	6,979	5,095	2,892
Total Investments	5,539	6,415	6,415	6,415	6,415
Intangible Assets	15,488	17,993	17,993	17,993	17,993
Total Other Non-Current Assets	4,415	4,507	4,507	4,507	4,507
Total Non-current Assets	32,504	37,106	35,894	34,010	31,807
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	8,139	8,886	10,671	12,453	14,321
Other Current Liabilities	13,703	12,442	12,442	12,442	12,442
Total Current Liabilities	21,842	21,328	23,112	24,895	26,762
Total Long-term Debt	99				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,671	2,583	2,583	2,583	2,583
Total Non-current Liabilities	1,770	2,583	2,583	2,583	2,583
Total Provisions	547	265	265	265	265
Total Liabilities	24,159	24,175	25,960	27,742	29,610
Shareholders Equity	49,577	63,191	77,665	90,747	105,799
Minority Interests					
Total Equity	49,577	63,191	77,665	90,747	105,799

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	17.6%	21.6%	20.1%	16.7%	15.0%
Operating EBITDA Growth	13.5%	19.4%	28.4%	21.4%	13.8%
Operating EBITDA Margin	17.6%	17.2%	18.4%	19.2%	19.0%
Net Cash Per Share (Rs)	83.54	87.90	150.36	219.73	302.48
BVPS (Rs)	322.14	407.14	496.82	580.51	676.79
Gross Interest Cover					
Effective Tax Rate	23.7%	23.2%	23.5%	23.7%	23.7%
Net Dividend Payout Ratio	26.7%	29.8%	15.7%	30.5%	30.5%
Accounts Receivables Days	81.12	77.99	80.30	83.55	84.12
Inventory Days					
Accounts Payables Days	38.69	39.46	38.48	38.55	38.70
ROIC (%)	34.6%	40.3%	37.3%	41.3%	45.5%
ROCE (%)	23.6%	23.8%	24.3%	24.8%	24.5%
Return On Average Assets	20.5%	21.9%	23.8%	24.9%	25.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.