

Persistent Systems Limited

March 10, 2025 | CMP: INR 5,271 | Target Price: INR 5,660

Expected Share Price Return: 7.4% | Dividend Yield: 0.5% | Expected Total Return: 7.9%

HOLD

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info	
BB Code	PSYS IN EQUITY
Face Value (INR)	5.0
52 W High/Low (INR)	6,789/3,233
Mkt Cap (Bn)	INR 829.2/ \$9.5
Shares o/s (Mn)	66.8
3M Avg. Daily Volume	5,37,529

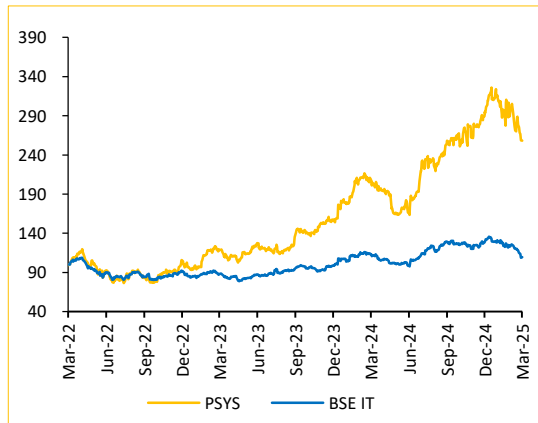
Change in CEBPL Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenues	137.1	140.2	2.2	167.8	171.3	2.1
GPM (%)	27.1	27.9	83 bps	28.4	28.9	55 bps
EBIT	19.7	21.3	8.2	26.3	27.4	4.3
EBITM %	14.4	15.2	83 bps	15.7	16.0	35 bps
EPS	102.7	110.6	7.6	136.8	141.5	3.4

Actual vs Consensus			
INR Bn	Q3FY25A	Consensus	Dev. %
Revenue	30.6	30.2	1.3
EBIT	4.5	4.4	2.2
EBITM %	14.9	14.5	40bps
PAT	3.7	3.4	8.8

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	83.5	98.2	118.6	140.2	171.3
YoY (%)	46.2	17.6	20.7	18.2	22.2
EBIT	12.5	13.7	17.0	21.3	27.4
EBITM %	14.9	13.9	14.4	15.2	16.0
PAT	9.2	10.9	13.7	17.0	21.7
EPS	61.9	72.4	89.6	110.6	141.5
ROE %	25.1	24.5	25.6	27.0	29.2
ROCE %	38.7	35.7	37.7	40.6	44.3
PE(x)	85.4	73.0	59.0	47.8	37.3

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	30.66	30.66	31.02
FIIs	24.75	23.34	22.55
DIIs	26.26	27.37	28.23
Public	18.3	18.6	18.2

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE IT	9.5	25.0	-3.6
Coforge	158.3	117.6	23.5



Rushil Katiyar

Email: rushil.katiyar@choiceindia.com

Ph: +91 22 6707 9887

Assessing Q3 Results in Light of Trump Tariffs & Macroeconomic Challenges

PSYS Revenue & EBIT slightly above estimates, PAT beats expectations.

- Revenue for Q3FY25 came at INR 30.6Bn up 22.6% YoY and 5.7% QoQ (vs consensus est. at INR 30.2Bn).
- EBIT for Q3FY25 came at INR 4.5Bn, up 25.5% YoY and 12.2% QoQ (vs consensus est. at INR 4.4Bn). EBIT margin was up 35bps YoY and 86bps QoQ to 14.9% (vs consensus est. at 14.5%).
- PAT for Q3FY25 stood at INR 3.7Bn, up 30.4% YoY and 14.8% QoQ (vs consensus est. at INR 3.7Bn).

Record \$594.1M TCV deal on TTM basis drives ambitious growth plans: PSYS secured significant deals in Q3FY25, including a \$150Mn+ 7-year transformation deal in BFSI, their largest to date. Other notable wins were in Software, Hi-Tech (a \$50Mn+ 5-year deal), and Healthcare & Life Sciences, focusing on R&D transformation, engineering partnerships, and platform modernization, leveraging company's SASVA platform. The TCV for the quarter reached \$594.1Mn, with new bookings at \$333.6Mn, and the ACV stood at \$428.3Mn. Management is confident in their growth trajectory, targeting \$2Bn revenue by FY27 and \$5Bn by FY31. While ACV growth appeared modest, multi-year deals are expected to drive future revenue. The healthy pipeline, coupled with a focus on AI-led, platform-driven services, positions PSYS for continued success. Strategic partnerships and a focus on top clients further support a positive outlook.

Potential slowdown in IT spends amid Trump tariffs: PSYS may face revenue challenges due to uncertainty over the Fed's interest rate decisions and concerns about a potential US economic slowdown. With 80% of its revenue from North America, a dip in IT spending or delayed contract renewals from key sectors like BFSI, software, Hi-tech, and emerging industries could affect top line growth. Additionally, currency volatility poses a risk to profit margins. However, easing inflation and stable tariff policies could drive increased demand, helping US enterprises make more confident IT spending decisions.

PSYS workforce, attrition, and EBIT outlook: As of Q3FY25, PSYS employed 23,941 people, with 20,661 based in India and 2,778 in North America. The company reported a TTM attrition rate of 12.6%, within acceptable limits. EBIT margin for Q3FY25 was 14.9%, up 90bps sequentially, driven by factors like higher utilization (87.4%), rationalized contractor costs, and a strong USD. Management aims for margin expansion of 200-300bps over medium term, focusing on pricing, SG&A optimization, and AI-led platform services, expecting the earnout reversal headwind to end by FY25.

View and Valuation: PSYS is committed to proactively staying closer to their clients and aiding them in prioritizing their technology spend towards cost optimization and transformation. We expect Revenue/EBIT/PAT to grow at a CAGR of 20.2%/26.9%/25.8% respectively over FY25E-FY27E. We upgrade our rating to HOLD to arrive at a revised target price of INR5,660. Considering PSYS's significant exposure to the US market, we have lowered our PE multiple to 40x (earlier 45x), based on the FY27E EPS of INR141.5.

PSYS Ltd.	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)
Revenues (\$ Mn)	360.2	300.6	19.8	345.5	4.3
Revenues (INR Mn)	30,623	24,982	22.6	28,972	5.7
Employee Cost	21,971	18,096	21.4	21,509	2.1
Gross Profit (INR Mn)	8,652	6,887	25.6	7,463	15.9
Gross Margin (%)	28.3	27.6	69 bps	25.8	250 bps
Other costs	3,274	2,468	32.6	2,655	23.3
Depreciation	821	787	4.3	745	10.2
EBIT (INR Mn)	4,557	3,631	25.5	4,062	12.2
EBIT Margin (%)	14.9	14.5	35 bps	14.0	86 bps
Other income (net)	426	383	11.3	465	(8.4)
Interest	163	121	34.7	182	(10.5)
PBT	4,820	3,893	23.8	4,345	10.9
Tax	1,090	1,032	5.7	1,095	(0.4)
PAT (INR Mn)	3,730	2,861	30.4	3,250	14.8
Basic EPS (INR)	24.3	18.9	28.3	21.2	14.6

Source: Company, CEBPL

Management Call - Highlights

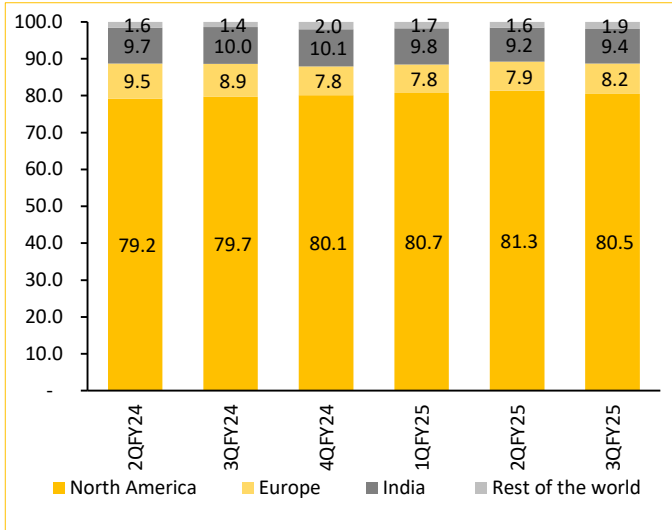
- DSO for the quarter stood at 64 compared to 68 in the previous quarter. Unbilled days were recorded at 22 days, an improvement of 2 days from the previous quarter.
- In Q3FY25, the number of active clients billed reached 383, compared to 379 in Q2FY25 and 375 in Q3FY24.
- In Q3FY25, revenue contribution from the top 5 customers stood at 30.8%, down from 31.4% in Q2FY25. The top 10 customers contributed 40.0%, down from 41.5% in Q2FY25. The top 20 customers accounted for 50.9% of revenue, compared to 52.1% in the previous quarter, while the top 50 customers contributed 67.4%, slightly lower than 67.9% in Q2FY25.
- In Q3FY25, the OCF to PAT ratio stood at 84.4%, an improvement compared to 80.7% in the previous quarter.
- Although there are indications of greenshoots, the company feels it is premature to declare a definitive success for these early signs of growth.
- The Board of Directors declared an interim dividend of INR20 per share for the quarter.

Sequential Operating Performance

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Income Statement						
Revenues (USD Mn)	292	301	311	328	346	360
Revenues (INR Mn)	24,117	24,982	25,905	27,372	28,972	30,623
Gross Profit (INR Mn)	6,358	6,887	6,970	7,420	7,463	8,652
Gross Margin (%)	26.4	27.6	26.9	27.1	25.8	28.3
EBIT (INR Mn)	3,308	3,631	3,744	3,840	4,062	4,557
EBIT Margin (%)	13.7	14.5	14.5	14.0	14.0	14.9
PAT (INR Mn)	2,633	2,861	3,153	3,064	3,250	3,730
Basic EPS (INR)	17.4	18.9	20.7	20.1	21.2	24.3
Operating Metrics						
Revenue - Geography (%)						
North America	79.2	79.7	80.1	80.7	81.3	80.5
Europe	9.5	8.9	7.8	7.8	7.9	8.2
India	9.7	10.0	10.1	9.8	9.2	9.4
Rest of the world	1.6	1.4	2.0	1.7	1.6	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
Revenue - Industry (%)						
BFSI	32.3	31.2	30.7	30.8	31.5	31.7
Healthcare & Life Sciences	19.3	21.8	24.2	26.7	27.8	27.8
Software, Hi-Tech & Emerging	48.4	47.0	45.1	42.5	40.7	40.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Employee Metrics						
Technical	21,263	21,738	22,224	21,866	21,675	22,407
Sales & Business Development	443	465	484	510	492	489
Others	1,136	1,133	1,142	1,143	1,070	1,046
Total Headcount	22,842	23,336	23,850	23,519	23,237	23,942
Attrition Rate LTM (%)	13.5	11.9	11.5	11.9	12.0	12.6

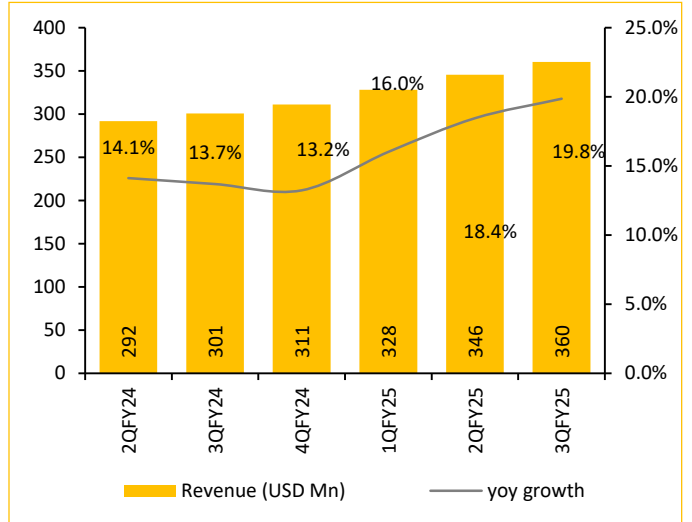
Source: Company, CEBPL

Geographical revenue performance



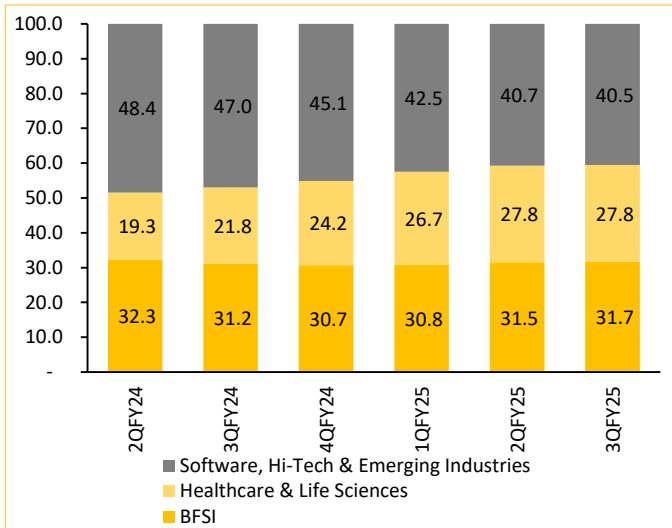
Source: Company, CEBPL

Quarterly revenue on upward trend



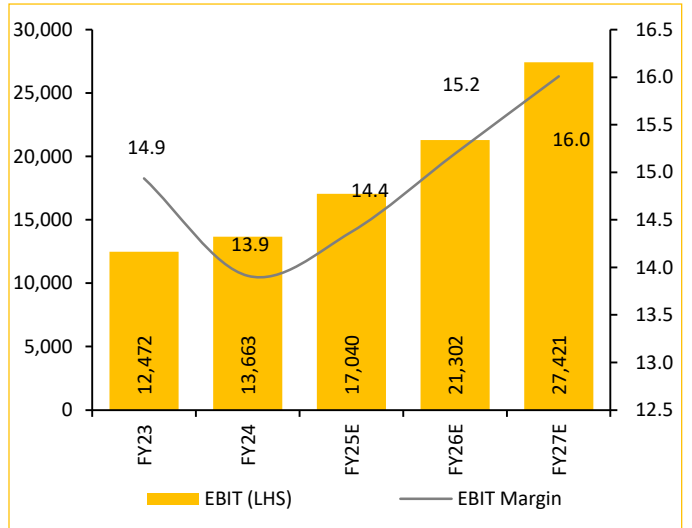
Source: Company, CEBPL

Vertical - wise revenue performance



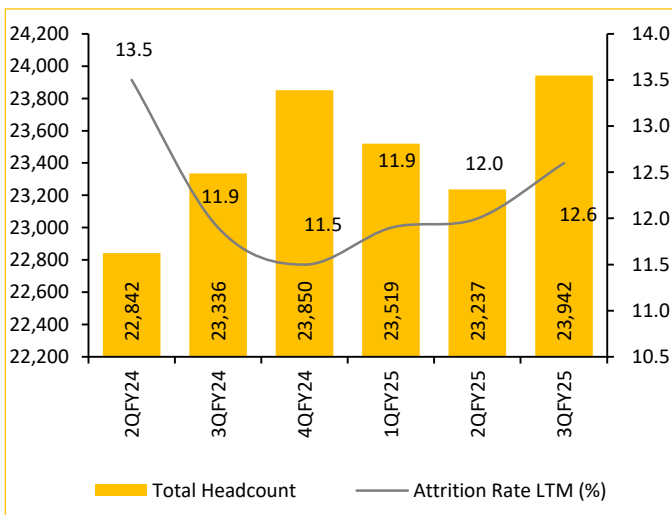
Source: Company, CEBPL

EBIT margins expansion program on track



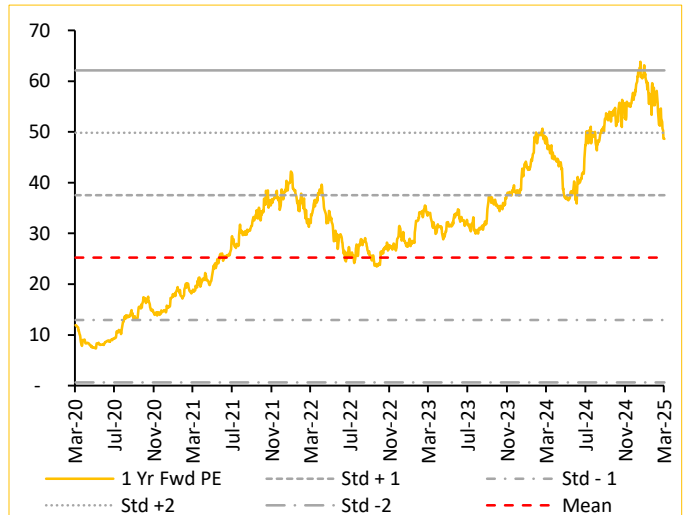
Source: Company, CEBPL

Positive net addition; Attrition rose marginally



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income Statement

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD Mn)	1,036	1,186	1,405	1,643	2,000
Revenue	83,506	98,216	1,18,554	1,40,165	1,71,274
Gross profit	23,384	27,113	32,127	39,103	49,515
EBITDA	15,191	16,757	20,171	25,086	32,131
Depreciation	2,719	3,094	3,131	3,784	4,710
EBIT	12,472	13,663	17,040	21,302	27,421
Other income	706	1,280	1,672	1,755	2,055
Interest expense	473	467	645	561	685
PAT	9,211	10,935	13,741	16,985	21,737
EPS (INR)	61.9	72.4	89.6	110.6	141.5

Source: Company, CEBPL

Balance Sheet

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	5,021	4,755	4,976	5,208	5,452
Goodwill & intangible assets	19,274	19,208	20,151	21,184	22,320
Investments	6,396	8,266	9,919	11,903	14,283
Cash & Cash equivalents	4,670	6,625	7,734	9,762	13,433
Other non-current assets	2,201	1,885	2,058	2,255	2,482
Other current assets	28,629	32,997	37,596	42,862	48,895
Total assets	66,191	73,736	82,434	93,175	1,06,865
Shareholder's funds	39,651	49,577	57,821	68,012	81,055
Minority interest	-	-	-	-	-
Borrowings	4,285	2,073	1,876	1,698	1,538
Lease liabilities	2,269	2,438	2,599	2,776	2,970
Other non-current liabilities	1,082	(1,364)	-1,048	-729	-398
Other current liabilities	18,905	21,012	21,186	21,418	21,700
Total equity & liabilities	66,191	73,736	82,434	93,175	1,06,865

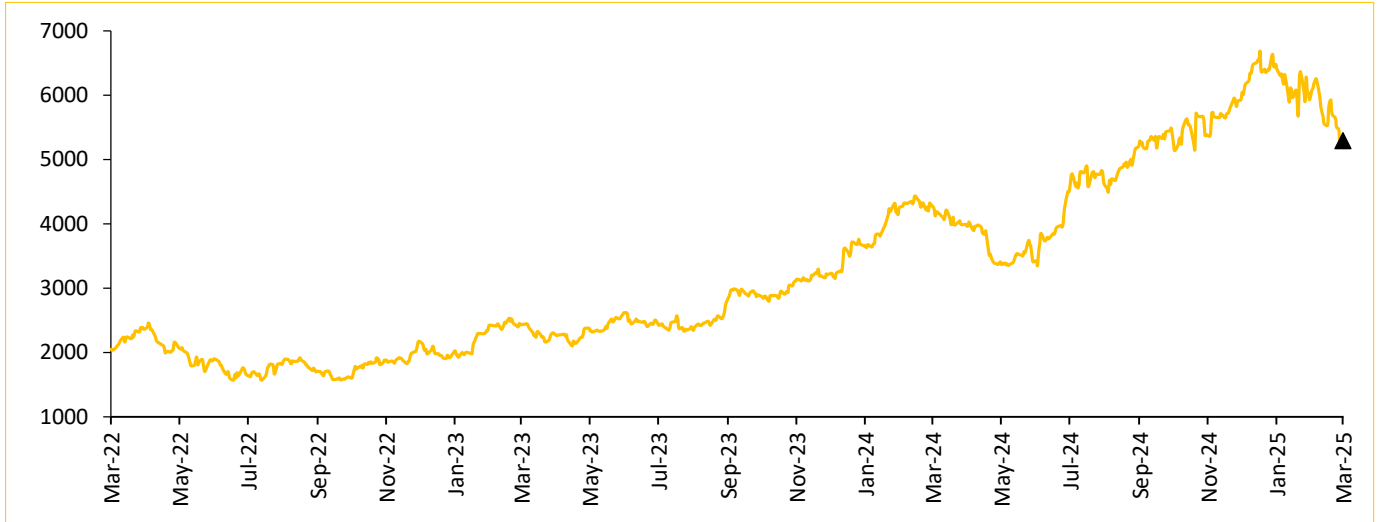
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash Flows from Operations	9,558	12,213	12,739	16,163	21,091
Cash Flows from Investing	(4,213)	(4,695)	(1,680)	(2,261)	(2,898)
Cash Flows from financing	(4,039)	(5,937)	(6,596)	(8,492)	(10,869)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	46.2	17.6	19.2	17.1	22.4
Gross Profit	60.8	15.9	14.2	19.9	28.3
EBITDA	58.5	10.3	15.5	20.9	31.7
EBIT	57.4	9.5	19.0	21.1	33.4
Margin Ratios (%)					
Gross Profit Margin	28.0	27.6	26.4	27.1	28.4
EBITDA Margin	18.2	17.1	16.5	17.1	18.4
EBIT Margin	14.9	13.9	13.9	14.4	15.7
Profitability (%)					
ROE	25.1	24.5	24.3	25.4	28.7
ROIC	32.2	30.3	30.6	32.2	36.9
ROCE	38.7	35.7	36.3	38.2	43.2
Valuation					
OCF / Net profit (%)	103.8	111.7	92.6	94.5	95.5
Book Value Per Share (x)	266.3	328.4	374.7	435.8	517.9
Free Cash Flow Yield	0.3	1.6	1.5	1.9	2.6

Source: Company, CEBPL

Historical Price Chart: Persistent Systems Limited



Institutional Research Team

Utsav Verma	Head of Research – Institutional Equities	utsav.verma@choiceindia.com	+91 22 6707 9440
Prashanth Kota	Analyst – Metals / Cement / Building Material / Real Estate / Infra	prashanth.kota@choiceindia.com	+91 22 6707 9887
Deepika Murarka	Analyst – Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement	ashutosh.murarka@choiceindia.com	+91 22 6707 9887
Putta Ravi Kumar	Analyst – Defense	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Analyst – Real Estate & Infrastructure	aayush.saboo@choiceindia.com	+91 22 6707 9512
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9511
Bharat Kumar Kudikyala	Associate – Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9887
Vinay Rawal	Associate – SMID	vinay.rawal@choiceindia.com	+91 22 6707 9887
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9952
Aryan Goyal	Associate – Automobile	aryan.goyal@choiceindia.com	+91 22 6707 9517
Rushil Katiyar	Associate – Information Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9887

CHOICE RATING DISTRIBUTION & METHODOLOGY

BUY	The security is expected to generate upside of 15% or more over the next 12 months
HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Disclaimer

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Limited-Research Analyst - INH000000222. (CIN. NO.: U65999MH2010PTC198714). Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri(East), Mumbai 400099. Tel. No. 022-6707 9999

Compliance Officer--Prashant Salián, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL RE" Limited). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and CEBPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General Disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein.

These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own Study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Past performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India). Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this report.

Disclosures of Interest (Additional):

1. "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
2. "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than 1 of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this research report.
4. "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
7. "CEBPL", or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
8. CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
9. "CEBPL", its research analyst has not been engaged in market making activity for the company(ies) covered in the Research report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>

Sr. No.	Particulars	Yes / No
1.	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company(ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company(ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADINR) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Research report are given above.