

# Persistent Systems

India | IT Services | Result Update



22 April 2026

## Higher costs drag margins

Persistent Systems' (PSYS IN) Q4 revenue was largely in line but EBIT margins were below our estimates due to higher-than-expected costs. The company ended FY26 at 17.4% USD revenue growth. It continues to maintain its guidance of USD 2bn annualized revenue by Q4FY27 and USD 5bn by FY31. Though PSYS has minimal exposure to the Middle East, the management sounded cautious regarding the growth of its US market (>80%+ mix) in the medium term, given the war may continue for the long term thus pushing inflation higher in that market. As per our calculation, the ask rate to reach FY31 target is 3.5% CQGR (organic). The company ended FY26 at 15.6% EBIT margin. Management had earlier guided for healthy medium-term margin expansion of 150-200bps, but it now appears to be prioritizing growth over margin expansion. We maintain SELL with a lower TP of INR 4,280 (unchanged multiple of 26x).

**Broad-based growth across verticals:** PSYS reported a growth of 3.4% QoQ in CC terms and 3.2% in USD terms in Q4. In INR terms, growth was 7.4% QoQ and 25.1% YoY. In Q4, growth was led by North America and India, as revenue from these markets rose 3.1% QoQ and 9.8% QoQ, respectively, followed by RoW at +3.2% QoQ. Europe market continues to be a drag on growth, declining 1.7% QoQ. Vertical-wise, growth was led by Healthcare, up 6.9% QoQ, followed by Hi-Tech, up 2.2% QoQ. BFSI grew 1.7% QoQ in USD terms in Q4FY26. TCV came in at USD 600.8mn, -10.9% QoQ/+16.1% YoY, while annual contract value (ACV) came in at USD 445.1mn, -11.3% QoQ/+27.1% YoY. LTM attrition was down 50bps QoQ to 13.0%, while PSYS reported a net addition of 791 employees in Q4. Utilization was down 40bps QoQ to 88% in Q4. The Board declared an interim dividend of INR 18 per share, with total dividend for FY26 at INR 40 per share and a payout ratio of 33.6%.

**Margin contraction led by increase in sub con costs:** Q4 EBIT margin was down 40bps to 16.3%, impacted by higher consulting and advisory costs linked to corporate development initiatives (-60bps) and increased subcontracting, software license purchases, and travel related to the annual planning cycle (-70bps). These were partially offset by tailwinds, including favorable currency movement (+60bps) and operational efficiencies. PSYS is targeting an aspirational range of 16-17% EBIT margins in the medium term, while prioritizing growth and continued investment in AI platforms, talent, and partnerships.

**Maintain SELL with a lower TP of INR 4,280:** PSYS continues to report a broad-based growth across all customer segments. BFSI reported strong growth in FY26 due to expanding relationship with existing clients as well as the addition of new clients. Healthcare reported relatively weak growth due to funding constraints for clients in the US. We are building in 14.1%/15.3% USD /INR revenue growth CAGR in FY26E-28E, largely in line with the long-term guidance. We expect some pressure on profitability due to elevated costs and hence, cut our earnings estimates by 4-5% for FY27E/28E. Accordingly, we cut our TP to INR 4,280 (from INR4,430). We maintain SELL on PSYS at an expensive valuation (the stock is trading at 37x and 32x on FY27E/FY28E).

### Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	119,387	147,484	173,137	195,999	219,320
YoY (%)	21.6	23.5	17.4	13.2	11.9
EBITDA (INR mn)	20,580	27,954	32,157	37,154	41,336
EBITDA margin (%)	17.2	19.0	18.6	19.0	18.8
Adj PAT (INR mn)	14,001	19,319	22,305	25,923	29,558
YoY (%)	28.0	33.2	19.6	16.2	14.0
Fully DEPS (INR)	90.2	122.5	141.4	164.3	187.4
RoE (%)	24.8	27.3	26.2	26.0	25.4
RoCE (%)	30.5	33.8	32.6	32.5	31.3
P/E (x)	58.4	43.2	37.4	32.2	28.2
EV/EBITDA (x)	40.2	29.6	25.7	22.2	20.0

Note: Pricing as on 21 April 2026; Source: Company, Elara Securities Estimate

Rating: Sell

Target Price: INR 4,280

Downside: 20%

CMP: INR 5,330

As on 21 April 2026

#### Key data

Bloomberg	PSYS IN
Reuters Code	PERS.NS
Shares outstanding (mn)	158
Market cap (INR bn/USD mn)	841/8,993
EV (INR bn/USD mn)	826/8,839
ADTV 3M (INR mn/USD mn)	4,601/49
52 week high/low	6,599/4,449
Free float (%)	69

Note: as on 21 April 2026; Source: Bloomberg

#### Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY25	FY26	FY26	FY26
Promoter	30.7	30.6	30.6	30.3
% Pledge	0.0	0.0	0.0	0.0
FII	24.9	24.2	21.2	22.8
DII	26.8	27.8	30.6	29.8
Others	17.6	17.5	17.6	17.1

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.3)	(5.0)	1.9
Persistent Systems	(14.6)	(8.1)	8.8
NSE Mid-cap	1.9	(1.5)	7.2
NSE Small-cap	6.7	(4.5)	4.8

Source: Bloomberg

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## Financials (YE March)

<b>Income Statement (INR mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Total Revenue	119,387	147,484	173,137	195,999	219,320
Gross Profit	40,647	51,720	60,628	68,628	88,253
EBITDA	20,580	27,954	32,157	37,154	41,336
EBIT	17,511	23,925	27,692	32,313	36,341
Interest expense	671	683	662	682	796
Other income	710	1,077	2,047	2,250	2,551
Exceptional/ Extra-ordinary items	-	890	-	-	-
PBT	18,221	24,112	29,740	34,563	38,892
Tax	4,222	5,461	7,435	8,641	9,334
Minority interest/Associates income	-	-	-	-	-
Reported PAT	14,001	18,651	22,305	25,923	29,558
Adjusted PAT	14,001	19,319	22,305	25,923	29,558
<b>Balance Sheet (INR mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Shareholders' Equity	63,191	78,379	91,761	107,315	125,050
Minority Interest	-	-	-	-	-
Trade Payables	8,886	11,342	14,289	16,168	18,084
Provisions & Other Current Liabilities	12,442	17,901	19,380	20,549	21,742
Total Borrowings	-	-	-	-	-
Other long term liabilities	2,848	6,144	6,144	6,144	6,144
<b>Total liabilities &amp; equity</b>	<b>87,366</b>	<b>113,765</b>	<b>131,574</b>	<b>150,176</b>	<b>171,020</b>
Net Fixed Assets	13,073	15,232	12,767	9,927	6,932
Goodwill	12,338	13,597	13,597	13,597	13,597
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	11,695	13,964	13,964	13,964	13,964
Cash, Bank Balances & treasury investments	10,255	12,183	24,063	39,453	55,666
Inventories	-	-	-	-	-
Sundry Debtors	18,478	21,332	25,140	26,849	30,044
Other Current Assets	21,527	37,458	42,042	46,386	50,817
<b>Total Assets</b>	<b>87,366</b>	<b>113,765</b>	<b>131,574</b>	<b>150,176</b>	<b>171,020</b>
<b>Cash Flow Statement (INR mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
<b>Cashflow from Operations</b>	<b>11,569</b>	<b>17,671</b>	<b>22,803</b>	<b>27,759</b>	<b>30,036</b>
Capital expenditure	(2,367)	(2,086)	(2,000)	(2,000)	(2,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(1,977)	(4,013)	-	-	-
<b>Free Cash Flow</b>	<b>9,202</b>	<b>15,585</b>	<b>20,803</b>	<b>25,759</b>	<b>28,036</b>
Cashflow from Financing	(6,282)	(7,482)	(8,922)	(10,369)	(11,823)
Net Change in Cash / treasury investments	26	1,928	11,881	15,390	16,213
<b>Key assumptions &amp; Ratios</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Dividend per share (INR)	35.0	40.0	56.6	65.7	74.9
Book value per share (INR)	407.3	496.8	581.7	680.3	792.7
RoCE (Pre-tax) (%)	30.5	33.8	32.6	32.5	31.3
ROIC (Pre-tax) (%)	37.1	40.2	41.4	47.7	53.0
ROE (%)	24.8	27.3	26.2	26.0	25.4
Asset Turnover (x)	9.8	10.4	12.4	17.3	26.0
Net Debt to Equity (x)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Net Debt to EBITDA (x)	(0.5)	(0.4)	(0.7)	(1.1)	(1.3)
Interest cover (x) (EBITDA/ int exp)	30.7	40.9	48.6	54.4	51.9
Total Working capital days (WC/rev)	16.9	10.9	7.2	3.9	1.7
<b>Valuation</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
P/E (x)	58.4	43.2	37.4	32.2	28.2
P/Sales (x)	7.0	5.7	4.9	4.3	3.8
EV/ EBITDA (x)	40.2	29.6	25.7	22.2	20.0
EV/ OCF (x)	71.4	46.8	36.2	29.8	27.5
FCF Yield	1.1	1.9	2.5	3.1	3.4
Price to BV (x)	13.1	10.7	9.2	7.8	6.7
Dividend yield (%)	0.7	0.8	1.1	1.2	1.4

Note: Pricing as on 21 April 2026; Source: Company, Elara Securities Estimate

## Exhibit 1: Quarterly financials

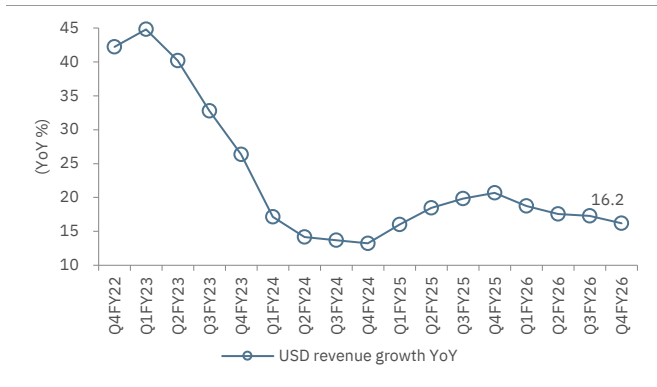
(INR mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Variance (%)
Revenue (USD mn)	436	375	16.2	422.5	3.2	437.2	(0.3)
Revenue (INR mn)	40,559	32,421	25.1	37,782	7.4	39,787	1.9
Operating expenditure	32,882	26,576	23.7	30,451	8.0	31,968	2.9
Employee benefit costs	21,365	18,110	18.0	20,409	4.7	21,429	(0.3)
Sub con costs	6,218	4,687	32.7	5,597	11.1	5,849	6.3
EBITDA	7,677	5,844	31.4	7,331	4.7	7,819	(1.8)
Depreciation	1,085	791	37.2	1,006	7.9	1,036	4.7
EBIT	6,592	5,053	30.5	6,325	4.2	6,783	(2.8)
Other income, net	148	(1)		(675)		143	3.8
PBT	6,740	5,052	33.4	5,650	19.3	6,926	(2.7)
Total tax	1,447	1,095	32.2	1,255	15.3	1,662	(12.9)
Reported PAT	5,293	3,958	33.7	4,395	20.4	5,264	0.6
Reported EPS (INR)	33.6	25.4	32.1	27.9	20.1	33.5	0.3

Source: Company, Elara Securities Estimate

## Conference call highlights

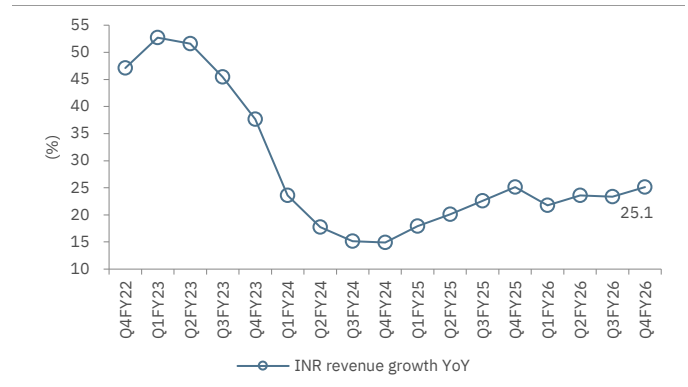
- ▶ **Management is cautiously optimistic on the macro environment**, acknowledging ongoing geopolitical risks (including tensions in the Middle East) and the potential second-order impact through inflation and oil prices, while noting minimal direct exposure to affected regions. Demand trends are stable, with tech clients leading AI adoption and regulated industries such as BFSI and healthcare progressing steadily, albeit with a slower enterprise-wide rollout.
- ▶ **Deal wins soft QoQ**: Sequential moderation in Q4 bookings was attributed to normal seasonality, given that nearly 80% of revenue comes from the US, where renewals typically peak in the December quarter. Management reiterated that revenue realization depends on prior-quarter ACV closures and multi-year deal conversions, reinforcing strong revenue visibility.
- ▶ **Vertical-wise broad-based growth**: BFSI was the strongest-performing vertical for FY26, driven by deep relationships with top US and Indian banks, fintechs, brokers, and insurers. Healthcare & Life Sciences showed steady growth, supported by AI-enabled drug discovery, data unification, and regulated modernization programs, while Hi-Tech and Emerging Verticals growth was led by tech clients leading adoption of AI-led SDLC and engineering productivity initiatives. **Geography-wise, North America remained the primary growth engine**, Europe delivered double-digit YoY growth despite sequential volatility, and India growth reflected a one-off billing classification impact. Management highlighted a shift in enterprise spend from run-the-business programs to AI-ready transformation initiatives, especially across regulated industries.
- ▶ **Platform-led AI strategy**: PSYS advanced its AI-led platform strategy, anchored on Engineering Hyper-Productivity, Business Hyper-Productivity, and Enterprise Data Readiness, supported by responsible AI. The quarter saw significant internal and external momentum, including a 1,700+ employee AI huddle, expansion of platforms such as SASVA, iAURA, and GenAI Hub, over 120 patents filed, and multiple enterprise-scale AI deployments across BFSI, healthcare, and public safety. The company emphasized solving the last mile of AI adoption through governed, repeatable, and scalable enterprise execution.
- ▶ **PSYS is focused on gaining market share through AI-led differentiation**, deepening strategic client relationships, and continued investment in platforms and ecosystem partnerships, and remains confident in progressing toward a ~USD 2bn revenue run-rate by FY27 (Q4 exit), subject to macro developments, while prioritizing long-term growth over short-term volatility. PSYS also reiterated its medium-term EBIT margin aspiration of 16–17%.

**Exhibit 2: YoY USD revenue growth decelerating**



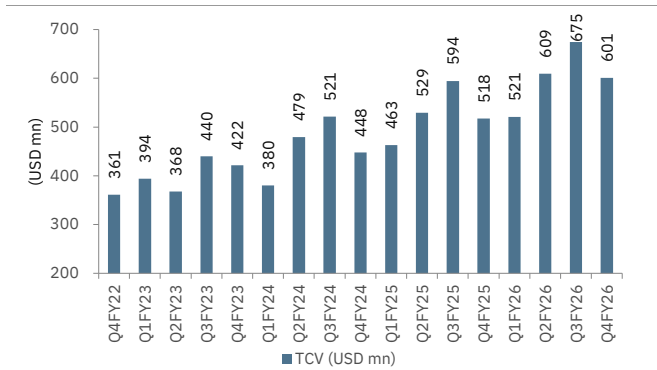
Source: Company, Elara Securities Research

**Exhibit 3: YoY INR growth supported by INR depreciation**



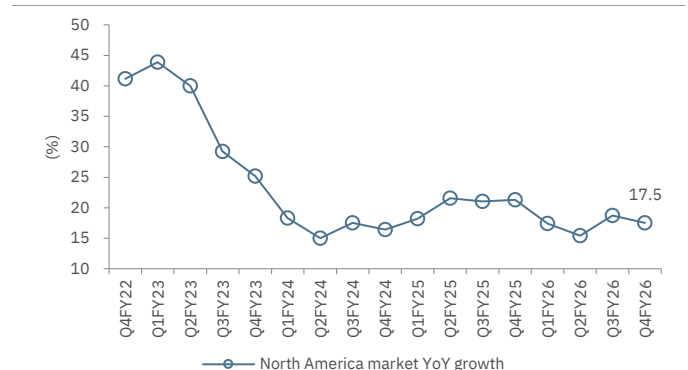
Source: Company, Elara Securities Research

**Exhibit 4: TCV booking soft**



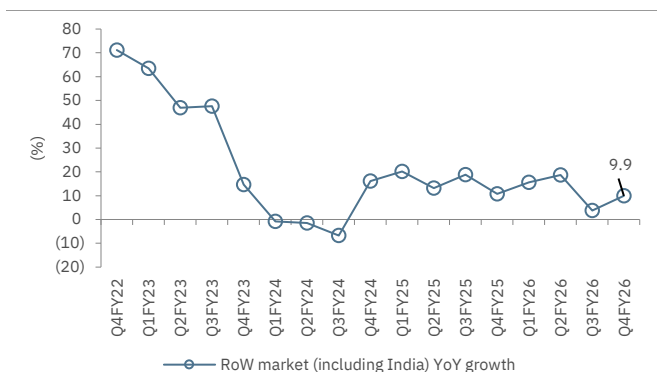
Source: Company, Elara Securities Research

**Exhibit 5: North America – Growth decelerated in Q4**



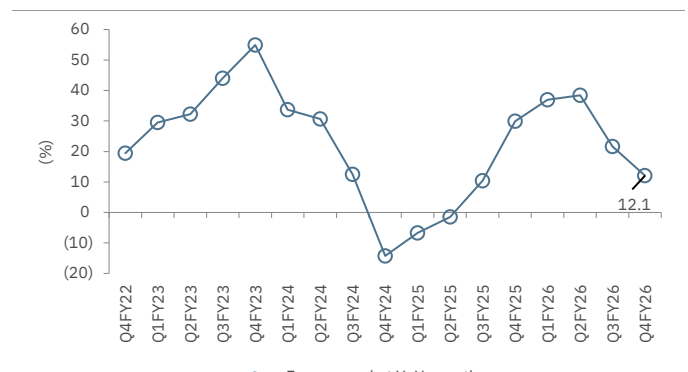
Source: Company, Elara Securities Research

**Exhibit 6: RoW – India reported an improvement in growth**



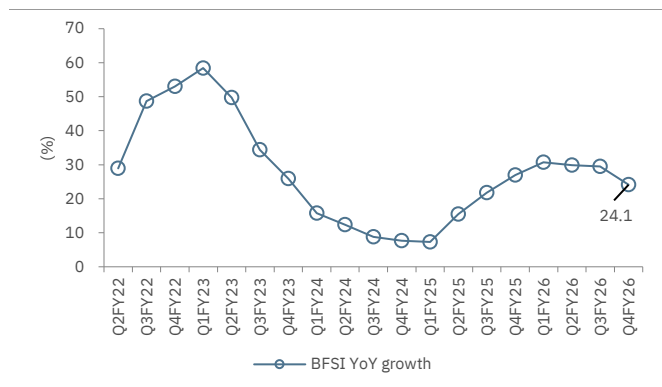
Source: Company, Elara Securities Research

**Exhibit 7: Europe market – Growth continues to remain soft in Q4**



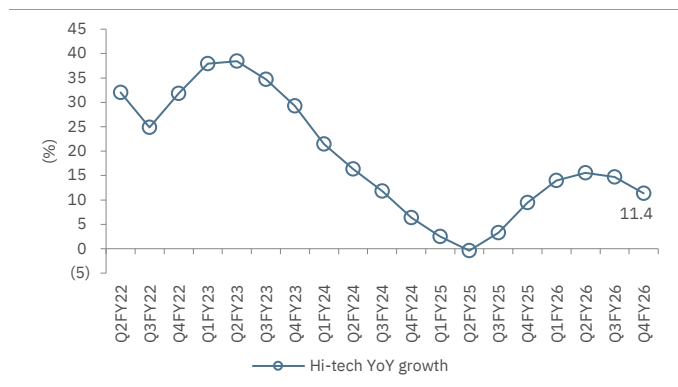
Source: Company, Elara Securities Research

**Exhibit 8: BFSI growth robust**



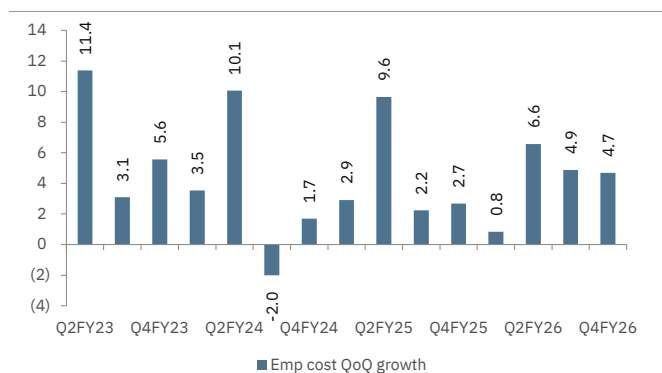
Source: Company, Elara Securities Research

**Exhibit 9: Hi-tech growth driven by AI adoption**



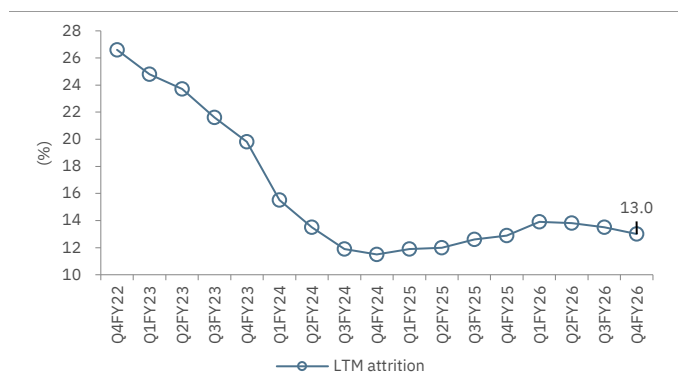
Source: Company, Elara Securities Research

**Exhibit 10: Employee cost expanding sequentially**



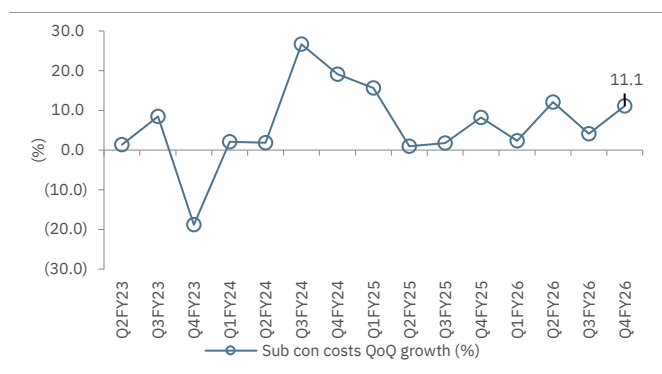
Source: Company, Elara Securities Research

**Exhibit 11: LTM attrition down 50bps sequentially**



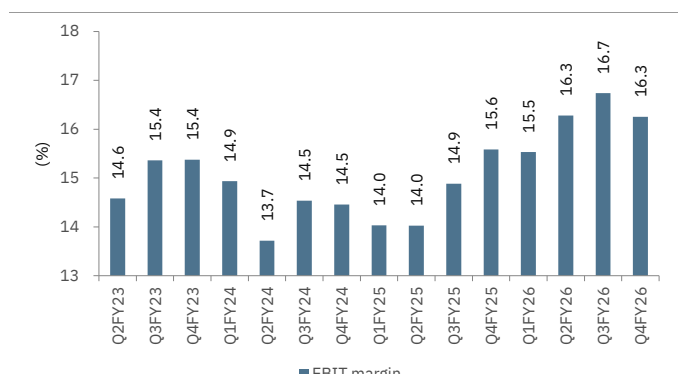
Source: Company, Elara Securities Research

**Exhibit 12: Subcon costs rising sequentially**



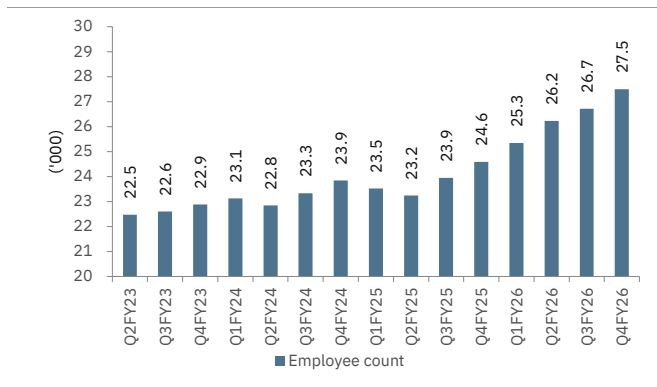
Source: Company, Elara Securities Research

**Exhibit 13: EBIT margin contracted 40bps sequentially**



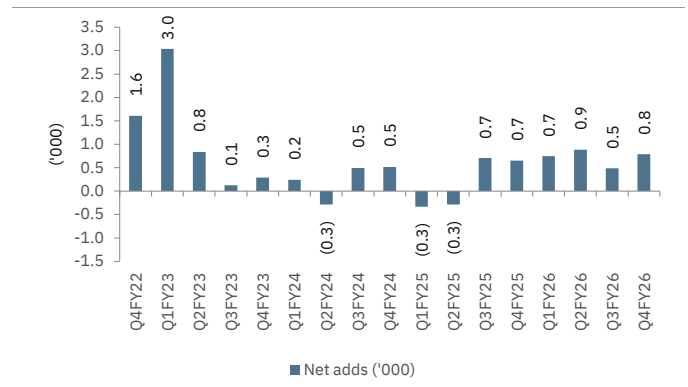
Source: Company, Elara Securities Research

**Exhibit 14: Employee base continued to see an uptick...**



Source: Company, Elara Securities Research

**Exhibit 15: ... with six quarters of positive net adds**



Source: Company, Elara Securities Research

**Exhibit 16: Valuation**

<b>(INR)</b>	
Current trailing 12 months (TTM) EPS	119
Current market price (CMP)	5,330
Target EPS	164
Target EPS period	FY28E
Target multiple (x)	26
Target price (per share)	4,280
Downside (%)	20

Note: Pricing as on 21 April 2026; Source: Company, Elara Securities Estimate

**Exhibit 17: Persistent trading at 37.4x, above its 10 year mean**



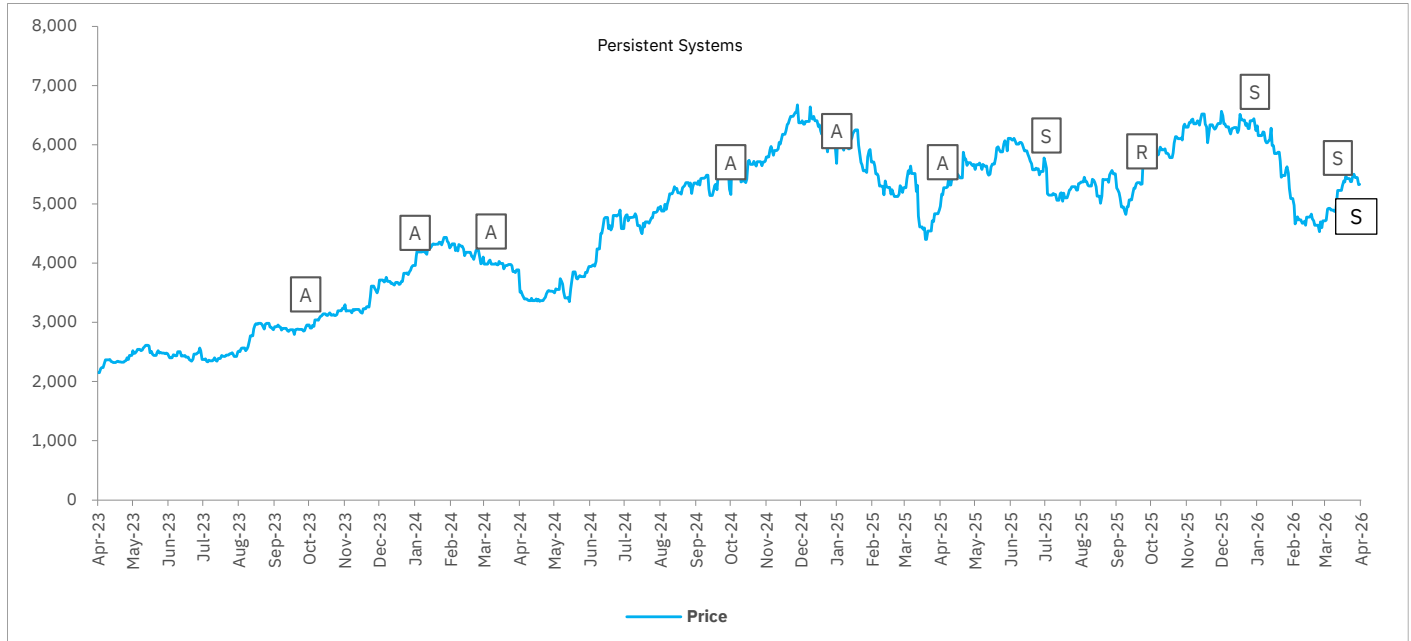
Note: Pricing as on 21 April 2026; Source: NSE, Elara Securities Estimate

**Exhibit 18: Change in estimates**

<b>(INR mn)</b>	<b>Earlier</b>		<b>Revised</b>		<b>% change</b>		<b>New</b>
	<b>FY27E</b>	<b>FY28E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Revenue in USD	1,908	2,147	1,903	2,154	(0.3)	0.3	2,410
Revenue in INR	1,71,680	1,93,189	1,73,137	1,95,999	0.8	1.5	2,19,320
EBIT	28,832	33,144	27,692	32,313	(4.0)	(2.5)	36,341
EBIT margin (%)	16.8	17.2	16.0	16.5	-80 bps	-70 bps	16.6
PAT	23,464	26,921	22,305	25,923	(4.9)	(3.7)	29,558
EPS (INR)	149	171	141	164	(4.9)	(3.7)	187
<b>TP</b>		<b>4,430</b>		<b>4,280</b>		<b>(3.4)</b>	

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
19-Oct-2023	Accumulate	6,180	5,849
22-Jan-2024	Accumulate	8,300	7,922
28-Mar-2024	Accumulate	4,150	3,985
22-Oct-2024	Accumulate	5,880	5,182
22-Jan-2025	Accumulate	6,090	5,683
24-Apr-2025	Accumulate	5,620	5,157
23-Jul-2025	Sell	5,050	5,606
14-Oct-2025	Reduce	5,250	5,338
20-Jan-2026	Sell	5,630	6,343
02-Apr-2026	Sell	4,430	5,228
21-Apr-2026	Sell	4,280	5,330

### Guide to Research Rating

<b>BUY (B)</b>	Absolute Return >+20%
<b>ACCUMULATE (A)</b>	Absolute Return +5% to +20%
<b>REDUCE (R)</b>	Absolute Return -5% to +5%
<b>SELL (S)</b>	Absolute Return < -5%

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