Institutional Equities | Technology

Choice Institutional Equities

Q1FY27 Result Update

Persistent Systems: Healthy Quarter; Strategic Acquisition Reshapes Growth Profile

BUY

August 03, 2026 | CMP: INR 5,525 | Target Price: INR 6,350

Expected Share Price Return: 14.8% I Dividend Yield: 0.7% I Potential Upside: 16.0%

Sector View: Neutral

Change in Estimates	✓
Target Price Change	✓
Recommendation	✓

Company Info

BB Code	PSYS IN EQUITY
Face Value (INR)	5.0
52-w High/Low (INR)	6,599/4,243
Mkt Cap (Bn)	INR 875.5/ $9.20
Shares o/s (Mn)	157.7
3M Avg. Daily Volume	7,80,652

Change in Estimates

	FY27E			FY28E		
INR Bn	**New**	**Old**	**Dev. (%)**	**New**	**Old**	**Dev. (%)**
Revenues	180.8	178.2	1.4	213.6	208.7	2.4
EBIT	28.4	29.3	(3.1)	35.7	35.3	1.1
EBITM %	15.7	16.4	(74 bps)	16.7	16.9	(20 bps)
EPS	139.9	142.8	(2.1)	183.1	177.0	3.5

Actual vs CIE Estimates

INR Bn	Q1FY27A	CIE Est.	Dev.%
Revenue	43.0	42.9	0.2
EBIT	6.8	6.0	14.4
EBITM %	16.0	14.0	198 bps
PAT	4.8	4.9	(1.8)

Key Financials

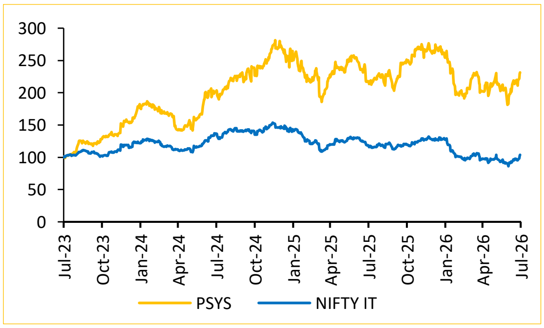
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	119.4	147.5	180.8	213.6	253.2
YoY (%)	21.6	23.5	22.6	18.2	18.5
EBIT	17.5	23.0	28.4	35.7	44.2
EBITM %	14.7	15.6	15.7	16.7	17.5
Adj PAT	14.0	18.5	21.9	28.6	35.2
EPS	91.2	123.0	139.9	183.1	225.0
ROE %	24.8	26.1	25.8	28.6	29.5
ROCE %	22.4	23.8	24.2	26.2	27.5
PE(x)	58.1	44.1	38.8	29.6	24.1

Shareholding Pattern (%)

	Jun-26	Mar-26	Dec-25
Promoters	30.29	30.29	30.29
FIIs	20.79	22.11	22.79
DIIs	30.25	30.47	29.80
Public	17.99	16.14	16.21

Relative Performance (%)

YTD	3Y	2Y	1Y
NIFTY IT	7.0	(11.8)	(13.0)
PSYS	133.9	14.8	7.5



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Q1FY27 Technology Result Preview

Core Execution Remains Strong; Nagarro adds Strategic Scale with Execution Risks: PSYS delivered another strong quarter, underpinned by record TCV of USD 1.15 Bn, continued market share gains and sustained traction in AI-led outsourcing, reinforcing confidence in its medium-term organic growth outlook. We view the EUR-1.27 Bn Nagarro acquisition as strategically compelling, materially strengthening PSYS's European presence, vertical diversification (Manufacturing, Retail and Public Services) and enterprise application capabilities. While Nagarro's relatively lower growth and margin profile and integration execution remain key monitorables, we believe the deal's strategic benefits enhanced scale and stronger long-term growth profile outweigh these headwinds. **Accordingly, we upgrade the stock to 'BUY' and raise our TP to INR 6,350, valuing PSYS at 35x FY28E EPS**

Solid Q1 Execution; Order Book Momentum Strong

- PSYS reported Q1FY27 revenue at USD 452.4 Mn, up 3.8% QoQ and 16.1% YoY (vs CIE estimate of USD 457 Mn). In CC terms, revenue was up 4.1% QoQ and 16.5% YoY. INR revenue stood at INR 43,032.3 Mn, up 6.1% QoQ and 29.1% YoY (vs CIE estimate of INR 42,942 Mn).
- EBIT stood at INR 6,868.8 Mn, up 4.2% QoQ and 32.7% YoY (vs CIE estimate of INR 6,993 Mn). Operating (EBIT) margin came in at 16.0%, down 29 bps QoQ and 43 bps YoY (vs CIE estimate of 14.0%).
- PAT came in at INR 4,831 Mn, down 8.7% QoQ and 13.7% YoY (vs CIE estimate of INR 4,921 Mn).

Revenue Momentum Remains Strong; Record Deal Wins Enhance Growth Visibility: PSYS reported another strong quarter with revenue of USD 452.4 Mn, growing 3.8% QoQ and 16.1% YoY, supported by broad-based execution across key verticals. Healthcare & Life Sciences (+16.4% YoY), BFSI (+16.3% YoY) and Software, Hi-Tech & Emerging Industries (+15.7% YoY) continued to drive growth, while North America remained resilient with 15.1% YoY growth. The company reported its highest-ever quarterly TCV of USD 1.146 Bn, including USD 952 Mn of new bookings and USD 537 Mn ACV, underpinned by a USD 650 Mn+ strategic outsourcing engagement with a global technology leader. The management highlighted continued market share gains through vendor consolidation and competitive outsourcing wins, reinforcing confidence in sustained above-industry growth. **We expect healthy deal ramp-ups, expanding AI-led outsourcing opportunities and continued client consolidation to support strong revenue momentum through FY27E.**

Margin Soft; Nagarro Integration a Near-term Monitorable: EBIT margin moderated to 16.0% (-30 bps QoQ) due to proactive hiring, lower utilisation (86.5%, -150 bps QoQ) and continued AI capability investments. The management expects the 180–200 bps wage hike impact in Q2FY27, which would be partly offset through productivity initiatives and reiterated its 16–17% medium-term EBIT margin aspiration. While AI-led operating leverage and large-deal ramp-ups anticipated to support gradual margin recovery, the proposed Nagarro acquisition is likely to dilute near-term margin and introduce execution and integration risks. **We expect profitability to improve progressively as utilisation normalises, large deals scale up and acquisition synergies begin to materialise.**

PSYS Ltd.	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YoY (%)
Revenues (USD Mn)	452	436	3.8	390	16.1
Revenues (INR Mn)	43,032	40,559	6.1	33,336	29.1
EBIT (INR Mn)	6,869	6,592	4.2	5,178	32.7
EBIT Margin (%)	16.0	16.3	(29) Bps	15.5	43 bps
Other income	(638)	148	(530.4)	547	(216.7)
PAT (INR Mn)	4,831	5,293	(8.7)	4,249	13.7
FD EPS (INR)	30.9	33.8	(8.7)	27.4	12.7

Source: PSYS, Choice Institutional Equities

Nagarro Acquisition Likely to Moderate Growth and Margin in the Near Term

Particulars	Nagarro (Euro MN)			Nagarro (USD Mn)			Persistent (USD Mn)			Combined	
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY27	FY28
Revenue	999.3	1,049.3	1,102.7	1,139.0	1,259.1	1,322.1	1,654.0	1,918.0	2,225.0	3,177.1	3,547.1
YoY growth (%)	2.8%	5.0%	5.0%		5.0%	5.0%		16.0%	16.0%		12.0%
EBITDA	118.7	136.4	143.2	135.0	163.7	171.9	304.0	352.6	431.7	516	604
EBITDA Margin (%)	11.9%	13.0%	13.0%	11.9%	13.0%	13.0%	18.4%	18.4%	19.4%	16%	17%
D&A	35.7	83.7	85.0	41.0	100.4	102.0	45.3	51.0	59.6	151.4	161.6
EBIT	83.0	52.7	58.2	94.0	63.2	69.9	258.7	301.6	372.1	364.8	442.0
EBIT Margin (%)	8.3%	5.0%	5.3%	8.3%	5.0%	5.3%	15.6%	15.7%	16.7%	11%	12%
Other Income	2.5						15.8	9.0	22.6	9.0	22.6
Finance Cost	20.1						5.8	7.1	6.9	7.1	87.5
PBT	65.5						268.7	303.5	387.8	366.7	377.1
Tax	26.0						61.3	71.0	89.3	82.5	84.8
PAT	39.5						207.4	232.5	298.5	284.2	292.2
EPS	3.18						1.33	1.49	1.91	1.82	1.87

Note:
1. We are assuming the transaction gets completed by Q4FY27.
2. Nagarro revenue CAGR of 5% assumed for FY27-FY28
3. Nagarro reported EBITDA margin assumed at 13% for next two years
4. Currency assumptions: USD/EUR assumption of 1.2 for FY27/FY28.
5. Intangibles - 30% of EV amortised over 8 years. EUR48 Mn/USD57.6 Mn incremental amortisation per year
6. Interest costs of EUR 67.2 /USD 80.6 Mn at 4.8% interest rate per annum. This is assuming entire EUR 1400 Mn bridge financing facility is availed.
7. Tax rate for the combined entity is assumed to be similar to Persistent at 22.5%
8. PAT for FY28E comes to USD 292 Mn i.e. 2.1% below current estimates

PSYS's pro forma financial profile is anticipated to weaken, with USD revenue growth moderating to ~12% (vs. 16% standalone, reflecting Nagarro's 5% growth) and EBITDA margin declining to ~17% in FY28 from our current estimate of 19.4%. Higher amortisation and interest cost also make the transaction ~2.1% EPS-dilutive on FY28 basis, based on our estimate.

Management Call – Highlights

Segmental Performance

- **Healthcare & Life Sciences:** This segment led the growth at 16.4% YoY. The company sees a strong deal momentum in payers, CRO/Pharma and medical devices, though the provider segment remains somewhat tepid.
- BFSI grew 16.3% YoY and Software, Hi-tech and Emerging Industries grew 15.7% YoY.

PSYS reported the highest-ever quarterly TCV of USD 1.146 Bn, with new bookings contributing USD 952.2 Mn.

Geographical Performance

- India grew 15.8% YoY, which is partly driven by global customers opting to procure services through their India-based GCCs.
- Europe grew 9.5% YoY. The company expects a significant boost the presence in Europe following the proposed integration of the Nagarro acquisition. North America grew 15.1% YoY. RoW grew 117.2% YoY, although this was on a small base.

Deal Momentum, Pipeline and Key Wins

PSYS signed a strategic services agreement with a global technology leader worth over USD 650 Mn for period of six and a half years. This deal involves end-to-end product development and cloud operations leveraging AI platforms. It has already started contributing to revenue and is expected to reach peak level by next quarter.

- **Record Order Book:** PSYS reported the highest-ever quarterly TCV of USD 1.146 Bn, with new bookings contributing USD 952.2 Mn.
- PSYS signed a strategic services agreement with a global technology leader worth over USD 650 Mn for period of six and a half years. This deal involves end-to-end product development and cloud operations leveraging AI platforms. It has already started contributing to revenue and is expected to reach peak level by next quarter.

Nagarro Acquisition

The Nagarro Acquisition aims to create an AI-led global engineering powerhouse with USD 2.9 Bn+ revenue run-rate, enhancing geographic diversification (Europe at ~22%), strengthening Eastern European nearshore capabilities, and adding scale in Industrial and Consumer verticals; closure is expected by Q4 CY26–Q1 CY27, subject to regulatory approvals.

- **Strategic Rationale:** The combination aims to create an AI-led global engineering powerhouse with a combined revenue run rate of over USD 2.9 Bn.
- **Benefits:** It provides a more balanced geographic mix (Europe increasing to 22%), strengthens nearshore delivery in Eastern Europe (Romania, Poland, etc.) and adds two scaled up verticals: Industrial and Consumer.
- **Timeline:** The deal is expected to close between Q4 CY26 and Q1 CY27, pending regulatory approvals and an open offer in Germany.

AI Strategy

- **SASVA recent enhancements:** The company recently introduced "Storyboard", which enables architect-led orchestration of long-running agentic workflows and an "Incognito mode" for sovereign and private AI deployments.
- **Business Impact:** SASVA has delivered measurable outcome, including compressing modernisation cycles by up to 25% and increasing new feature throughput by up to 40%.

Wage Hikes

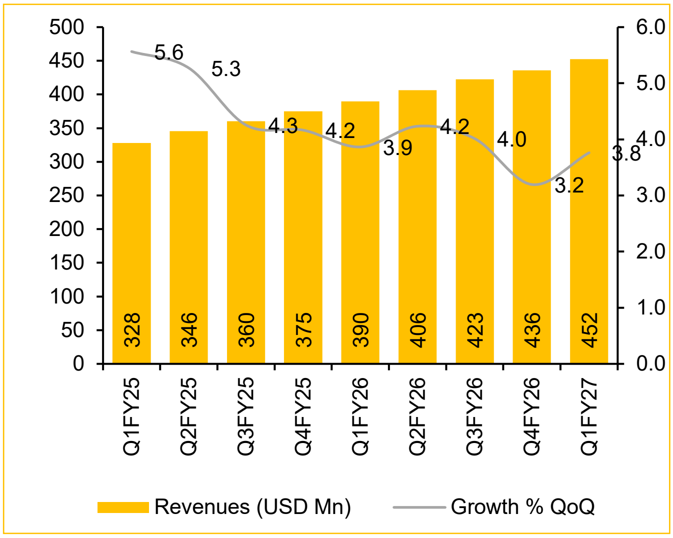
- **Timing:** Global wage hike for all eligible employees was rolled out effective July 1, 2026, in accordance with the company's annual cycle.
- **Margin Impact:** The management anticipates the wage hike to create a margin headwind in the range of 100 to 180 bps.
- **Mitigation:** The company anticipates recouping a portion of this impact through operational efficiencies as early as Q2.

Sequential Operating Performance

	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Income Statement								
Revenues (USD Mn)	346	360	375	390	406	423	436	452
Revenues (INR Mn)	28,972	30,623	32,421	33,336	35,807	37,782	40,559	43,032
EBIT (INR Mn)	4,062	4,557	5,053	5,178	5,830	6,325	6,592	6,869
EBIT Margin (%)	*14.0*	*14.9*	*15.6*	*15.5*	*16.3*	*16.7*	*16.3*	*16.0*
PAT (INR Mn)	3,250	3,730	3,958	4,249	4,715	4,395	5,293	4,831
Basic EPS (INR)	21.0	23.9	25.4	27.2	30.2	27.9	33.4	30.8
Operating Metrics								
Revenue – Geography (%)								
North America	81.3	80.5	80.5	79.8	79.8	81.5	81.4	79.1
Europe	7.9	8.2	8.4	9.0	9.3	8.5	8.1	8.5
India	9.2	9.4	9.3	9.8	9.2	7.8	8.3	9.8
Rest of the world	1.6	1.9	1.8	1.4	1.7	2.2	2.2	2.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Revenue – Industry (%)								
BFSI	31.5	31.7	32.3	33.9	34.8	35.0	34.5	34.0
Healthcare & Life Sciences	27.8	27.8	26.8	25.3	25.2	25.4	26.3	25.3
Software, Hi-Tech & Emerging	40.7	40.5	40.9	40.8	40.0	39.6	39.2	40.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Order Book (USD Mn)								
Total TCV	529	594	518	521	609	675	601	1,146
New Business TCV	390	334	329	337	351	369	409	952
Total ACV	348	428	350	385	448	502	445	537
New Business ACV	219	196	198	212	254	256	273	386
Employee Metrics								
Technical	21,675	22,407	23,072	23,787	24,608	25,077	25,849	26,905
Sales & Business Development	492	489	485	496	510	520	543	579
Others	1,070	1,046	1,037	1,057	1,106	1,114	1,110	1,156
Total Headcount	**23,237**	**23,942**	**24,594**	**25,340**	**26,224**	**26,711**	**27,502**	**28,640**
Attrition Rate LTM (%)	12.0	12.6	12.9	13.9	13.8	13.5	13.0	12.3

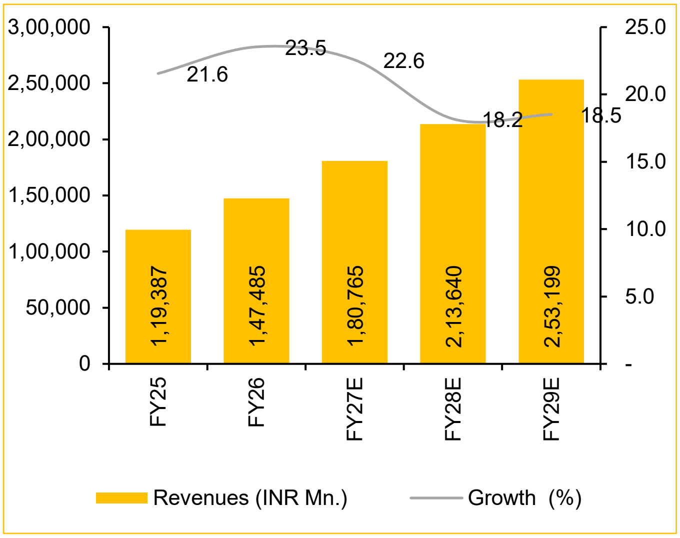
Source: PSYS, Choice Institutional Equities

Revenue grew 3.8% QoQ, owing to strong execution



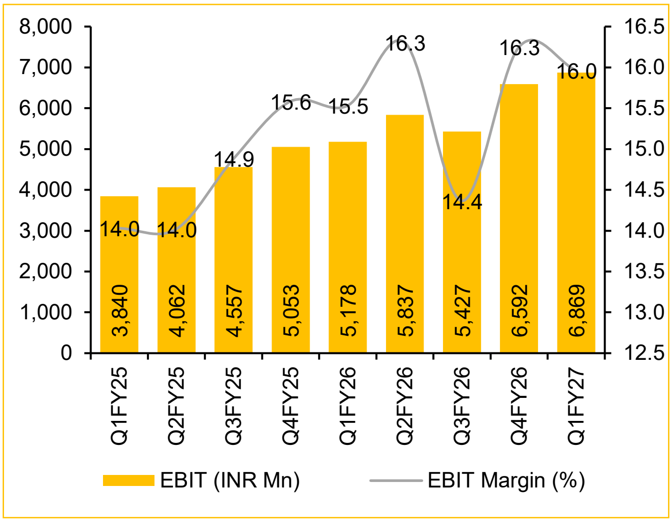
Source: PSYS, Choice Institutional Equities

Revenue expected to expand at 19.7% CAGR over FY26–29E



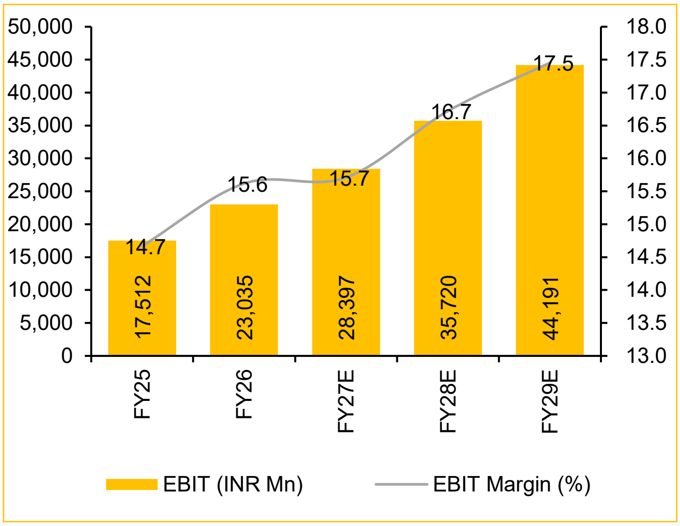
Source: PSYS, Choice Institutional Equities

EBITM contracts 30 bps QoQ due to utilisation drag



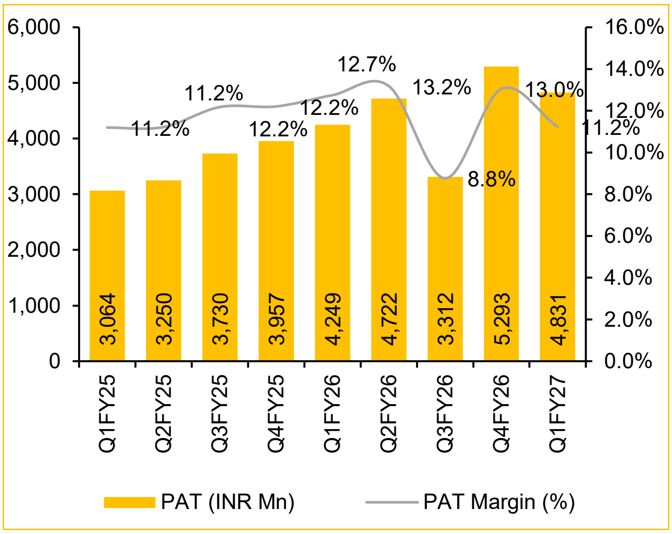
Source: PSYS, Choice Institutional Equities

EBIT anticipated to expand at 24.3% CAGR over FY26–29E



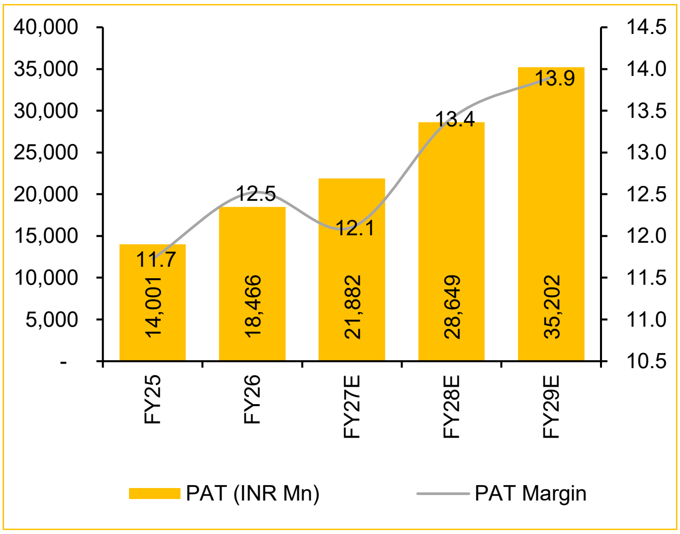
Source: PSYS, Choice Institutional Equities

PATM declined 180 bps QoQ to 11.2%



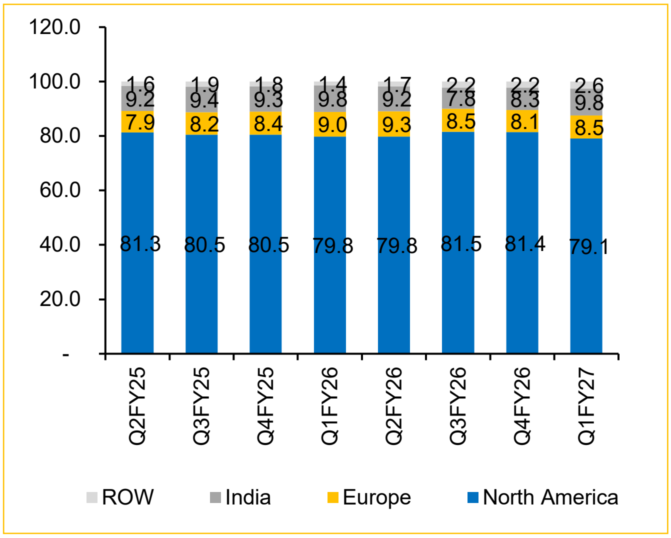
Source: PSYS, Choice Institutional Equities

PAT expected to increase 23.9% CAGR over FY26–29E



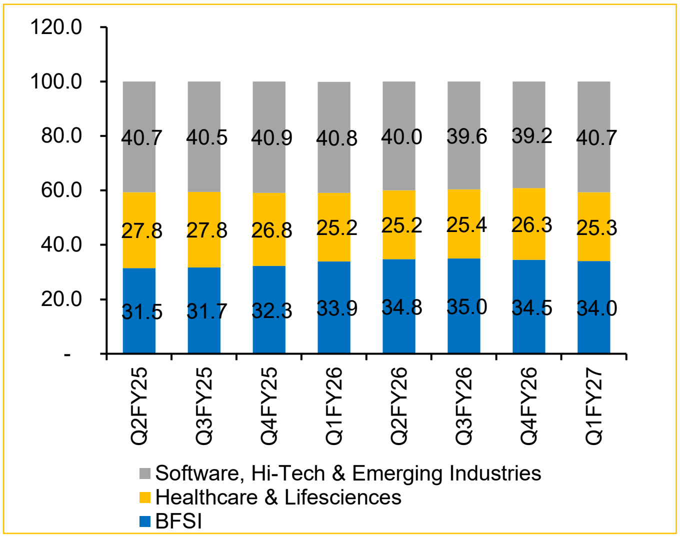
Source: PSYS, Choice Institutional Equities

Revenue contribution from India grew strongly due to its GCC base



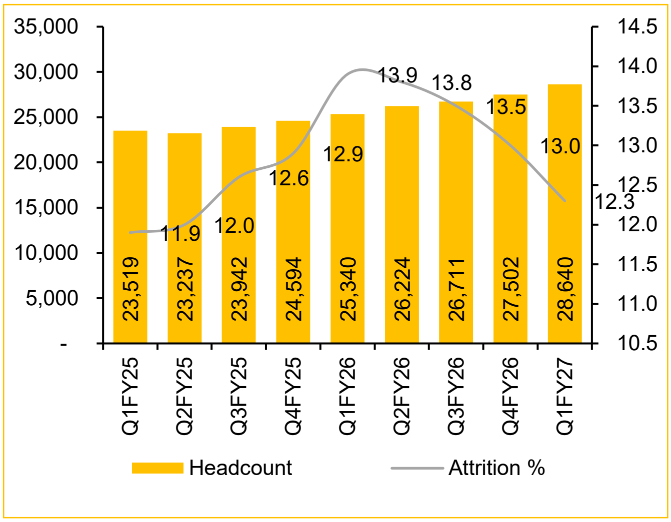
Source: PSYS, Choice Institutional Equities

HLS witnessed strong deal momentum (16.4% YoY growth)



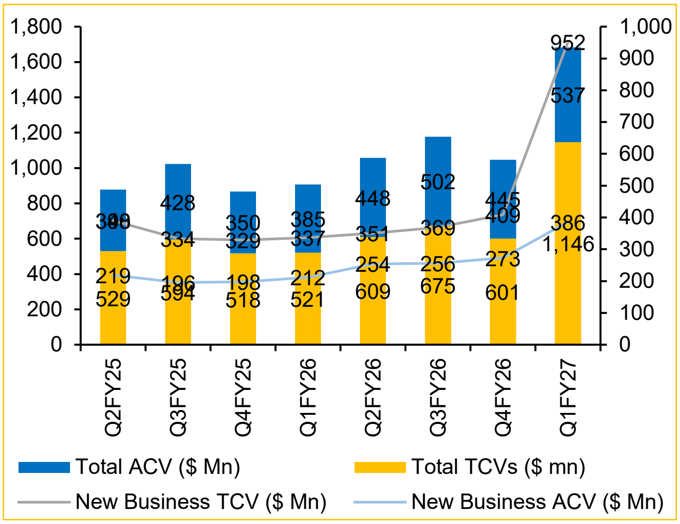
Source: PSYS, Choice Institutional Equities

Positive net increase of 1,138 employees; Attrition improved 70 bps to 12.3%



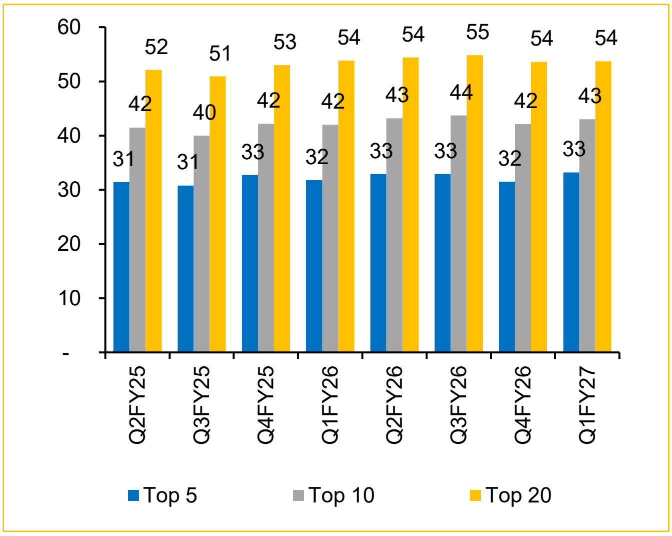
Source: PSYS, Choice Institutional Equities

TCV at record high, up 90.8% QoQ growth, owing to USD-650 Mn deal



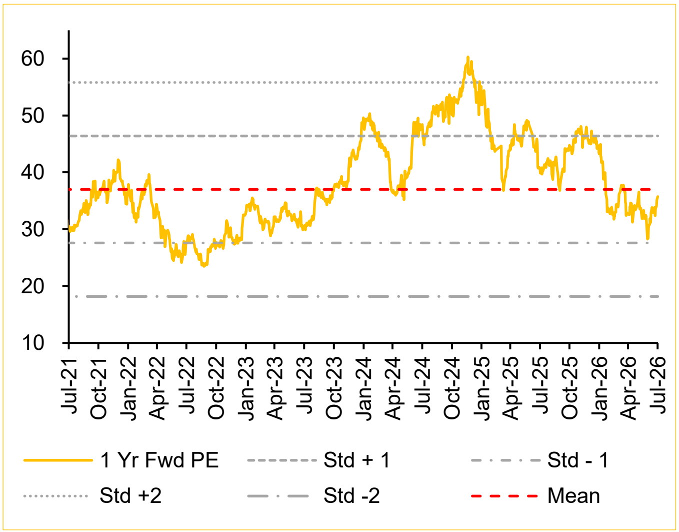
Source: PSYS, Choice Institutional Equities

Top 5, Top 10 & Top 20 Clients revenue grew strongly YoY



Source: PSYS, Choice Institutional Equities

PSYS is trading slightly below the Mean, 1-year forward PE band



Source: PSYS, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,19,387	1,47,485	1,80,765	2,13,640	2,53,199
Gross profit	40,647	51,720	62,648	76,688	92,679
EBITDA	20,582	27,064	33,240	41,444	50,974
Depreciation	3,069	4,030	4,843	5,723	6,783
EBIT	17,512	23,035	28,397	35,720	44,191
Other income	1,382	1,409	846	2,173	2,093
Interest expense	671	516	668	668	668
PAT	14,001	18,466	21,882	28,649	35,202
EPS	91.2	123.0	139.9	183.1	225.0

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	21.6	23.5	22.6	18.2	18.5
EBITDA	19.4	31.5	22.8	24.7	23.0
EBIT	23.8	31.5	23.3	25.8	23.7
Margin Ratios (%)					
Gross Profit Margin	17.2	18.4	18.4	19.4	17.2
EBITDA Margin	14.7	15.6	15.7	16.7	14.7
EBIT Margin	11.7	12.5	12.1	13.4	11.7
Profitability (%)					
ROE	24.8	26.1	25.8	28.6	29.5
ROIC	28.3	30.0	33.4	40.7	47.4
ROCE	22.4	23.8	24.2	26.2	27.5
Financial Leverage					
OCF / Net profit (%)	56.2	65.3	82.2	73.5	73.1
EV/ EBITDA (x)	39.7	29.9	24.0	18.9	15.1
BVPS (x)	412.2	511.3	596.9	709.1	846.8
Free Cash flow yield(%)	1.1	1.9	2.8	3.2	4.0

Source: PSYS, Choice Institutional Equities
Note: Financial estimate do not incorporate the proposed Nagarro acquisition. The transaction is expected to close in Q4CY26/Q1CY27 and will be reflected in our estimates post completion.

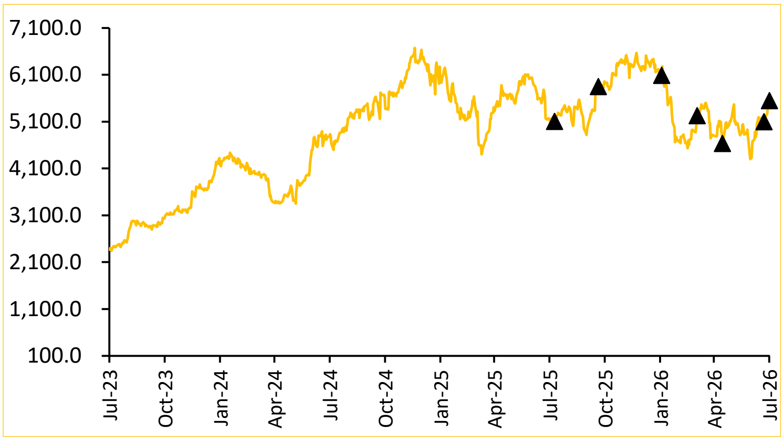
Balance Sheet (Consolidated in INR Mn)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Tangible fixed assets	8,191	9,548	9,116	8,132	6,486
Goodwill & intangible assets	17,993	19,388	19,413	19,111	18,413
Investments	3,388	9,146	9,146	9,146	9,146
Cash & cash equivalents	10,255	12,183	24,918	37,795	54,506
Other Non-current assets	10,922	13,857	15,034	16,501	18,316
Other current assets	36,617	49,644	51,449	57,841	65,533
Total Assets	**87,366**	**1,13,765**	**1,29,076**	**1,48,527**	**1,72,400**
Shareholder's funds	63,191	78,379	91,508	1,08,697	1,29,818
Borrowings	-	-	-	-	-
Lease liabilities	3,109	4,774	4,774	4,774	4,774
Other non-current liabilities	691	3,148	3,148	3,148	3,148
Other current liabilities	20,375	27,465	29,646	31,908	34,660
Total Equity & Liabilities	**87,366**	**1,13,765**	**1,29,076**	**1,48,527**	**1,72,400**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from operations	11,569	17,671	27,324	30,454	37,247
Cash Flows from investing	(4,345)	(6,099)	(5,836)	(6,118)	(6,455)
Cash Flows from financing	(6,282)	(7,482)	(8,753)	(11,460)	(14,081)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
ROE	24.8%	26.1%	25.8%	28.6%	29.5%
Net Profit Margin	14.7%	15.6%	15.7%	16.7%	17.5%
Asset Turnover	1.5	1.5	1.5	1.4	1.6
Financial Leverage	1.4	1.5	1.4	1.4	1.3

Historical share price chart: Persistent Systems Ltd



Date	Rating	Target Price
July 24, 2025	ADD	6,050
October 15, 2025	ADD	6,050
January 21, 2026	ADD	7,000
March 02, 2026	BUY	6,200
April 06, 2026	BUY	6,515
April 22, 2026	BUY	6,200
July 03, 2026	ADD	5,010
August 03, 2026	BUY	6,350

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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