

# Persistent Systems

India | IT Services | Result Update



21 January 2026

## Margin led by one-off benefit

Persistent Systems' (PSYS IN) Q3 revenue was better, led by recovery in the healthcare vertical, while margin performance was helped by a one-time license fee. PSYS continues to maintain its annualized revenue guidance of USD 2bn by Q4FY27. Per our calculation, the ask rate to reach that target is 3.5% CQGR, which seems feasible considering recovery in healthcare and strong performance in BFSI and Hi-tech. PSYS maintains its aspiration to reach USD 5bn revenues by FY31, for which the growth rate needs to accelerate further. PSYS earlier seeks to improve margins aggressively over 2 years but now looking to balance revenue growth and margin expansion. We revise PSYS to SELL from Reduce with a higher TP of INR 5,630 (on an unchanged multiple).

**Broad-based growth across verticals:** PSYS reported a growth of 4.1% QoQ in CC terms and 4.0% in USD terms in Q3. In INR terms, growth was 5.5% QoQ and 23.4% YoY. In Q3, growth was led by North America and RoW, as revenue from these markets rose 6.2% QoQ and 34.6% QoQ, respectively. India and Europe markets were a drag on growth, declining 11.8% QoQ and 4.9% QoQ respectively. Vertical-wise, growth was led by healthcare, up 4.8% QoQ. BFSI grew 4.6% QoQ in USD terms, followed by Hi-Tech, up 3.0% QoQ. Total contract value (TCV) came in at USD 675mn, up 10.7% QoQ/13.5% YoY in Q3. Annual contract value (TCV) outpaced TCV growth, up 12.1% QoQ/17.2% YoY to USD 502mn. LTM attrition was down 30bps QoQ to 13.5%, while PSYS reported a net addition of 487 employees in Q3. The Board declared an interim dividend of INR 22 per share, with payout ratio of 78.7%.

**Margin expansion led by one-off benefit:** Q3 EBIT margin was up 40bps to 16.7%, led by a 30bps gain from favorable currency, 20bps from lower sub con costs, and 40bps from higher utilization, onsite pyramid rationalization and SG&A optimization. A one-time license fee contributed a further 150bps to margin improvement, though offset by 180bps of wage-hike impact, effective 1 October 2025, and 20bps impact from furloughs. PSYS recorded INR 890mn charge related to new Labor-Code provisioning, which hit PAT margins by 180bps. PSYS noted that it is not targeting aggressive margin expansion, preferring to reinvest gains to sustain growth.

**Revise to Sell from Reduce; TP raised to INR 5,630:** PSYS continues to report a strong broad-based growth across all customer segments. Top 5/10/20 customers, which forms 33%to 54% of its revenue mix, reported 18-20% CAGR in FY22-25, while CQGR growth in past few quarters was around 5%. TCV, on the other hand, has been growing strong as well, now crossing USD 675mn in the quarter. This is likely to help maintain growth momentum.

We raise our revenue estimates by 1-3% for FY27E/FY28E, in line with Q4FY27 guidance. We also revise our earnings estimates upwards by 6-8% as we continue to build margin expansion in the next two years. Accordingly, we raise our TP to INR 5,630 (from INR 5,250), while we revise PSYS to Sell from Reduce given expensive valuation (the stock is trading at 52x and 44x on FY26E/FY27E).

### Key Financials

YE March (INRmn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	98,216	119,387	145,838	169,773	191,043
YoY (%)	17.6	21.6	22.2	16.4	12.5
EBITDA (INR mn)	17,242	20,580	27,271	32,064	36,843
EBITDA margin (%)	17.6	17.2	18.7	18.9	19.3
Adj PAT (INR mn)	11,302	14,001	18,895	22,676	26,367
YoY (%)	17.7	28.0	30.2	24.4	16.3
Fully DEPS (INR)	73.5	90.2	120.1	144.2	167.6
RoE (%)	25.3	24.8	27.1	27.4	27.0
RoCE (%)	29.6	30.5	33.5	33.6	33.3
P/E (x)	84.7	69.5	52.4	43.7	37.6
EV/EBITDA (x)	57.2	47.9	36.2	30.8	26.8

Note: Pricing as on 20 January 2026; Source: Company, Elara Securities Estimate

Rating: Sell

Target Price: INR 5,630

Downside: 11%

CMP: INR 6,343

As on 20 January 2026

#### Key data

Bloomberg	PSYS IN
Reuters Code	PERS.NS
Shares outstanding (mn)	158
Market cap (INR bn/USD mn)	1,001/10,998
EV (INR bn/USD mn)	986/10,840
ADTV 3M (INR mn/USD mn)	2,358/26
52 week high/low	6,599/4,149
Free float (%)	69

Note: as on 20 January 2026; Source: Bloomberg

#### Price chart



Source: Bloomberg

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Shareholding (%)				
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	(2.4)	1.1	8.1
Persistent Systems	8.5	14.3	4.1
NSE Mid-cap	(2.6)	(0.9)	6.1
NSE Small-cap	(9.2)	(12.9)	(7.4)

Source: Bloomberg

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## Financials (YE March)

<b>Income Statement (INRm)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Total Revenue	98,216	119,387	145,838	169,773	191,043
Gross Profit	32,985	40,647	51,221	59,450	66,891
EBITDA	17,242	20,580	27,271	32,064	36,843
EBIT	14,149	17,511	23,323	27,818	32,442
Interest expense	467	671	610	465	724
Other income	813	710	1,304	1,823	2,252
Exceptional/ Extra-ordinary items	(486)	-	(890)	-	-
PBT	14,475	18,221	23,736	29,641	34,693
Tax	3,541	4,222	5,509	6,966	8,326
Minority interest/Associates income	-	-	-	-	-
Reported PAT	10,935	14,001	18,227	22,676	26,367
Adjusted PAT	11,302	14,001	18,895	22,676	26,367
<b>Balance Sheet (INRm)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Shareholders' Equity	49,577	63,191	76,010	89,615	105,435
Trade Payables	8,139	8,886	10,829	11,669	13,126
Provisions & Other Current Liabilities	13,703	12,442	14,518	16,261	17,810
Total Borrowings	2,073	-	-	-	-
Other long term liabilities	244	2,848	2,848	2,848	2,848
<b>Total liabilities &amp; equity</b>	<b>73,736</b>	<b>87,366</b>	<b>104,205</b>	<b>120,393</b>	<b>139,220</b>
Net Fixed Assets	11,302	13,073	11,125	8,879	6,478
Goodwill	10,913	12,338	12,338	12,338	12,338
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	10,290	11,695	11,696	11,696	11,696
Cash, Bank Balances & treasury investments	10,229	10,255	19,079	29,870	44,304
Sundry Debtors	16,761	18,478	23,973	27,908	31,404
Other Current Assets	14,242	21,527	25,993	29,703	33,000
<b>Total Assets</b>	<b>73,736</b>	<b>87,366</b>	<b>104,205</b>	<b>120,393</b>	<b>139,220</b>
<b>Cash Flow Statement (INRm)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
<b>Cashflow from Operations</b>	<b>12,213</b>	<b>11,569</b>	<b>16,232</b>	<b>21,861</b>	<b>26,981</b>
Capital expenditure	(2,839)	(2,367)	(2,000)	(2,000)	(2,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(1,856)	(1,977)	-	-	-
<b>Free Cash Flow</b>	<b>9,374</b>	<b>9,202</b>	<b>14,232</b>	<b>19,861</b>	<b>24,981</b>
Cashflow from Financing	(5,937)	(6,282)	(5,408)	(9,070)	(10,547)
Net Change in Cash / treasury investments	1,196	26	8,825	10,790	14,434
<b>Key assumptions &amp; Ratios</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Dividend per share (INR)	26.0	35.0	34.4	57.7	67.1
Book value per share (INR)	322.2	407.3	483.3	569.8	670.3
RoCE (Pre-tax) (%)	29.6	30.5	33.5	33.6	33.3
ROIC (Pre-tax) (%)	37.1	37.1	42.5	47.7	53.7
ROE (%)	25.3	24.8	27.1	27.4	27.0
Asset Turnover (x)	7.1	9.8	12.1	17.0	24.9
Net Debt to Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt to EBITDA (x)	(0.5)	(0.5)	(0.7)	(0.9)	(1.2)
Interest cover (x) (EBITDA/ int exp)	36.9	30.7	44.7	69.0	50.9
Total Working capital days (WC/rev)	18.0	16.9	20.4	23.0	22.7
<b>Valuation</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
P/E (x)	84.7	69.5	52.4	43.7	37.6
P/Sales (x)	10.2	8.4	6.9	5.9	5.2
EV/ EBITDA (x)	57.2	47.9	36.2	30.8	26.8
EV/ OCF (x)	80.7	85.2	60.8	45.1	36.6
FCF Yield	1.0	0.9	1.4	2.0	2.5
Price to BV (x)	19.7	15.6	13.1	11.1	9.5
Dividend yield (%)	0.4	0.6	0.5	0.9	1.1

Note: Pricing as on 20 January 2026; Source: Company, Elara Securities Estimate

## Exhibit 1: Quarterly financials

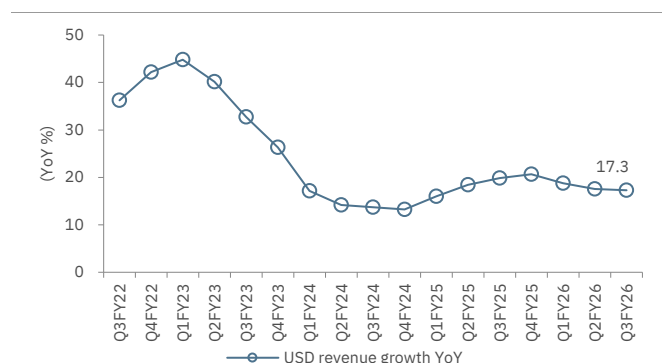
(INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
Revenue (USD mn)	423	360	17.3	406	4.0	419	1.0
Revenue (INR mn)	37,782	30,623	23.4	35,807	5.5	37,245	1.4
Operating expenditure	30,451	25,244	20.6	28,976	5.1	30,682	(0.8)
Employee benefit costs	20,409	17,639	15.7	19,461	4.9	21,018	(2.9)
Sub con costs	5,597	4,331	29.2	5,375	4.1	5,482	2.1
EBITDA	7,331	5,378	36.3	6,831	7.3	6,563	11.7
Depreciation	1,006	821	22.5	1,000	0.5	993	1.3
EBIT	6,325	4,557	38.8	5,830	8.5	5,570	13.6
Other income, net	215	263		338		361	(40.4)
Exceptional items	890						
PBT	5,650	4,820	17.2	6,168	(8.4)	5,931	(4.7)
Total tax	1,255	1,091	15.1	1,454	(13.6)	1,394	(9.9)
Reported PAT	4,395	3,730	17.8	4,715	(6.8)	4,537	(3.1)
Reported EPS (INR)	27.9	24.0	16.5	30.2	(7.3)	29.0	(3.7)

Source: Company, Elara Securities Estimate

## Conference call highlights

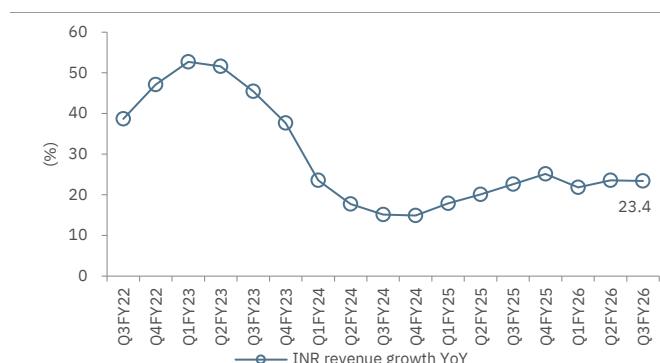
- ▶ **Macro environment stable but selective**, with enterprises prioritizing transformation-led spend over discretionary programs, particularly in application and data modernization, AI-driven productivity and cost-efficiency initiatives. Demand traction has strengthened across BFSI, Healthcare & Life Sciences, Hi-Tech and private-equity-owned businesses. Management expects growth to sustain and reaffirmed its strategic aspiration to reach USD 2bn in revenue by FY27 and progressing toward a USD 5bn revenue milestone by FY31, supported by AI-led platforms, disciplined execution and capability-driven acquisitions.
- ▶ **Deal wins improving**: In Q3FY26, PSYS secured several strategic, large-scale transformation wins across core verticals, including a USD 100mn TCV deal with a tier-1 US bank, including 25% new TCV, focused on data platform modernization, cybersecurity and governance automation. In Healthcare & Life Sciences, the company signed a USD 50mn+, five-year engagement with a US client. While decision cycles remain measured in some pockets, client confidence around AI ROI is improving, supporting larger, multi-year engagements.
- ▶ **Vertical-wise broad-based growth**: Growth was led by BFSI, supported by strong demand for data modernization, AI-led productivity and cybersecurity programs, followed by Software & Hi-Tech and Emerging Industries, driven by AI adoption in product engineering and cloud platform modernization. Healthcare & Life Sciences growth reflected steady transformation spend, particularly in data platforms, IT modernization and AI-enabled research productivity.
- ▶ **Software license** growth was driven by a mix of pass-through third-party licenses embedded in managed services deals and commercialization of PSYS's own AI platforms such as SASVA, iAURA, and GenAI Hub. Management clarified that these licenses are not sold as standalone products but are integrated with services and outcome-based engagements, with revenue recognition depending on deal structure and customer preference. Over time, PSYS expects the distinction between license and services revenue to progressively blur, as IP, platforms, and delivery are increasingly bundled into a single integrated commercial construct.
- ▶ **Platform-led AI strategy**: The AI strategy is anchored in a platform-led, agentic AI operating model that spans both internal transformation and scalable client offerings, with core platforms including AssistX for enterprise workflows, SASVA for engineering hyper-productivity, and data platforms like iAURA. Internally, AssistX enables autonomous, responsible AI-driven execution across sales, HR, IT, finance, legal and delivery, while externally, the company is monetizing AI through outcome-based, tool-and-people blended commercial models. With 200+ AI agents deployed, 105 patents filed and deep partnerships across hyperscalers and leading AI ecosystems, PSYS highlighted that AI has moved from pilots to production at scale and AI is becoming a structural growth and margin lever embedded across service portfolio.

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



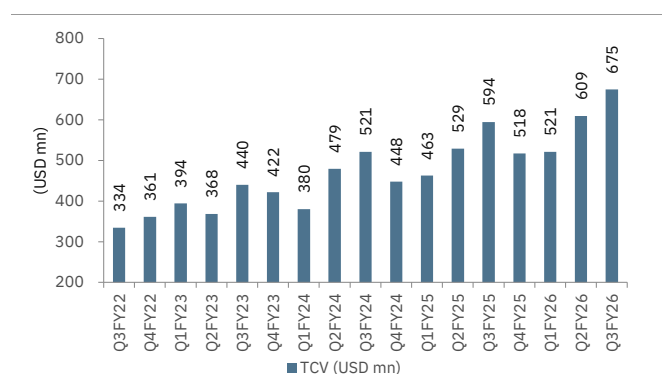
Source: Company, Elara Securities Research

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



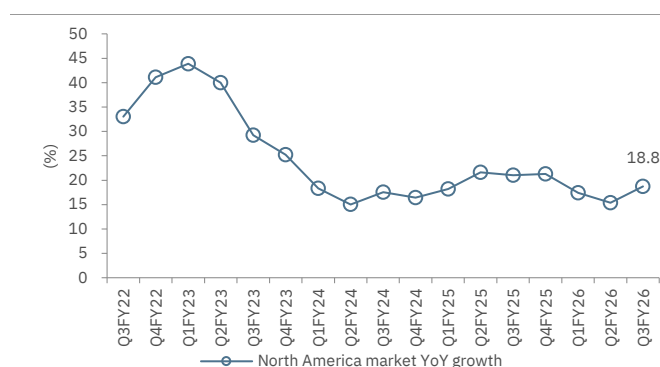
Source: Company, Elara Securities Research

**Exhibit 4: TCV booking up, driven by increase in renewals**



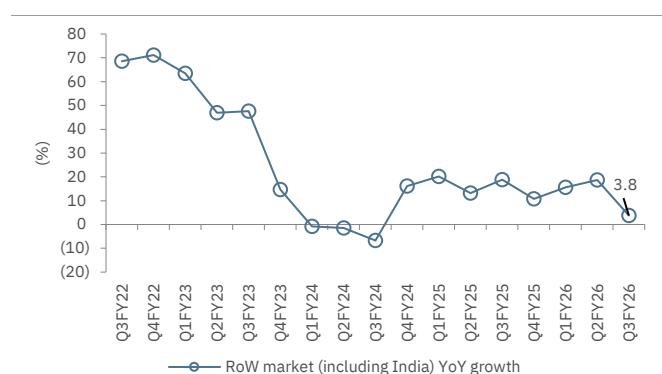
Source: Company, Elara Securities Research

**Exhibit 5: North America – Growth accelerated in Q3**



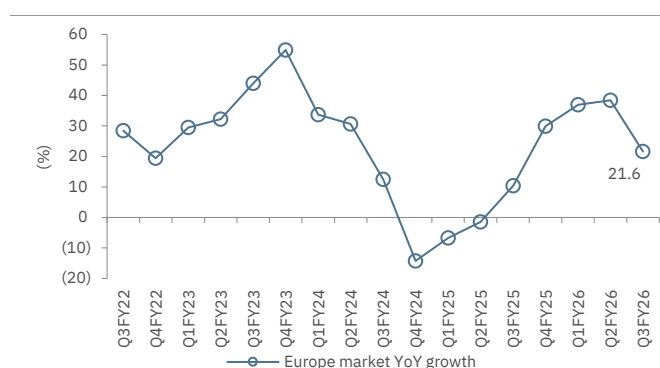
Source: Company, Elara Securities Research

**Exhibit 6: RoW – India was a drag on growth**



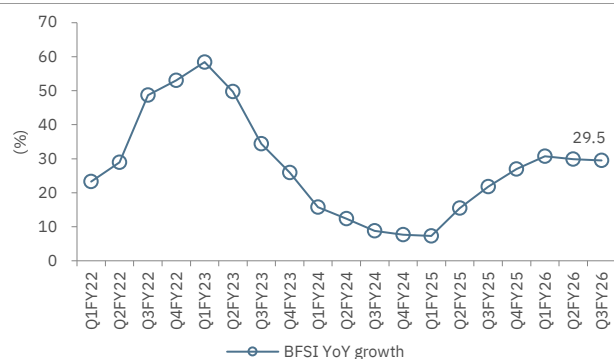
Source: Company, Elara Securities Research

**Exhibit 7: Europe market – Growth softer in Q3**



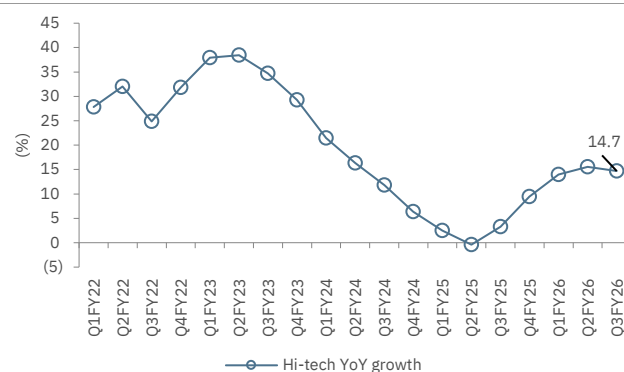
Source: Company, Elara Securities Research

**Exhibit 8: BFSI growth strong, supported by deal wins**



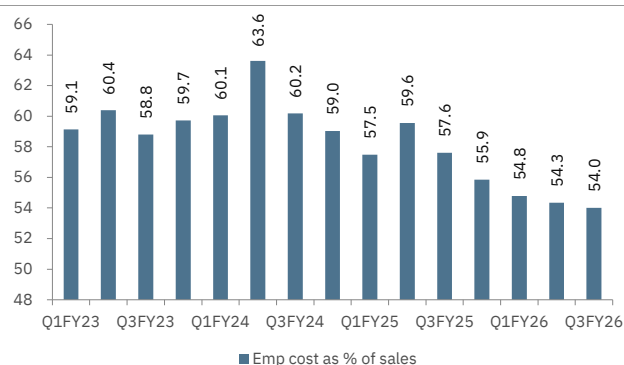
Source: Company, Elara Securities Research

**Exhibit 9: Hi-tech growth led by increasing AI adoption**



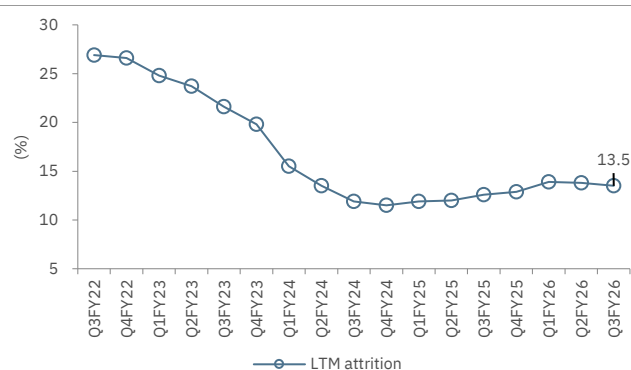
Source: Company, Elara Securities Research

**Exhibit 10: Employee cost trending downward**



Source: Company, Elara Securities Research

**Exhibit 11: LTM attrition down 30bps sequentially**



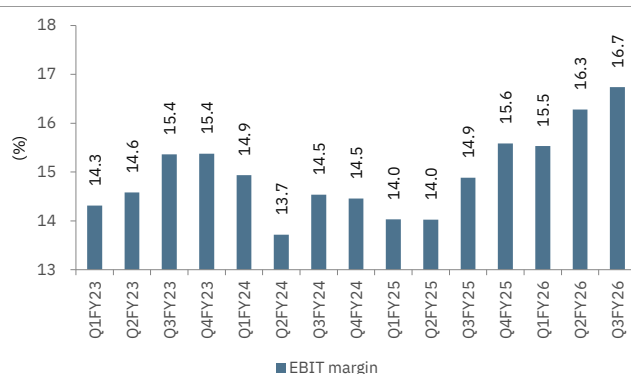
Source: Company, Elara Securities Research

**Exhibit 12: SG&A cost optimization underway**



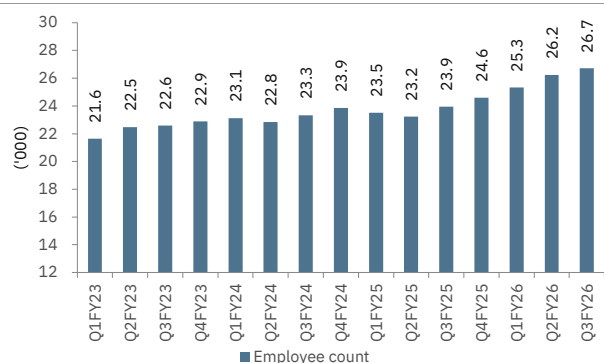
Source: Company, Elara Securities Research

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



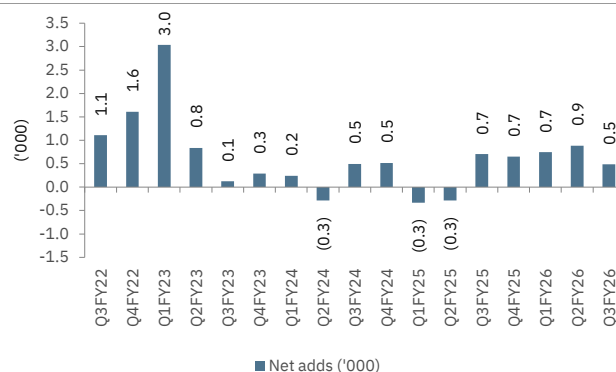
Source: Company, Elara Securities Research

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



Source: Company, Elara Securities Research

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



Source: Company, Elara Securities Research

**Exhibit 16: Valuation**

(INR)

Current trailing 12 months (TTM) EPS	111
Current market price (CMP)	6,343
Target EPS	144
Target EPS period	FY27E
Target multiple (x)	39
Target price (per share)	5,630
Downside (%)	11

Note: Pricing as on 20 January 2026; Source: Company, Elara Securities Estimate

**Exhibit 17: PSYS trading at 46.4x, +1SD above its 10 year mean**



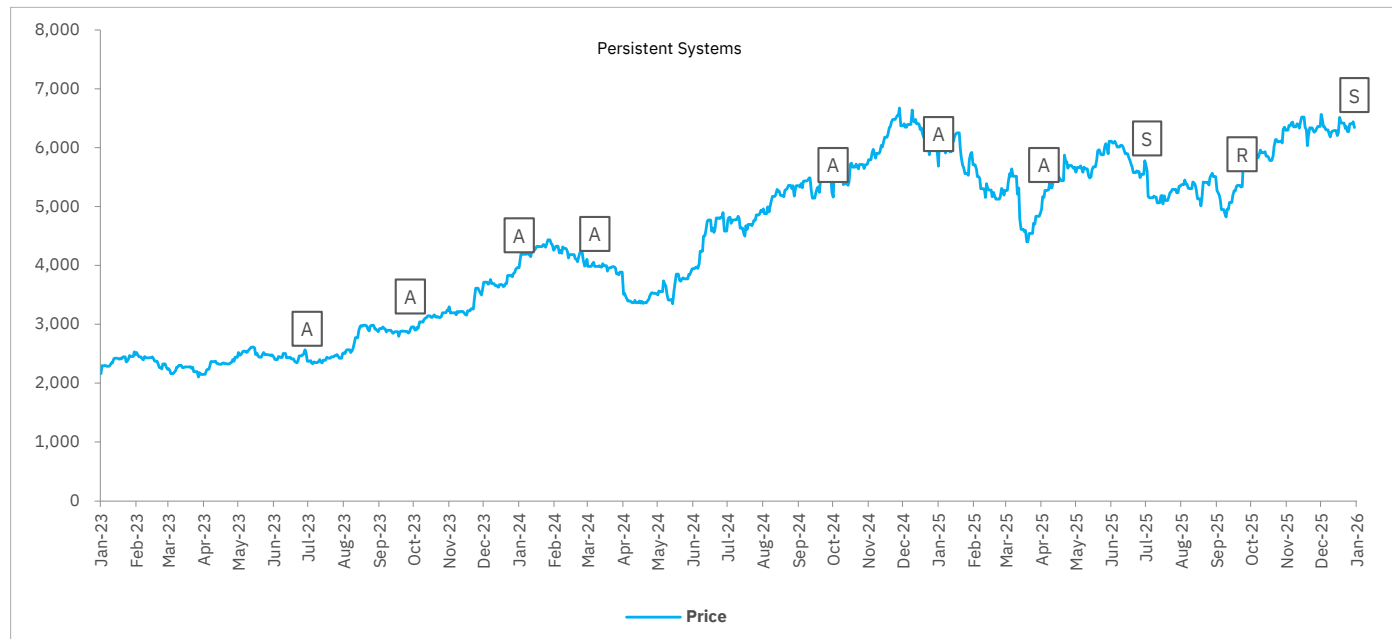
Note: Pricing as on 20 January 2026; Source: NSE, Elara Securities Estimate

**Exhibit 18: Change in estimates**

(INR mn)	Earlier estimates			Revised estimates			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue in USD	1,641	1,852	2,125	1,656	1,908	2,147	0.9	3.0	1.0
Revenue in INR	1,41,784	1,59,272	1,82,718	1,45,838	1,69,773	1,91,043	2.9	6.6	4.6
EBIT	22,176	25,601	30,551	23,323	27,818	32,442	5.2	8.7	6.2
EBIT margin (%)	15.6	16.1	16.7	16.0	16.4	17.0	40 bps	30 bps	30 bps
PAT	18,041	20,952	24,908	18,227	22,676	26,367	1.0	8.2	5.9
EPS (INR)	116	135	160	116	144	168	1.0	8.2	5.9
<b>TP (INR)</b>			<b>5,250</b>			<b>5,630</b>			<b>7.2</b>
<b>Rating</b>			<b>Reduce</b>			<b>Sell</b>			

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
21-Jul-2023	Accumulate	5,290	4,750
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

### 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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