

October 15, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	6,280		5,970	
Sales (Rs.bn)	145	174	143	173
% Chng.	1.2	0.8		
EBITDA (Rs.bn)	26	31	25	31
% Chng.	2.4	0.8		
EPS (Rs.)	114.6	139.7	111.7	138.8
% Chng.	2.6	0.7		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	119	145	174	214
EBITDA (Rs. bn)	21	26	31	39
Margin (%)	17.2	18.0	18.0	18.4
PAT (Rs. m)	14	18	22	28
EPS (Rs.)	90.2	114.6	139.7	176.3
Gr. (%)	21.7	27.0	21.9	26.2
DPS (Rs.)	35.0	52.0	61.0	70.5
Yield (%)	0.7	1.0	1.1	1.3
RoE (%)	24.8	26.3	27.6	29.5
RoCE (%)	23.8	24.8	26.3	28.1
EV/Sales (x)	6.8	5.7	4.7	3.8
EV/EBITDA (x)	39.6	31.5	26.0	20.5
PE (x)	59.2	46.6	38.2	30.3
P/BV (x)	13.1	11.4	9.8	8.2

Key Data

PERS.BO | PSYS IN

52-W High / Low	Rs.6,789 / Rs.4,149
Sensex / Nifty	82,030 / 25,146
Market Cap	Rs.835bn/ \$ 9,402m
Shares Outstanding	156m
3M Avg. Daily Value	Rs.2813.63m

Shareholding Pattern (%)

Promoter's	30.56
Foreign	21.24
Domestic Institution	30.60
Public & Others	17.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.4)	17.5	(5.0)
Relative	(1.5)	7.6	(5.0)

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Quick Pointers:

- Beat on both revenue & margins in Q2 result
- Strong deal wins of USD 609 mn after subdued Q1

The revenue performance (+4.4% QoQ CC) exceeded our estimates (+3.7% QoQ CC), margin at 16.3% was also above our estimates of 15.8% in Q2. The growth was broad-based across verticals and geographies, BFS and H&L reported healthy growth of 7.0% and 3.8% QoQ. With sharp uptick in NN ACV (+20% QoQ) along with healthy mix of NN wins (60% of ACV) provides strong revenue visibility in the coming year. Even the deal funnel distributed broadly across verticals, including sub-segments of H&L. With healthy deal pipeline, we believe the broad momentum within verticals should continue in H2 along with broader AI theme on "AI for Tech" and "AI for Business". On margins, it fairly exceeded our estimates by 60bps QoQ, in Q2 but we expect limited headroom for margin improvement in H2 due to compensation revision. We are revising our FY26 revenue growth to 16.8% YoY CC (15.4% earlier) that translates to ~3.1% CQGR for the rest of the year, while keeping the revenue growth for FY27E/FY28E largely unchanged. We roll forward our estimates to Sep'27 and assign 40x to arrive at a TP of INR 6,280. Retain BUY.

Revenue: PSYS Q2 revenue of USD 406 mn, up 4.4% QoQ CC & 4.2% in reported terms came above our estimate of 3.7% QoQ CC growth. Growth was broad based across geographies & verticals. Key geography of North America & Europe grew by 4.2% & 7.7% respectively. Segment wise BFS continued its momentum with 7% QoQ growth while Hitech grew by 2.2% QoQ. Healthcare segment after 2 weak quarters grew by 3.8% QoQ in Q2.

Operating margin: Operating margins also exceeded both our and street expectations. PSYS reported an EBIT margin of 16.3% in Q2, an improvement of 80 bps QoQ versus our estimate of a 30-bps increase and consensus expectation of 20 bps. The margin expansion was driven by tailwinds from software license cost reduction (+80 bps), currency gains (+60 bps) and higher offshoring (+30 bps), partially offset by higher provisions for doubtful debts (-50 bps), lower utilization (-20 bps) and increased depreciation (-20 bps).

Deal Wins: Deal wins in Q2 were strong after subdued Q1. PSYS during the quarter won TCV of USD 609 mn, up 17% QoQ with NN wins of 58% while ACV wins came at USD 448 mn, up 16.2% QoQ with NN wins of 57%.

Valuations and outlook: We estimate USD revenues/earnings CAGR of 17.9%/25% over FY25-FY28E. The stock is currently trading at 38x FY27E, we are assigning P/E of 40x to LTM Sep. 27E with a target price of INR 6,280. We maintain our **BUY** rating on stock.

Beat on all fronts, Deal wins also strong

- Revenue of USD 406 mn, up 4.4% QoQ CC & 4.2% QoQ in USD, was above our estimates of 3.7% QoQ CC
- Growth was broad based across geographies & verticals. Key geographies of North America & Europe grew by 4.2% QoQ & 7.7% QoQ. Vertical wise BFS continues its momentum with 7% QoQ growth and Healthcare after 2 weak quarters reported sequential growth of 3.8%
- **EBIT margin came at 16.3%, up 70 bps aided by higher gross margin. Margins came above our estimate of 15.8% & consensus estimate of 15.7%**
- Reported TCV wins of USD 609 mn, up 17% QoQ while NN was up 4.1% QoQ. ACV came at USD 448 mn, up 16.2% QoQ while NN ACV was up 20.1% QoQ
- Net Headcount increased by 884 with net addition of 821 Software employees. Utilization incl. trainees decreased by 50 bps QoQ to 88.2% while attrition declined marginally by 10 bps QoQ to 13.8%
- PAT came at INR 4.7 bn (up 10.9% QoQ) above our estimate INR 4.5 bn

Conference Call Highlights

- Demand environment remains uncertain, but clients are choosing to operate within it—as reflected in steady deal wins and a broad-based pipeline. Management reiterated that FY26 growth will be led by BFSI and Hi-Tech, with incremental support from a recovering Healthcare segment.
- Within segments, BFSI continues to lead, supported by multiple consolidation and challengers win while Hi-Tech is gaining momentum. Healthcare is stabilizing after one-off deal transitions & policy changes in US, aided by a growing AI-led modernization pipeline.
- Management said they are focusing on growing individual Healthcare sub-segments like Scientific Instruments & Medical Devices, Pharma, Payers and Providers. Their goal is to scale each of these to USD 100 mn in quarterly revenue over the next few years as part of the broader USD 5 bn revenue plan.
- AI strategy of the company is built around three core pillars - AI for Tech, AI for Business and Enterprise Data Readiness - powered by its SASVA platform. Management noted that proactive AI-led proposals to their top 100 clients (which contribute ~82% of revenue) are helping secure renewals and win against Tier-1 competitors.
- Q2 saw strong deal wins, and despite this, the pipeline remains healthy. Management believes the current ACV/TCV mix provides clear visibility for future revenue conversion, keeping them on track toward the USD 2 bn FY27 target.
- Company-wide wage hikes will be implemented from October 1. Management expects a ~180 bps margin impact in Q3 but plans to offset 80–100 bps through levers such as offshoring, higher utilization, cost optimization & lower ESOP costs.

- Utilization during the quarter declined by 50 bps QoQ, but management is comfortable operating at current high levels for the next few quarters before gradually normalizing it to the 83–85% range.
- EBIT margin expanded by 80 bps QoQ in Q2, and management aims to improve it by ~100 bps in FY26, followed by another ~100 bps in FY27, in line with their 200–300 bps medium-term margin improvement target.
- Management mentioned that they have minimal dependence on H-1B visas and does not expect tightening regulations to pose any structural headwind.
- Top 5/10/20/50 clients grew by 7.8%, 7.2%, 5.4% & 4.4% respectively
- Management expects ETR for FY26 to be in the range of 22.5–23.5%

Exhibit 1: 2QFY26 Results: Beat on revenue and strong margin expansion in Q2

Y/e March	2QFY26	2QFY26E	% Var.	1QFY26	QoQ (%)	2QFY25	YoY (%)	H1FY26	H1FY25	YoY (%)
IT Services Revenue (USD m)	406	405	0.4	390	4.2	346	17.6	796	674	18.1
Overall Revenue (INR b)	36	35	1.5	33	7.4	29	23.6	69	56	22.7
Gross Profit	13	12	3.1	12	9.6	10	33.1	25	19	31.6
Gross Margin (%)	36.0	35.4	60bps	35.3	70bps	33.4	260bps	35.6	33.2	240bps
SG&A and Other Costs	6.0	5.9	2.0	5.6	7.1	4.9	24.1	12	9	24.9
% of Rev	16.9	16.8	10bps	16.9	0bps	16.8	10bps	16.9	16.6	30bps
EBITDA	7	7	4.2	6	11.8	5	42.2	13	9	38.4
EBITDA Margin (%)	19.1	18.6	50bps	18.3	70bps	16.6	250bps	18.7	16.6	210bps
Depreciation	1	1	1	1	7	1	34.3	2	1	33.0
% of Rev	2.8	2.8	0bps	2.8	0bps	2.6	20bps	2.8	2.6	20bps
EBIT	6	6	4.7	5	12.7	4	43.7	11	8	39.4
EBIT Margin (%)	16.3	15.8	50bps	15.5	80bps	14.0	230bps	15.9	14.0	190bps
Other Income (net)	0	0	17.2	0	-12	0	17.0	1	0	57.8
PBT	6	6	5.3	6	11.1	4	42.0	12	8	40.4
Tax	1	1	5.6	1	11.4	1	32.7	3	2	35.4
Effective tax rate (%)	23.6	23.5	10bps	23.5	10bps	25.2	-160bps	23.5	24.4	-90bps
Adjusted PAT	4.7	4.5	5.2	4.2	10.9	3	45.1	9	6	42.0
Exceptional items	0	0	NA	0	NA	0	NA	0	0	NA
Reported PAT	4.7	4.5	5.2	4.2	10.9	3	45.1	9	6	42.0
Reported EPS (INR)	30.3	28.9	4.8	27.4	10.5	21.2	43.0	57.7	41.1	40.6

Source: Company, PL

Exhibit 2: Regional growth (%)

Geographies	Contribution to revenue (%)	QoQ gr. (%)
North America	79.8	4.2
Europe	9.3	7.7
India & ROW	10.9	1.4

Source: Company, PL

Exhibit 3: Vertical Growth (%)

Verticals	Contribution to revenue (%)	QoQ gr. (%)
BFSI	34.8	7.0
Healthcare & Life Science	25.2	3.8
Tech. Cos. & Emerging Verticals	40.0	2.2

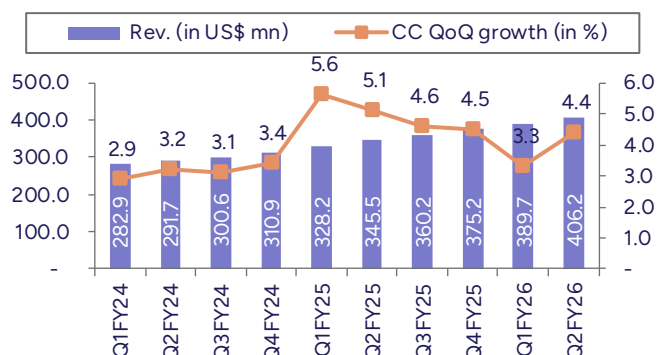
Source: Company, PL

Exhibit 4: Key Performance Indicators

	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	FY25*	FY26E*
Revenue growth (QoQ CC%)	3.10	3.40	5.60	5.10	4.60	4.50	3.30	4.40	19.0	16.8
Margins (%)										
Gross Margin	33.8	33.3	33.0	33.4	34.7	34.9	35.3	36.0	34.0	34.9
EBIT Margin	14.5	14.5	14.0	14.0	14.9	15.6	15.5	16.3	14.7	15.3
Net Margin	11.5	12.2	11.2	11.2	12.2	12.2	12.7	13.2	11.7	12.4
Operating metrics										
Headcount	23,336	23,850	23,519	23,237	23,942	24,594	25,340	26,224	24,594	-
Utilization (%)	81.5	80	82.1	84.8	87.4	88.1	88.7	88.2	88.1	-
LTM Attrition (%)	11.9	11.5	11.9	12	12.6	12.9	13.9	13.8	12.9	-
Effort Mix (%)										
Global Delivery Centers	13.8%	14.8%	15.2%	15.8%	15.1%	14.8%	14.5%	14.1%	15.2%	-
India	86.2%	85.2%	84.8%	84.2%	84.9%	85.2%	85.5%	85.9%	84.8%	-

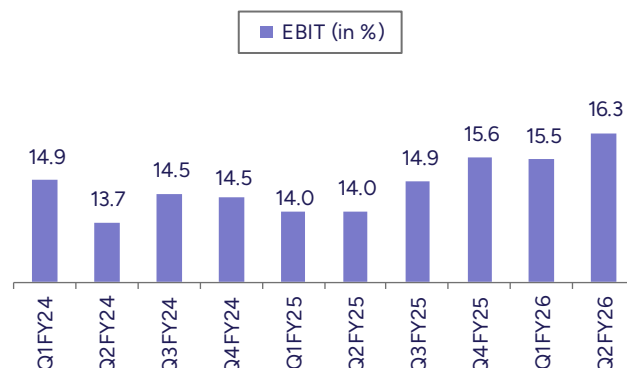
Source: Company, PL, * YoY CC

Exhibit 5: Revenue increased by 4.2% QoQ in USD



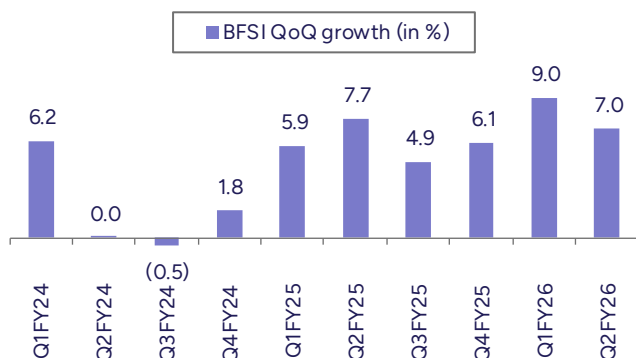
Source: Company, PL

Exhibit 6: Strong improvement in Q2 EBIT margin (%)



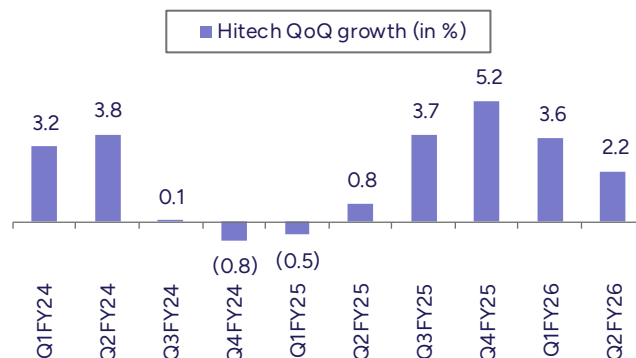
Source: Company, PL

Exhibit 7: BFSI continue momentum



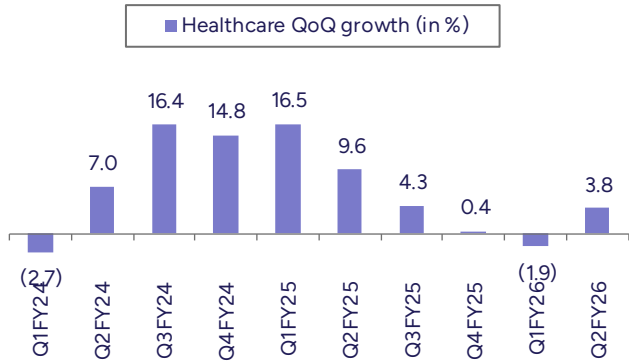
Source: Company, PL

Exhibit 8: Hitech growth steady



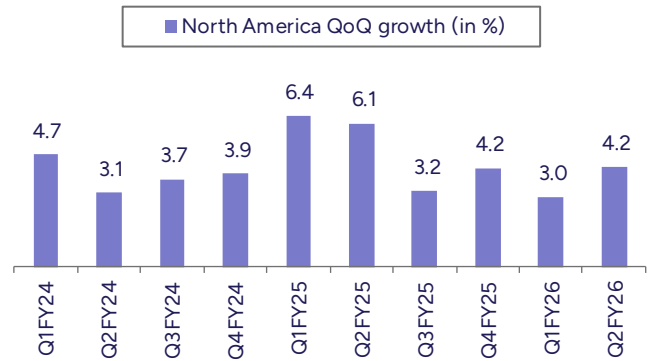
Source: Company, PL

Exhibit 9: Healthcare rebounds



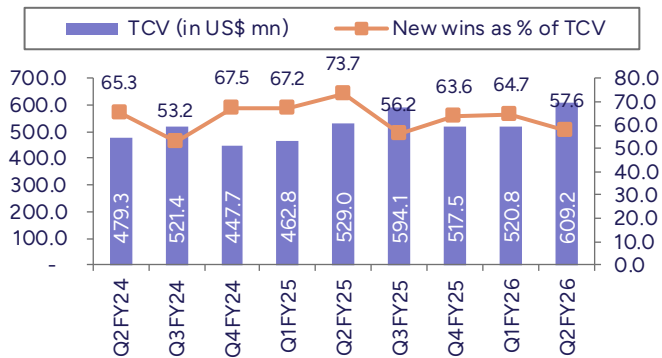
Source: Company, PL

Exhibit 10: North America QoQ growth



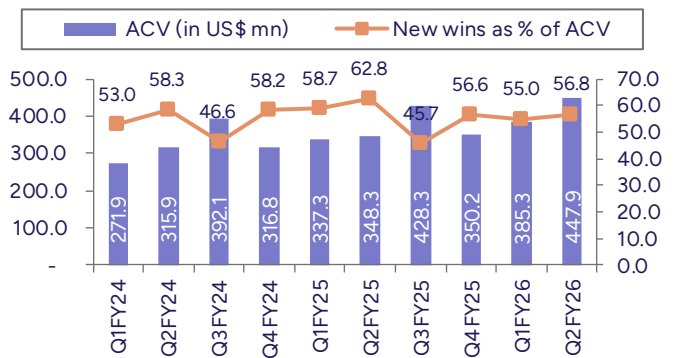
Source: Company, PL

Exhibit 11: Strong TCV wins in Q2



Source: PL, Company

Exhibit 12: ACV wins also improves



Source: PL, Company

Exhibit 13: Operating Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Geography (%)												
North America	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	9.0	10.3	9.7	9.5	8.9	7.8	7.8	7.9	8.2	8.4	9.0	9.3
RoW	13.9	11.8	11.1	11.3	11.4	12.1	11.5	10.8	11.3	11.1	11.2	10.9
Vertical Mix (%)												
BFSI	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 & Life Science	19.6	19.7	18.6	19.3	21.8	24.2	26.7	27.8	27.8	26.8	25.3	25.2
Tech. Cos. & Emerging Verticals	47.8	48.0	48.1	48.4	47.0	45.1	42.5	40.7	40.5	40.9	40.8	40.0
Client Metrics (%)												
Top 5 Clients	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 10 Clients	35.0	37.4	39.6	39.5	39.3	40.0	41.5	41.5	40.0	42.2	42.0	43.2
Employee Metrics												
Technical People	21,033	21,295	21,511	21,263	21,738	22,224	21,866	21,675	22,407	23,072	23,787	24,608
Sales & BD	405	414	428	443	465	484	510	492	489	485	496	510
Others	1,160	1,180	1,191	1,136	1,133	1,142	1,143	1,070	1,046	1,037	1,057	1,106
Total	22,598	22,889	23,130	22,842	23,336	23,850	23,519	23,237	23,942	24,594	25,340	26,224
Effort Mix)												
- Global Delivery Centers	14.3%	13.1%	13.1%	12.7%	13.8%	14.8%	15.2%	15.8%	15.1%	14.8%	14.5%	14.1%
- India	85.7%	86.9%	86.9%	87.3%	86.2%	85.2%	84.8%	84.2%	84.9%	85.2%	85.5%	85.9%
Linear Utilization %	77.6	77.3	78.3	80.6	81.5	80.0	82.1	84.8	87.4	88.1	88.7	88.2

Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	119	145	174	214
YoY gr. (%)	21.6	21.1	20.6	23.0
Employee Cost	79	94	115	140
Gross Profit	41	50	60	74
Margin (%)	34.0	34.9	34.3	34.6
SG&A Expenses	20	24	28	35
Other Expenses	-	-	-	-
EBITDA	21	26	31	39
YoY gr. (%)	19.4	26.6	20.3	25.9
Margin (%)	17.2	18.0	18.0	18.4
Depreciation and Amortization	3	4	4	5
EBIT	18	22	27	34
Margin (%)	14.7	15.3	15.6	16.0
Net Interest	-	-	-	-
Other Income	1	1	1	2
Profit Before Tax	18	23	29	36
Margin (%)	15.3	16.2	16.4	16.8
Total Tax	4	6	7	8
Effective tax rate (%)	23.2	23.5	23.5	23.5
Profit after tax	14	18	22	28
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14	18	22	28
YoY gr. (%)	22.6	28.0	22.0	26.2
Margin (%)	11.7	12.4	12.5	12.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14	18	22	28
YoY gr. (%)	28.0	28.0	22.0	26.2
Margin (%)	11.7	12.4	12.5	12.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	18	22	28
Equity Shares O/s (bn)	0	0	0	0
EPS (Rs)	90.2	114.6	139.7	176.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	37	41	44	49
Tangibles	22	25	29	33
Intangibles	16	16	16	16
Acc: Dep / Amortization	24	28	32	37
Tangibles	12	16	21	26
Intangibles	11	11	11	11
Net fixed assets	14	13	13	12
Tangibles	9	9	8	7
Intangibles	5	5	5	5
Capital Work In Progress	0	0	0	0
Goodwill	12	12	12	12
Non-Current Investments	6	9	11	13
Net Deferred tax assets	2	4	4	5
Other Non-Current Assets	2	4	4	5
Current Assets				
Investments	7	7	7	7
Inventories	-	-	-	-
Trade receivables	18	24	29	35
Cash & Bank Balance	7	7	12	18
Other Current Assets	18	22	27	33
Total Assets	87	102	118	141
Equity				
Equity Share Capital	1	1	1	1
Other Equity	62	72	85	101
Total Network	63	73	85	102
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	3	3	4	5
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9	12	14	18
Other current liabilities	12	13	15	16
Total Equity & Liabilities	87	102	118	141

Source: Company Data, PL Research


Cash Flow (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	18	23	29	36
Add. Depreciation	3	4	4	5
Add. Interest	0	-	-	-
Less Financial Other Income	1	1	1	2
Add. Other	2	-	-	-
Op. profit before WC changes	23	27	33	41
Net Changes-WC	(6)	(7)	(7)	(9)
Direct tax	(5)	(6)	(7)	(8)
Net cash from Op. activities	12	15	19	24
Capital expenditures	(2)	(4)	(3)	(4)
Interest / Dividend Income	1	-	-	-
Others	(3)	(3)	(2)	(2)
Net Cash from Invt. activities	(4)	(6)	(5)	(6)
Issue of share cap. / premium	2	-	-	-
Debt changes	(3)	-	-	-
Dividend paid	(5)	(8)	(10)	(11)
Interest paid	0	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(6)	(8)	(10)	(11)
Net change in cash	1	0	5	6
Free Cash Flow	9	11	16	20

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	31	32	33	36
YoY gr. (%)	5.7	5.9	2.8	7.4
Raw Material Expenses	20	21	22	23
Gross Profit	11	11	12	13
Margin (%)	34.7	34.9	35.3	36.0
EBITDA	5	6	6	7
YoY gr. (%)	-	-	-	-
Margin (%)	17.6	18.0	18.3	19.1
Depreciation / Depletion	1	1	1	1
EBIT	5	5	5	6
Margin (%)	14.9	15.6	15.5	16.3
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	5	5	6	6
Margin (%)	15.7	15.6	16.7	17.2
Total Tax	1	1	1	1
Effective tax rate (%)	22.6	21.7	23.5	23.6
Profit after Tax	4	4	4	5
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4	4	4	5
YoY gr. (%)	14.8	6.1	7.4	10.9
Margin (%)	12.2	12.2	12.7	13.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4	4	4	5
YoY gr. (%)	14.8	6.1	7.4	10.9
Margin (%)	12.2	12.2	12.7	13.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4	4	4	5
Avg. Shares O/s (bn)	-	-	-	-
EPS (Rs)	23.9	25.4	27.2	30.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	90.2	114.6	139.7	176.3
CEPS	110.0	139.8	166.5	209.2
BVPS	407.2	466.8	545.4	651.2
FCF	59.3	70.0	101.8	124.8
DPS	35.0	52.0	61.0	70.5
Return Ratio(%)				
RoCE	23.8	24.8	26.3	28.1
ROIC	18.7	20.9	22.1	23.4
RoE	24.8	26.3	27.6	29.5
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Debtor (Days)	56	60	60	60
Valuation(x)				
PER	59.2	46.6	38.2	30.3
P/B	13.1	11.4	9.8	8.2
P/CEPS	110.0	139.8	166.5	209.2
EV/EBITDA	39.6	31.5	26.0	20.5
EV/Sales	6.8	5.7	4.7	3.8
Dividend Yield (%)	0.7	1.0	1.1	1.3

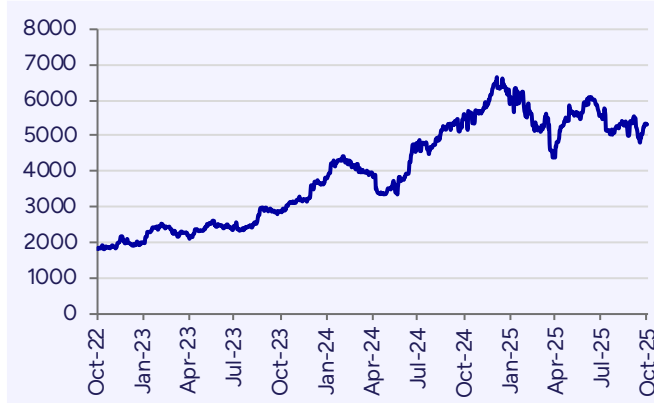
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Revenue (in US\$ mn)	1,409	1,647	1,938	2,306

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-25	BUY	5,970	5,069
2	24-Jul-25	Hold	5,890	5,606
3	01-Jul-25	Hold	5,890	6,042
4	24-Apr-25	BUY	5,910	5,164
5	03-Apr-25	Accumulate	5,920	5,318
6	27-Mar-25	Accumulate	5,920	5,517
7	23-Jan-25	Hold	5,970	5,683
8	07-Jan-25	Hold	6,060	6,395
9	23-Oct-24	Accumulate	5,810	5,182

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	1,130	1,170
2	HCL Technologies	BUY	1,760	1,495
3	Infosys	BUY	1,760	1,447
4	KPIT Technologies	BUY	1,360	1,158
5	L&T Technology Services	Hold	4,400	4,262
6	Latent View Analytics	BUY	570	415
7	LTIMindtree	Hold	5,380	5,120
8	Mphasis	Accumulate	2,920	2,737
9	Persistent Systems	BUY	5,970	5,069
10	Tata Consultancy Services	BUY	3,800	3,062
11	Tata Elxsi	Reduce	5,010	5,580
12	Tata Technologies	Sell	540	707
13	Tech Mahindra	Hold	1,470	1,401
14	Wipro	Hold	250	241

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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