Persistent Systems

India | IT Services | Result Update

Global Markets Research

3 August 2026

Higher forex loss dents profitability

Rating: Sell
Target Price: INR 4,100
Downside: -26%
CMP: INR 5,575
As on 03 August 2026

Persistent Systems (PSYS IN) Q1 revenue was largely in line, but reported profitability was lower than our estimates, due to higher forex loss. The company witnessed strong growth in its India business, which is a result of services procurement by some clients through India Global Capability Centre (GCC). Management insists this may be an aberration while the US and the EU remain growth drivers in the medium term. The company reiterated USD 2bn annualized revenue growth target in FY27 and also maintained its aspirational revenue target of USD 5bn by FY31. Regarding the Nagarro acquisition, management says it has submitted documents to regulatory bodies in Germany as well as in India, and approval is awaited. Management expects acquisition closure by Q4CY26-Q1CY27. The company announced a wage hike effective July 1, 2026, which may impact margins in Q2. Management mentioned that they will likely mitigate this headwind through cost optimization. Management maitained EBIT margin target of 16-17% in the medium term. We reiterate **Sell** with a lower TP of INR 4,100 on 26x FY28E P/E.

Hi-tech, India and RoW drive growth: PSYS reported revenue growth of 4.1% QoQ in CC terms and 3.8% in USD terms in Q1FY27. In INR terms, revenue grew 6.1% QoQ and 29.1% YoY. Geography-wise, growth was led by India and RoW, which grew 22.5% QoQ and 22.6% QoQ, respectively, followed by the EU at 8.9% QoQ, while North America grew by a mere 0.8% QoQ. Vertical-wise, growth was led by hi-tech, up 7.7% QoQ, followed by BFSI at 2.3% QoQ, while healthcare & life sciences remains broadly flat sequentially. Total contract value (TCV) reached an all-time high of USD 1,146.2mn, up 90.8% QoQ and 120.1% YoY (including USD 650mn deal), while annul contract value (ACV) stood at USD 536.8mn, up 20.6% QoQ and 39.3% YoY. LTM attrition declined 70bp QoQ to 12.3% while PSYS reported a net addition of 1,138 employees in Q1. Utilization declined 150bp QoQ to 86.5%.

Lower utilization leads to margin contraction: Q1FY27 reported EBIT margin declined 30bp QoQ to 16.0%, dragged by lower utilization, due to proactive hiring for the ramp-up of large deals (-60bp) and higher direct cost, including increased AI-tool use and software purchase cost, net of personnel-cost efficiencies (-20bp). These headwinds were offset by favorable currency movement (+30bp) and lower provisions for doubtful debts (+20bp). PSYS rolled out wage hikes effective July 1, 2026, and expects to offset the impact via higher operational efficiency. Management reiterated EBIT margin range of 16–17% while continuing to prioritize growth and investments in AI-led delivery capabilities.

Retain Sell with a lower TP of INR 4,100: The company retained its USD 2bn annualized revenue growth target in FY27 and revenue of USD 5bn by FY31, including inorganic opportunities. Our revenue growth of 15% in USD terms in FY27E and 13% in USD terms is FY28E are largely unchanged while our earnings are down by 4-8% during FY27-28E, due to weak profitability in Q1. Accordingly, we cut our TP to INR 4,100 from INR 4,280 based on 26x FY28E P/E. Our numbers do not include Nagarro numbers. We retain **Sell**, given its expensive valuation (the stock trades at 43x FY27E P/E and 35x FY28E P/E).

Key data

Bloomberg	PSYS IN
Reuters Code	PERS.NS
Shares outstanding (mn)	158
Market cap (INR bn/USD mn)	879/9,225
EV (INR bn/USD mn)	863/9,051
ADTV 3M (INR mn/USD mn)	4,088/43
52 week high/low	6,599/4,243
Free float (%)	69

Note: as on 03 August 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Promoter	30.6	30.3	30.3	30.3
% Pledge	0.0	0.0	0.0	0.0
FII	21.2	22.8	22.1	20.8
DII	30.6	29.8	30.5	30.3
Others	17.6	17.1	17.1	18.7

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	2.7	(3.9)	0.2
Persistent Systems	16.1	(11.2)	10.1
NSE Mid-cap	4.6	2.2	6.0
NSE Small-cap	7.5	12.9	6.7

Source: Bloomberg

Key financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	119,387	147,484	181,321	205,052	229,386
YoY (%)	21.6	23.5	22.9	13.1	11.9
EBITDA (INR mn)	20,580	27,954	32,401	37,832	42,223
EBITDA margin (%)	17.2	19.0	17.9	18.5	18.4
Adj PAT (INR mn)	14,001	19,319	20,590	25,010	28,646
YoY (%)	28.0	33.2	10.4	21.5	14.5
Fully DEPS (INR)	90.2	122.5	130.1	158.0	180.9
RoE (%)	24.8	27.3	24.1	25.1	24.7
RoCE (%)	30.5	33.8	32.7	33.1	32.1
P/E (x)	61.1	45.1	42.4	34.9	30.4
EV/EBITDA (x)	41.9	30.9	26.6	22.8	20.4

Note: Pricing as on 03 August 2026; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Total Revenue	119,387	147,484	181,321	205,052	229,386
Gross Profit	40,647	51,720	63,550	71,798	92,285
EBITDA	20,580	27,954	32,401	37,832	42,223
EBIT	17,511	23,925	27,900	32,992	37,228
Interest expense	671	683	912	655	764
Other income	710	1,077	(304)	355	464
Exceptional/ Extra-ordinary items	-	890	-	-	-
PBT	18,221	24,112	27,595	33,347	37,693
Tax	4,222	5,461	7,005	8,337	9,046
Minority interest/Associates income	-	-	-	-	-
Reported PAT	14,001	18,651	20,590	25,010	28,646
Adjusted PAT	14,001	19,319	20,590	25,010	28,646
Balance Sheet (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Shareholders' Equity	63,191	78,379	92,244	107,250	124,438
Minority Interest	-	-	-	-	-
Trade Payables	8,886	11,342	14,961	16,912	18,912
Provisions & Other Current Liabilities	12,442	17,901	19,798	21,012	22,257
Total Borrowings	-	-	-	-	-
Other long term liabilities	2,848	6,144	6,144	6,144	6,144
Total liabilities & equity	**87,366**	**113,765**	**133,148**	**151,318**	**171,751**
Net Fixed Assets	13,073	15,232	12,731	9,890	6,896
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	22,930	37,672	53,142
Inventories	-	-	-	-	-
Sundry Debtors	18,478	21,332	26,329	28,089	31,423
Other Current Assets	21,527	37,458	43,597	48,106	52,730
Total Assets	**87,366**	**113,765**	**133,148**	**151,318**	**171,751**
Cash Flow Statement (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Cashflow from Operations	**11,569**	**17,671**	**19,473**	**26,746**	**28,929**
Capital expenditure	(2,367)	(2,086)	(2,000)	(2,000)	(2,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(1,977)	(4,013)	-	-	-
Free Cash Flow	**9,202**	**15,585**	**17,473**	**24,746**	**26,929**
Cashflow from Financing	(6,282)	(7,482)	(6,725)	(10,004)	(11,459)
Net Change in Cash / treasury investments	26	1,928	10,748	14,742	15,470
Key assumptions & Ratios	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Dividend per share (INR)	35.0	40.0	42.5	63.2	72.4
Book value per share (INR)	407.3	496.8	582.6	677.4	786.0
RoCE (Pre-tax) (%)	30.5	33.8	32.7	33.1	32.1
ROIC (Pre-tax) (%)	37.1	40.2	41.2	47.5	52.9
ROE (%)	24.8	27.3	24.1	25.1	24.7
Asset Turnover (x)	9.8	10.4	13.0	18.1	27.3
Net Debt to Equity (x)	(0.2)	(0.2)	(0.2)	(0.4)	(0.4)
Net Debt to EBITDA (x)	(0.5)	(0.4)	(0.7)	(1.0)	(1.3)
Interest cover (x) (EBITDA/ int exp)	30.7	40.9	35.5	57.7	55.2
Total Working capital days (WC/rev)	16.9	10.9	7.3	3.9	1.7
Valuation	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
P/E (x)	61.1	45.1	42.4	34.9	30.4
P/Sales (x)	7.4	6.0	4.9	4.3	3.8
EV/ EBITDA (x)	41.9	30.9	26.6	22.8	20.4
EV/ OCF (x)	74.6	48.8	44.3	32.3	29.8
FCF Yield	1.1	1.8	2.0	2.9	3.1
Price to BV (x)	13.7	11.2	9.6	8.2	7.1
Dividend yield (%)	0.6	0.7	0.8	1.1	1.3

Note: Pricing as on 03 August 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

(INR mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Variance (%)
Revenue (USD mn)	452	389.7	16.1	436.0	3.8	449.3	0.7
Revenue (INR mn)	43,032	33,336	29.1	40,559	6.1	42,231	1.9
Operating Expenditure	36,063	27,220	32.5	32,882	9.7	34,014	6.0
Employee benefit costs	21,988	18,261	20.4	21,365	2.9	21,920	0.3
Sub con costs	6,672	4,796	39.1	6,218	7.3	6,529	2.2
EBITDA	6,969	6,116	13.9	7,677	(9.2)	8,218	(15.2)
Depreciation	1,153	938	22.9	1,085	6.2	1,116	3.3
EBIT	5,816	5,178	12.3	6,592	(11.8)	7,102	(18.1)
Other Income, net	-638	376		148		166	(485.3)
PBT	5,178	5,554	(6.8)	6,740	(23.2)	7,267	(28.7)
Total Tax	1,401	1,305	7.3	1,447	(3.2)	1,817	(22.9)
Reported PAT	3,778	4,249	(11.1)	5,293	(28.6)	5,450	(30.7)
Reported EPS (INR)	33.6	27.2	23.3	33.6	0.0	34.5	(2.9)

Source: Company, Elara Securities Estimate

Conference call highlights

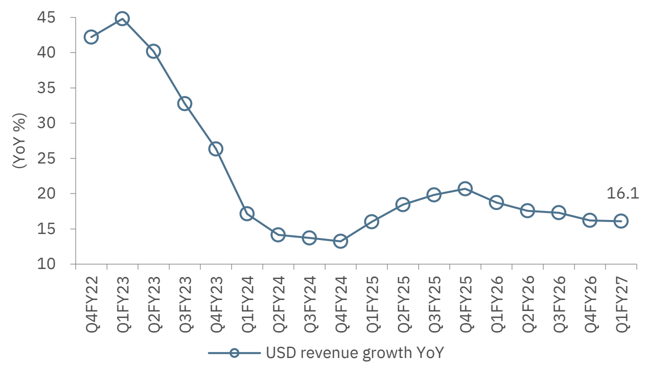
- **Management remains confident on the demand environment and growth pipeline**, supported by healthy client spending across AI-led engineering, data modernization and business-transformation programs. PSYS continues to outperform the broader industry, with management highlighting market-share gains through vendor consolidation, proactive deal origination and expansion within strategic accounts. The company remains confident of sustaining healthy growth, supported by the ramp-up of large deals and continued traction across its core verticals.

- **Deal wins at an all-time high:** Q1FY27 TCV increased to a record ~USD 1.2bn, including new-booking TCV of USD 952.2mn, while ACV stood at USD 536.8mn. Bookings were led by the USD 650mn-plus, six-and-a-half-year strategic services agreement with a US-headquartered global technology company, encompassing product development, support and Cloud operations across several SaaS products. The deal has already started contributing, with management expecting 75–80% of peak quarterly revenue to be realized in Q2 and the full run-rate to be achieved in Q3, strengthening near-term revenue visibility.

- **Vertical-wise, broad-based growth:** Healthcare & life sciences led growth at 16.4% YoY, followed by BFSI at 16.3% and software, hi-tech and emerging industries at 15.7%. Healthcare demand remains healthy across payers, pharma, scientific instruments, and medical devices, although the provider segment remains relatively weak. Geography-wise, North America grew 15.1% YoY, the EU 9.5%, and India 15.8%, with India growth partly reflecting global customers increasingly routing procurement through India GCC. Client mining remains healthy, with the Top 5 and Top 10 clients growing 21.2% YoY and 19.1% YoY, respectively.

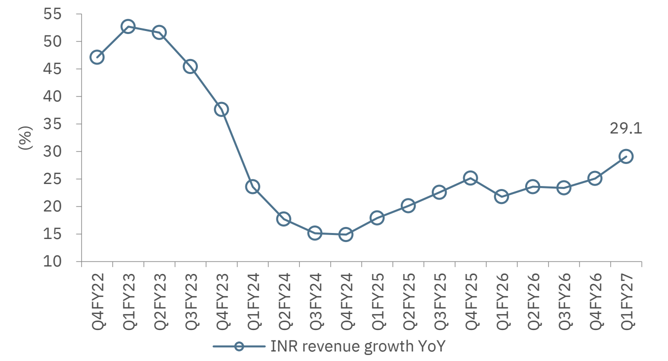
- **Enterprise context-led AI strategy:** PSYS advanced its AI strategy across engineering hyper-productivity, business hyper-productivity and enterprise data readiness, anchored on its core-context-coordination architecture. During the quarter, SASVA added storyboard for orchestration of long-running agentic workflows and an Incognito mode for sovereign AI deployments, while GenAI Hub expanded across AWS, Azure and Google Cloud and iAURA added agentic data-engineering capabilities. Management highlighted measurable outcomes including up to 25% compression in the modernization cycles, up to 40% improvement in feature throughput, ~20% procurement savings, and improved healthcare outcomes. The company's AI intellectual-property portfolio increased to 239 patent filings, including 18 new filings during the quarter.

Exhibit 2: YoY USD growth moderates to some extent



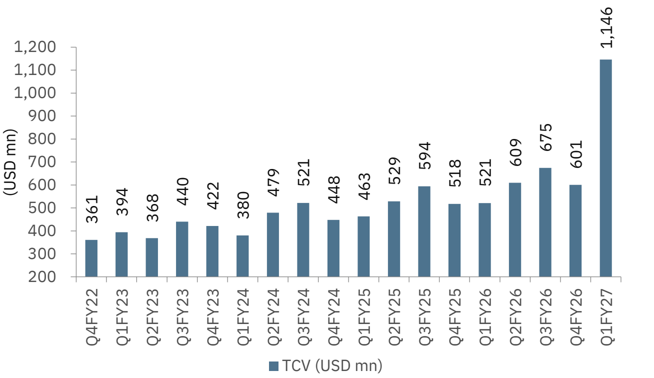
Source: Company, Elara Securities Research

Exhibit 3: INR growth remains strong, helped by the INR depreciation



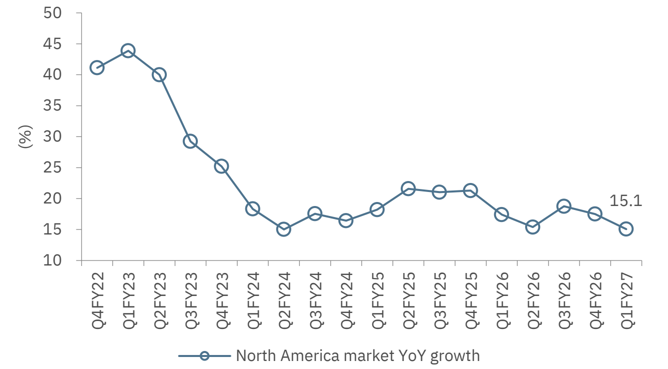
Source: Company, Elara Securities Research

Exhibit 4: TCV includes USD 650mn deal



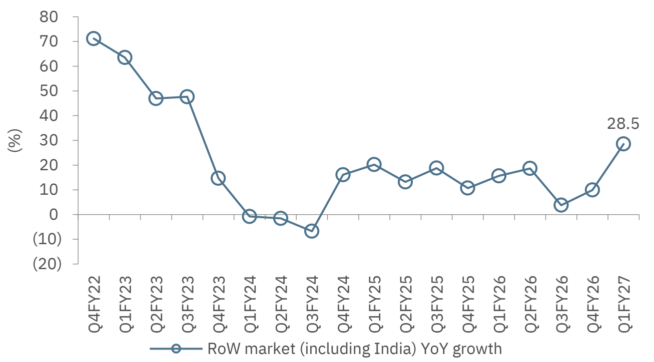
Source: Company, Elara Securities Research

Exhibit 5: North America revenue growth decelerates



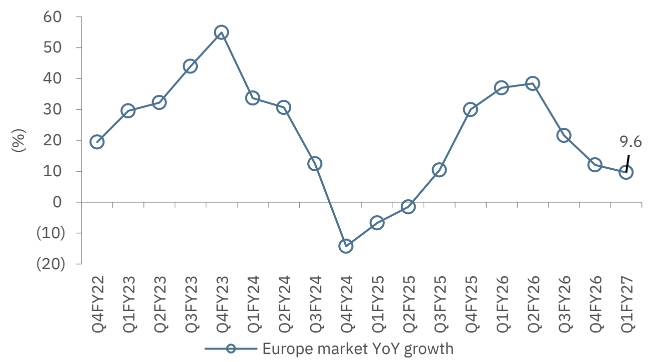
Source: Company, Elara Securities Research

Exhibit 6: Growth helped by GCC



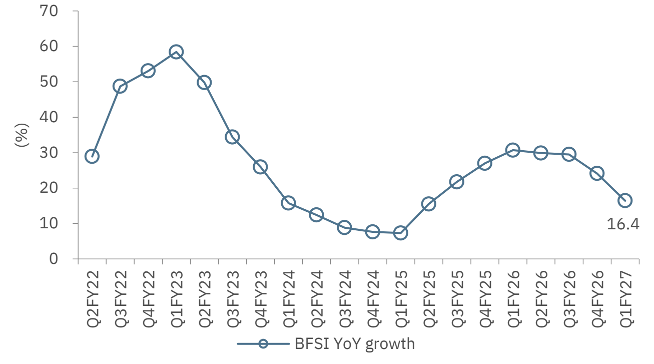
Source: Company, Elara Securities Research

Exhibit 7: EU revenue growth moderates



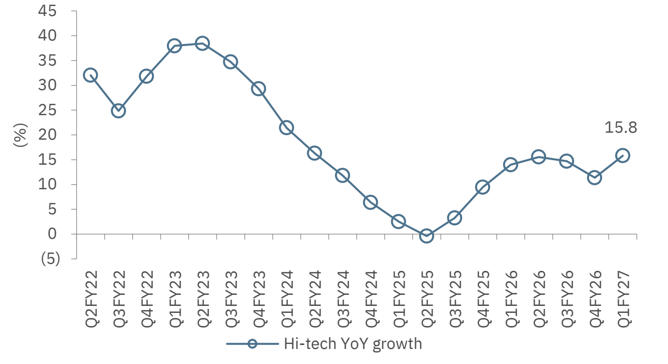
Source: Company, Elara Securities Research

Exhibit 8: BFSI revenue growth moderates



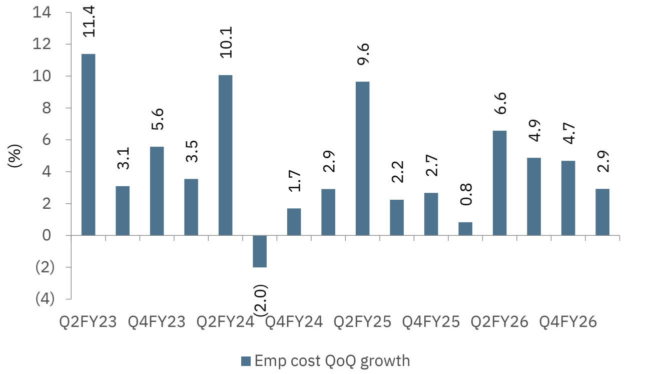
Source: Company, Elara Securities Research

Exhibit 9: Hi-tech revenue growth improves in Q1FY27



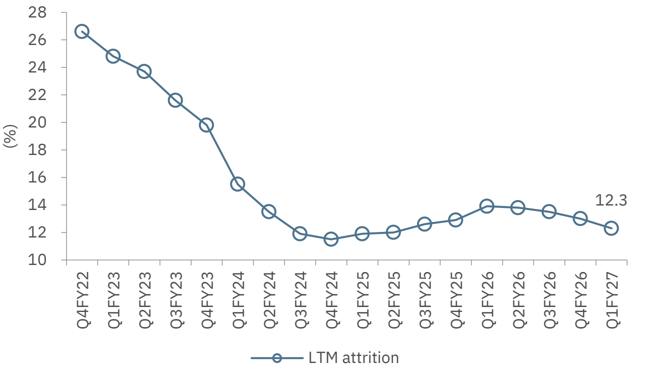
Source: Company, Elara Securities Research

Exhibit 10: Employee cost lower



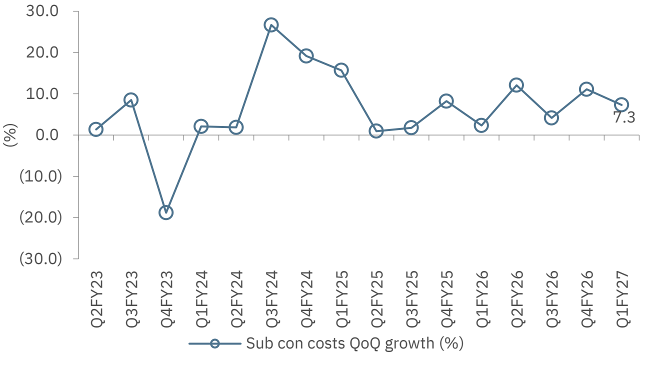
Source: Company, Elara Securities Research

Exhibit 11: LTM attrition declines in Q1FY27



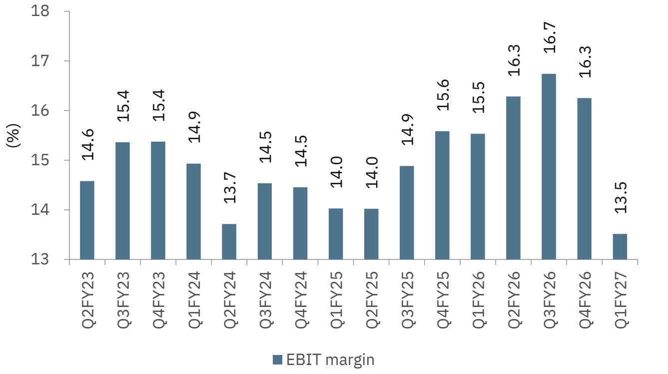
Source: Company, Elara Securities Research

Exhibit 12: Subcontractor cost growth moderates



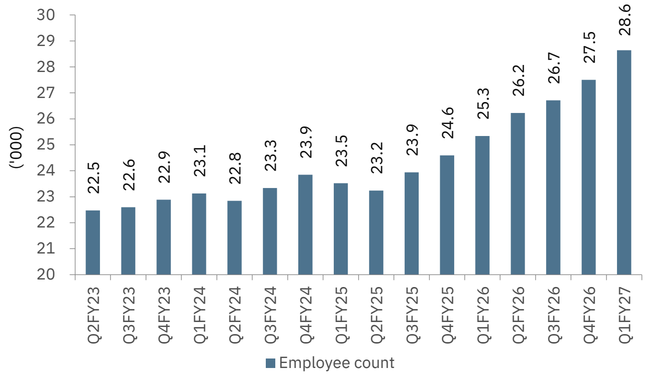
Source: Company, Elara Securities Research

Exhibit 13: Reported EBIT margin dip on forex loss



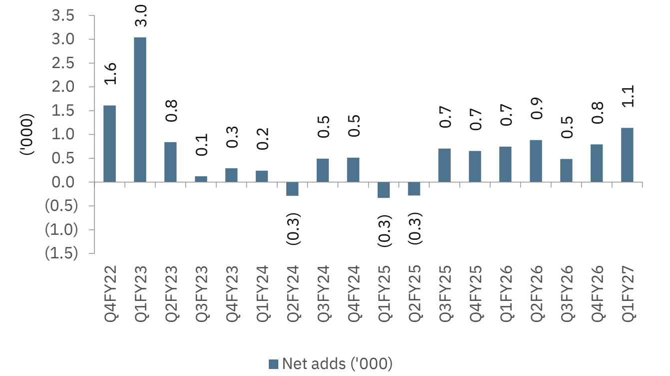
Source: Company, Elara Securities Research

Exhibit 14: Employee base continues to see an uptick...



Source: Company, Elara Securities Research

Exhibit 15: ...with seven quarters of positive net adds



Source: Company, Elara Securities Research

Exhibit 16: Valuation

(INR)	
Current trailing twelve months (TTM) EPS	122
Current Market Price (CMP)	5,575
Target EPS	158
Target EPS period	FY28E
Target Multiple (x)	26.0
Target price (per share)	4,100
Downside (%)	26

Note: Pricing as on 3 August 2027; Source: Company, Elara Securities Estimate

Exhibit 17: PSYS trades at 40x one-year forward

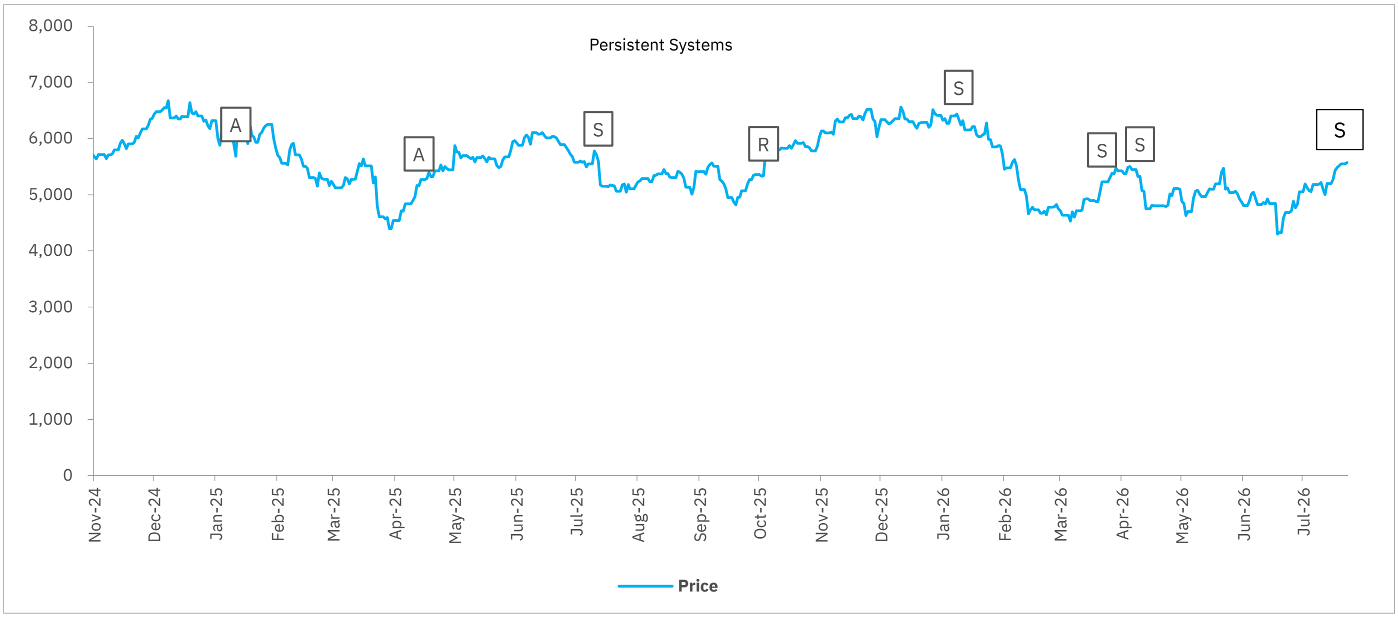
Note: Pricing as on 31 July 2026; Source: NSE, Company, Elara Securities Estimate

Exhibit 18: Change in estimates

(INR mn)	Earlier			Revised			% change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue in USD mn	1,903	2,154	2,410	1,906	2,156	2,412	0.2	0.1	0.1
Revenue in INR mn	173,137	195,999	219,320	181,321	205,052	229,386	4.7	4.6	4.6
EBIT	27,692	32,313	36,341	27,900	32,992	37,228	0.7	2.1	2.4
EBIT margin (%)	16.0	16.5	16.6	15.4	16.1	16.2	(60) bps	(40) bps	(30) bps
PAT	22,305	25,923	29,558	20,590	25,010	28,646	(7.7)	(3.5)	(3.1)
EPS (INR)	141	164	187	130	158	181	(8.0)	(3.9)	(3.4)
TP (INR)			**4,280**			**4,100**			**(4.2)**

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
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
3-Aug-2026	Sell	4,100	5,575

Guide to Research Rating

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

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