

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

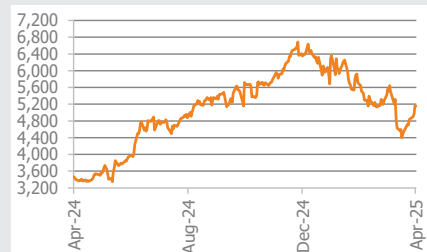
Company details

Market cap:	Rs. 80,387 cr
52-week high/low:	Rs. 6789/3,233
NSE volume: (No of shares)	6.0 lakh
BSE code:	533179
NSE code:	PERSISTENT
Free float: (No of shares)	10.8cr

Shareholding (%)

Promoters	30.7
FII	24.4
DII	26.9
Others	18.1

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-4.9	-19.0	-9.4	48.8
Relative to Sensex	-7.2	-23.7	-9.0	40.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Persistent Systems Ltd

Strong Quarter, On track towards \$2bn revenue goal

IT & ITES	Sharekhan code: PERSISTENT
Reco/View: Buy	CMP: Rs. 5,158 Price Target: Rs. 5,780
↑ Upgrade ↔ Maintain ↓ Downgrade	

Summary

- Reported revenue stood at \$375.2 million, up 4.5% q-o-q in CC terms, beating our estimates of 4 % q-o-q growth in CC.
- EBIT margin improved ~70 bps q-o-q to 15.6% % but missed our estimate of 15.9%. TTM TCVs stood at \$517.5 million, down 13%/up 16%y-o-y.
- Management is confident of achieving a 200-300 bps margin improvement as they aspire to hit the \$2 billion revenue target by FY27.
- We maintain Buy rating with a revised PT of Rs 5,780 (valued at 42x FY27E EPS). At CMP, the stock trades at 46.2/37.2x FY26/27E EPS.

Revenue stood at \$375.2 million, up 4.5% q-o-q in constant currency (CC), beating our estimates of 4% q-o-q growth in CC terms. Revenue in rupee terms stood at Rs. 3,242 crore, up 5.9% q-o-q/25.2 % y-o-y. EBIT margin improved ~70 bps q-o-q to 15.6% % but missed our estimate of 15.9%. Adjusted Net profit stood at Rs 396 crore, up 6.1% q-o-q/25.5% y-o-y but missed our estimates of Rs 419 crore. TTM TCVs stood at \$517.5 million, down 13%/up 16%y-o-y. Book-to-bill stood at 1.4x (1.6x in Q3FY25). New business TTM TCVs stood at \$329 million, down 1%q-o-q/up 9% y-o-y. Net headcount additions were 653 q-o-q, taking total headcount to 24,594. LTM attrition inched up by 30 bps q-o-q to 12.9%. Utilisation (including trainees) improved 70 bps q-o-q to 88.1%. Management is confident of achieving a 200-300 bps margin improvement as they eye the \$2 billion revenue target by FY27. Persistent Systems is on a robust trajectory toward its \$2 billion revenue goal by FY27, leveraging a \$1.5 billion run rate and proven growth resilience. BFSI and Technology verticals are expected to lead growth in FY26, followed by the healthcare & life sciences verticals, while operational levers from offshoring, vendor consolidation, pricing and utilization are likely to support margin improvement. We believe the company's consistent and resilient top quartile performance justifies its premium valuation. We maintain Buy rating with an revised price target (PT) of Rs. 5,780 (valued at 42x FY27E EPS). At CMP, the stock trades at 46.2/37.5x FY26/27E EPS.

Key positives

- Largest vertical software, hi-tech and emerging industries grew 5.2% q-o-q
- TTM TCVs stood at \$517.5 million, down 13%/up 16%y-o-y
- Utilisation (including trainees) improved 70 bps q-o-q to 88.1%
- Net headcount additions were 653 q-o-q, taking total headcount to 24,594

Key negatives

- LTM attrition inched up by 30 bps q-o-q to 12.9%
- Sub-contractor expenses grew 8% q-o-q/29% y-o-y

Management Commentary

- Most renewals and bookings occur in the December quarter due to 80% of revenue coming from the U.S., aligning with the financial year-end of North American clients. Sequential booking decline in Q4 reflects typical seasonality
- Recent geopolitical and macroeconomic developments have increased caution in customer and prospect decision-making.
- Persistent is committed to reaching a \$2 billion revenue goal by the end of FY27 and is on track to achieve it.
- Management is confident of achieving a 200-300 bps margin improvement as they eye the \$2 billion revenue target by FY27.
- BFSI and Technology verticals to lead growth in FY26, followed by Healthcare & Life Sciences.
- Healthcare has a decent pipeline, excluding a large customer and others affected by funding cuts.
- ETR for FY25 was 23.2% and company expects it to remain at 23-23.5% going forward.

Revision in earnings estimates - We have revised our estimates to factor in Q4FY25 performance.

Our Call

Valuation - Maintain Buy with revised PT of Rs. 5,780: Persistent delivered strong performance in Q4 on multiple fronts. The company is on a robust trajectory toward its \$2 billion revenue goal by FY27, leveraging a \$1.5 billion run rate and proven growth resilience. BFSI and Technology verticals are expected to lead growth in FY26, followed by Healthcare & Life Sciences while operational levers from offshoring, vendor consolidation, pricing and utilization are likely to support margin improvement. We expect Sales/PAT CAGR at ~18%/23% over FY25-FY27E. We believe that consistent and resilient top quartile performance justifies its premium valuation. We maintain Buy rating with a revised PT of Rs. 5,780 (valued at 42x FY27E EPS). At CMP, the stock trades at 46.2/37.5x FY26/27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements. Macro headwinds, and recession in the US can moderate the pace of technology spends.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	9,821.6	11,938.7	14,147.1	16,648.1
OPM (%)	17.6	17.2	17.3	18.2
Adjusted PAT	1,142.1	1,400.1	1,726.6	2,125.2
YoY growth (%)	20.1	22.6	23.3	23.1
Adjusted EPS (Rs.)	75.1	90.6	111.7	137.5
P/E (x)	68.7	56.9	46.2	37.5
P/B (x)	8.0	12.7	10.9	9.3
EV/EBITDA (x)	45.3	37.8	32.2	26.2
RoNW (%)	25.6	24.8	25.2	26.5
RoCE (%)	28.7	30.0	31.2	32.8

Source: Company; Mirae Asset Sharekhan estimates

Key Highlights

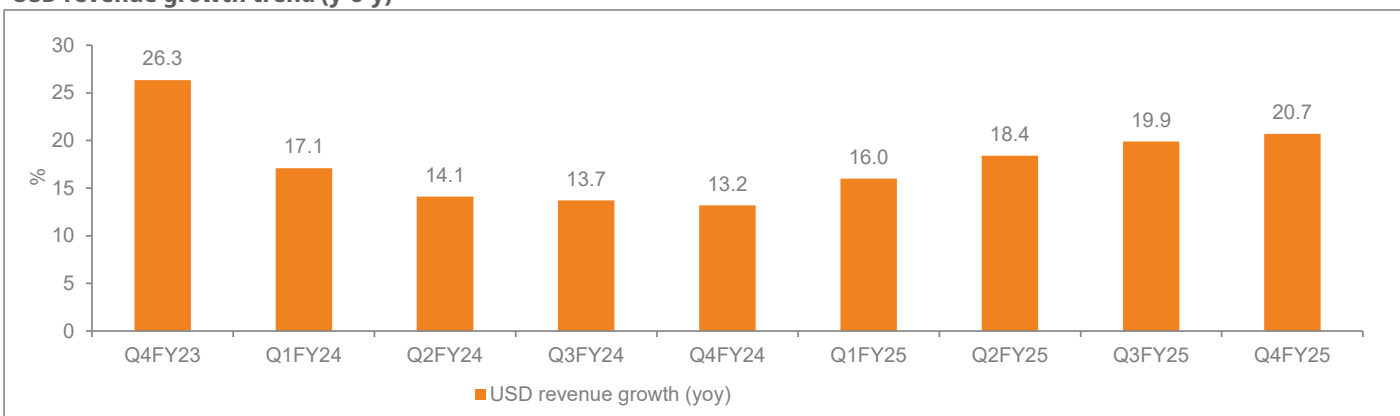
- ♦ **Revenue growth:** Revenue stood at \$375.2 million, up 4.5% q-o-q in constant currency, beating our estimates of 4% q-o-q growth in CC terms. Revenue in rupee terms stood at Rs. 3,242 crore, up 5.9% q-o-q/25.2 % y-o-y. For FY25, revenue stood at \$1,409.1, up 18.8% y-o-y.
- ♦ **EBIT margins:** EBIT margins improved ~70 bps q-o-q to 15.6% % but missed our estimate of 15.9% . Margins improved due to better utilization (+20 bps), reduced SG&A costs (+30 bps), higher earnout credit (+20 bps), and favorable currency movements (+40 bps), though multi-year managed services deals created a 40 bps headwinds.
- ♦ **Order bookings:** TTM TCVs stood at \$517.5 million, down 13%/up 16%y-o-y. Book-to-bill stood at 1.4x (1.6x in Q3FY25). New business TTM TCVs stood at \$329 million, down 1%q-o-q/up 9% y-o-y. TTM ACV stood at \$350 million down 18% q-o-q/11% y-o-y. while new business TTM ACV stood at \$198.1 million, up 1% q-o-q/up 7% y-o-y.
- ♦ **Growth across verticals:** Largest vertical Software, hi-tech, and emerging industries grew 5.2% q-o-q, while Health & Lifesciences and BFSI grew 0.4 %/6.1% q-o-q, respectively.
- ♦ **Growth across geographies:** North America, Europe, India and RoW grew 4.2%/6.7%/and 3.1% q-o-q respectively while RoW declined 1.3% q-o-q, respectively.
- ♦ **Top clients:** Revenue from the top-5 clients, top-10 clients, top-20 clients, and top-50 clients grew 10.5%/9.9%/8.5%, and 6.2% q-o-q, respectively.
- ♦ **Client additions:** The company added one client in its \$75 million + and 9 clients in 5million+ category but lost one client each in \$50million+ and \$10 million+ revenue category on a sequential basis.
- ♦ **Headcount & attrition:** Net headcount additions were 653 q-o-q, taking total headcount to 24,594. LTM attrition inched up by 30 bps q-o-q to 12.9% . Utilisation (including trainees) improved 70 bps q-o-q to 88.1%
- ♦ **Cash generation & DSO days:** Cash & investments stood at Rs 1951 crore, up 5.8% y-o-y. DSO days stood at 58 from 64 in Q3FY25.
- ♦ **AI Strategy:** The company's AI strategy is built on four pillars, focusing on AI for Technology and AI for Business. In AI for Technology, the company collaborates with tech companies and hyperscalers to engineer platforms leveraging product development expertise and creating scalable backend connectors for enterprise customers. It enables agentic AI adoption of enterprises. The company has developed GenAI-enabled platform SASVA to accelerate software development for technology companies, as well as application development for our enterprise customers. For AI for Business, it integrates agentic reasoning into workflows via platforms like GenAI Hub and iAURA, delivering solutions like fraud detection and drug discovery. The company aims to transform business models with outcome-driven approaches, boosting revenue and margins while reinvesting in R&D.

Results (Consolidated)

Particulars					Rs cr
	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Revenues In USD (mn)	375.2	310.9	360.2	20.7	4.2
Revenues In INR	3,242.1	2,590.5	3,062.3	25.2	5.9
Direct Costs	2,111.7	1,728.6	2,000.0	22.2	5.6
SG&A	546.0	407.5	524.4	34.0	4.1
EBITDA	584.4	454.4	537.8	28.6	8.7
Depreciation & amortization	79.1	79.9	82.1	-1.0	-3.7
EBIT	505.3	374.4	455.7	34.9	10.9
Forex gain/(loss)	-15.4	-1.6	14.5	892.9	-206.6
Other Income	15.4	22.6	11.8	-32.1	29.6
PBT	505.2	395.5	482.0	27.7	4.8
Tax Provision	109.5	80.2	109.0	36.5	0.4
PAT	395.8	315.3	373.0	25.5	6.1
Minority interest	0.0	0.0	0.0		
Net profit	395.8	315.3	373.0	25.5	6.1
Adjusted net profit	395.8	315.3	373.0	25.5	6.1
EPS (Rs)	25.6	20.7	24.3	23.5	5.3
Margin (%)					
EBITDA	18.0	17.5	17.6	49	46
EBIT	15.6	14.5	14.9	113	70
NPM	12.2	12.2	12.2	3	3
Tax rate	21.7	20.3	22.6	139	-96

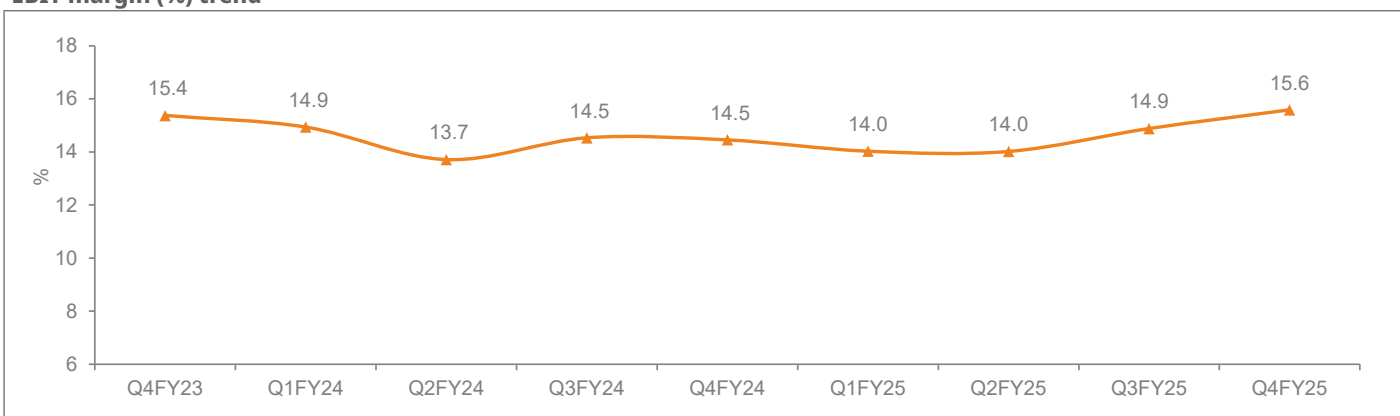
Source: Company; Mirae Asset Sharekhan Research

USD revenue growth trend (y-o-y)



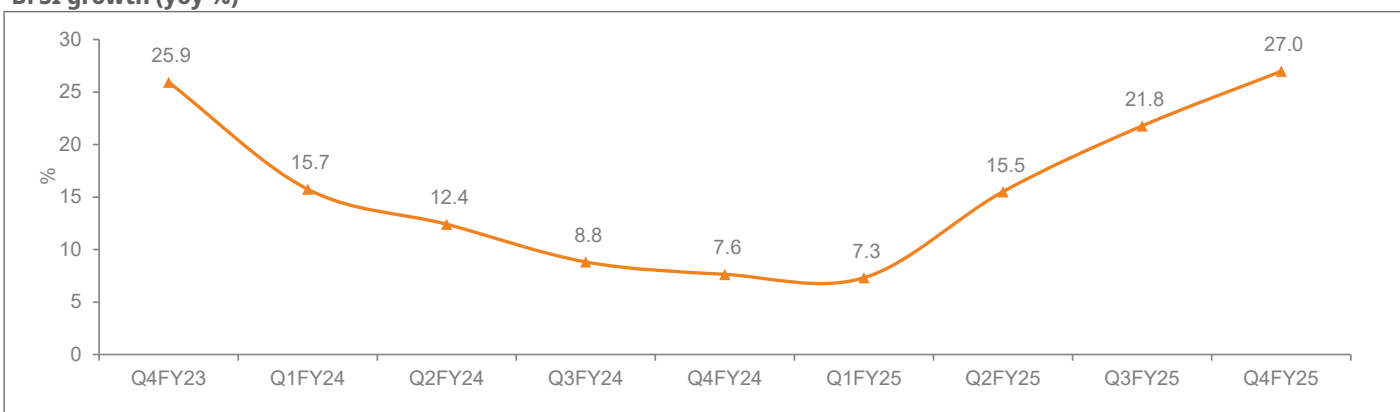
Source: Company; Mirae Asset Sharekhan Research

EBIT margin (%) trend



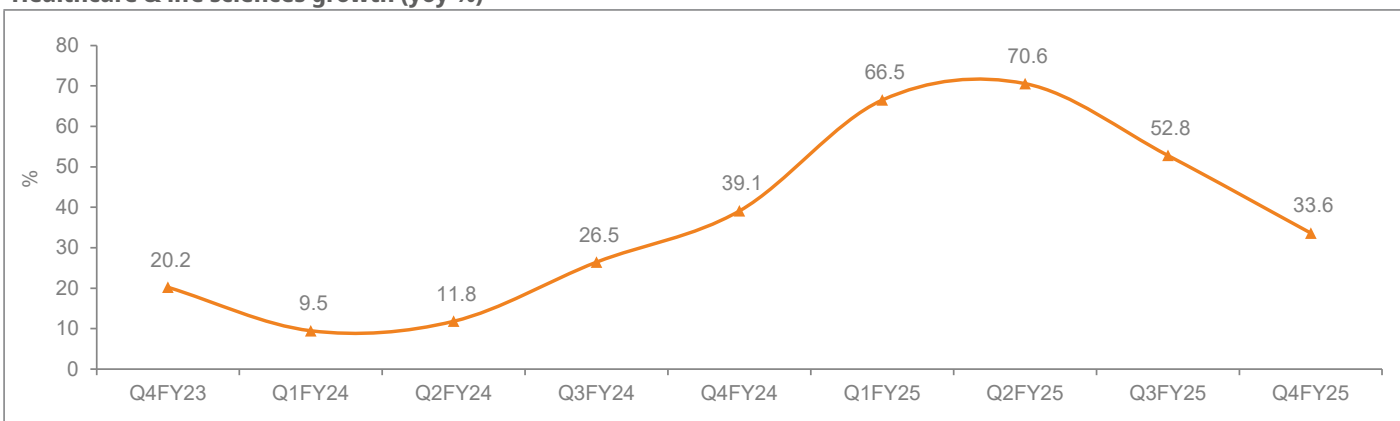
Source: Company; Mirae Asset Sharekhan Research

BFSI growth (yoy %)



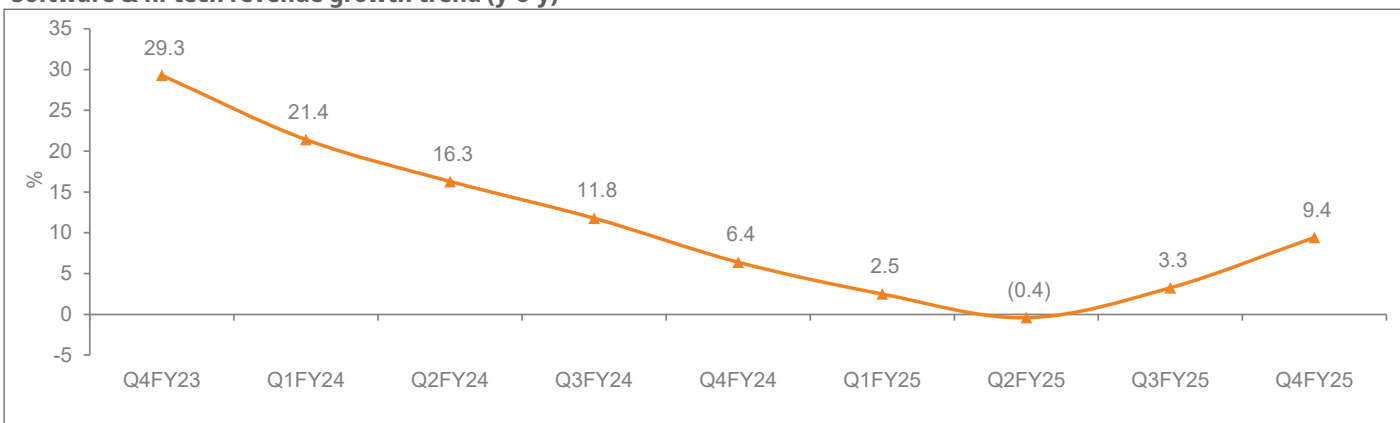
Source: Company; Mirae Asset Sharekhan Research

Healthcare & life sciences growth (yoy %)



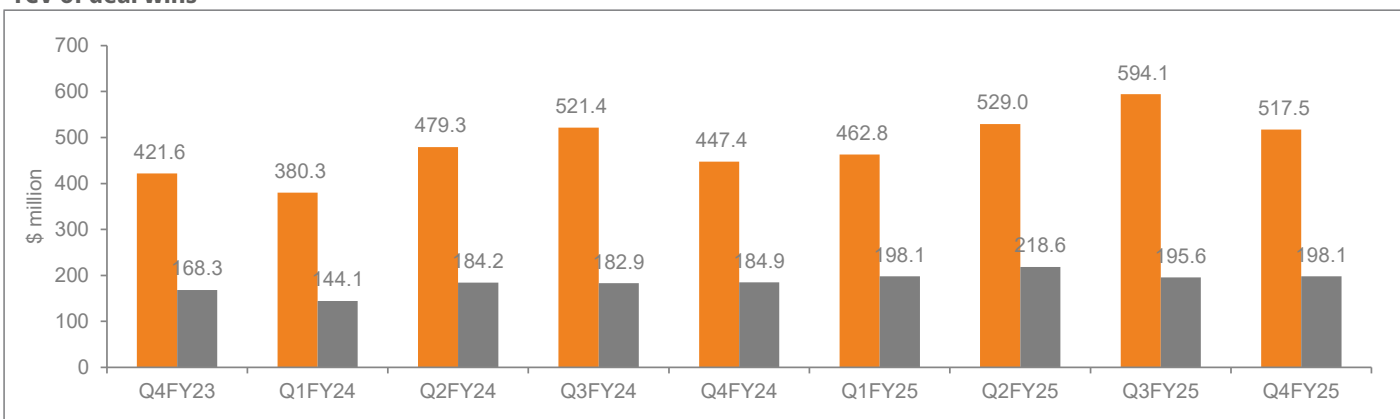
Source: Company; Mirae Asset Sharekhan Research

Software & hi-tech revenue growth trend (y-o-y)



Source: Company; Mirae Asset Sharekhan Research

TCV of deal wins



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets like the US and Europe, alongside increasing demand for AI, Cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays, and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation initiatives.

■ Company Outlook – Well-positioned to capture the immense growth opportunity

Persistent is well-placed to capture a significant chunk of spends in digital technologies as well as opportunities in vendor consolidation and cost optimisation. The company is confident of the trajectory towards achieving its \$2 billion aspirational near term revenue target by FY27 and has set a new aspiration of reaching \$5 billion in revenue by FY31. Management remains committed to a guidance of a 200-300 bps improvement in margins by FY27.

■ Valuation – Maintain Buy with revised PT of Rs. 5,780

Persistent delivered strong performance in Q4 on multiple fronts. The company is on a robust trajectory toward its \$2 billion revenue goal by FY27, leveraging a \$1.5 billion run rate and proven growth resilience. BFSI and Technology verticals are expected to lead growth in FY26, followed by Healthcare & Life Sciences while operational levers from offshoring, vendor consolidation, pricing and utilization are likely to support margin improvement. We expect Sales/PAT CAGR at ~18%/23% over FY25-FY27E. We believe that consistent and resilient top quartile performance justifies its premium valuation. We maintain Buy rating with a revised PT of Rs. 5,780 (valued at 42x FY27E EPS). At CMP, the stock trades at 46.2/37.5x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Persistent Systems is a global IT services and digital company delivering software product development, AI-driven solutions, and digital transformation across BFSI, Healthcare & Life Sciences, and Technology verticals. With FY25 revenue US\$1.41 billion and a workforce of 24,500, it serves Fortune 500 clients, generating 80% of revenue from North America.

Investment theme

Large corporates have been allocating higher budgets towards digital transformation initiatives and IT spends are moving from ISV to the enterprise model. Persistent has restructured its business and aligned its sales resources to capitalise the benefits from clients' digital transformation journey. The alliance with top tech companies, hyperscalers and investments in new-age technologies (AI, gen AI ,IoT, Blockchain, artificial learning, and machine learning) are expected to help the company capture opportunities from these spends.

Key Risks

1) Rupee appreciation and/or adverse cross-currency movements and 2) Macro headwinds, and recession in the U.S., can moderate the pace of technology spends.

Additional Data

Key management personnel

Name	Designation
Dr. Anand Deshpande	Founder, Chairman and MD
Sandeep Kalra	Executive Director and CEO
Vinit Teredesai	Chief Financial Officer (CFO)

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	KOTAK MAHINDRA TRUSTEE CO	4.91
2	Motilal Oswal Asset Management Co	4.63
3	Vanguard Group Inc	2.83
4	Blackrock Inc	2.68
5	HDFC Asset Management Co Ltd	2.65
6	FundRock Management Co SA	2.43
7	Kotak Mahindra Asset Management Co	2.01
8	Nippon Life India Asset Management	1.88
9	Axis Asset Management Co Ltd	1.87
10	UTI Asset Management Co Ltd	1.51

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

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Chief Compliance Officer: Mr. Joby John Meledan; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

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