

India

**HOLD** (no change)

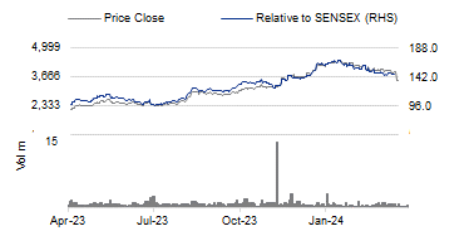
Consensus ratings\*: Buy 15 Hold 12 Sell 11

Current price:	Rs3,509
Target price:	Rs3,610
Previous target:	Rs3,960
Up/downside:	2.9%
InCred Research / Consensus:	-7.3%
Reuters:	PERS.NS
Bloomberg:	PSYS IN
Market cap:	US\$6,483m Rs540,484m
Average daily turnover:	US\$35.4m Rs2951.9m
Current shares o/s:	153.9m
Free float:	69.0%

\*Source: Bloomberg

**Key changes in this note**

- Expect 13.5% revenue CAGR over FY24-26F.
- Expect 21.1% EBIT CAGR over FY24-26F.
- Expect 23.7% PAT CAGR over FY24-26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(12.0)	(15.0)	63.5
Relative (%)	(12.9)	(18.8)	32.4

Major shareholders	% held
Kotak Emerging Equity Scheme	3.2
Axis Midcap Fund	3.0
HDFC Midcap opportunities fund	2.7

**Research Analyst(s)**



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# Persistent Systems Ltd

## Chinks in the armour

- Soft TCV, ACV to moderate revenue growth assumptions.
- Elevated S&M to drive new deal ACV and its associated transition costs could keep margins in check and drives a cut in FY25F margins and EPS.
- Retain HOLD rating on the stock, but with a lower target price of Rs3,610.

### 4QFY24 earnings summary

Persistent Systems or PSL's 4QFY24 revenue was in line with estimates while the EBIT margin missed by 40bp. Both TCV and ACV deal renewals were weak while the new component within ACV continues to lift the growth momentum. Moderating bookings could keep S&M investments elevated while the associated transition costs could keep margins in check and the valuation (~33x FY26F consensus EPS) likely factor in most of the positives in a challenging demand environment.

### Recovery in deal win momentum critical to growth assumptions

Total TCV was down 14.1% qoq but up 6.2% yoy at US\$447.7m, with new wins up 8.9% qoq and 20.7% yoy at US\$302m while the renewals were down 40.3% qoq and 14.9% yoy at US\$145.7m. Total ACV was down 19.2% qoq but up 2.1% yoy at US\$316.8m, with new wins up 0.9% qoq and 9.6% yoy at US\$184.6m while renewals were down 36.8% qoq and 6.9% yoy at US\$132.3m. Although PSL highlighted seasonality at play, moderating ACV could limit short-term visibility while a higher TCV mix provides medium-term visibility.

### FY25F EBIT margin likely to remain at FY24 level

The EBIT margin was flat qoq at 14.5%, impacted by the headwinds including 1) 110bp from higher sub-contractor costs, higher onsite ramp-up and one-time transition costs, 2) 50bp impact from lower utilization due to offshore lateral hiring and planned offshore transition while the tailwinds were 1) reduction in earn-outs of an earlier acquisition (Rs471m) and growth leverage. Transition costs for large deals, S&M and GenAI investments are key margin headwinds while improving utilization, offshore mix and operational efficiency are the tailwinds. We trim our FY24-26F EBIT margin assumption by 30bp to 15.3%.

### Retain HOLD rating with a lower target price of Rs 3,610

We trim estimates and now model a 13.5% US\$ revenue CAGR (14.5% earlier), 23.7% PAT (Rs) CAGR (25.3%) over FY24-26F and retain our target PE/G to 1.4x to arrive at a target P/E of 33.2x (35.8x), given industry-leading growth. Estimate revision drives our target price lower to Rs3,610 (Rs3,960 earlier). Strong cash conversion (FY19-24 average OCF/EBITDA of 79%), healthy dividend payout and net cash (Rs107/share) are anchors to valuation. M&A-led revenue is an upside risk while client-specific ramp-down & senior leadership attrition are key downside risks.

### Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	57,107	83,506	98,216	111,903	131,293
Operating EBITDA (Rsm)	9,582	15,191	17,243	20,098	24,683
Net Profit (Rsm)	6,904	9,211	10,935	13,373	16,736
Core EPS (Rs)	45.2	60.3	74.5	86.9	108.7
Core EPS Growth	53.2%	33.4%	23.6%	16.7%	25.1%
FD Core P/E (x)	77.68	58.22	49.21	40.38	32.26
DPS (Rs)	15.5	25.0	26.0	32.0	40.2
Dividend Yield	0.44%	0.70%	0.74%	0.91%	1.15%
EV/EBITDA (x)	54.86	34.72	30.46	25.87	20.71
P/FCFE (x)	121.06	139.68	69.05	50.33	40.36
Net Gearing	(31.7%)	(22.3%)	(25.9%)	(34.4%)	(42.1%)
P/BV (x)	15.92	13.53	10.89	9.31	7.87
ROE	22.4%	25.1%	25.6%	24.9%	26.4%
% Change In Core EPS Estimates				(2.2%)	(1.7%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	4QFY24F	Var. (%)
Revenue (US\$ m)	310.9	274.6	13.2	300.6	3.4	310.3	0.2
Revenue (Rs m)	25,905	22,545	14.9	24,982	3.7	25,766	0.5
US\$-Rs realization	83.3	82.1	1.5	83.1	0.2	83.0	0.3
EBITDA	4,544	4,163	9.1	4,418	2.8	4,638	(2.0)
EBITDA margin (%)	17.5	18.5	(93 bp)	17.7	(15 bp)	18.0	(46 bp)
EBIT	3,744	3,466	8.0	3,631	3.1	3,826	(2.1)
EBIT margin (%)	14.5	15.4	(92 bp)	14.5	(8 bp)	14.9	(40 bp)
Depreciation	799	697	14.6	787	1.5	812	(1.5)
Net other income	210	-60	(450.6)	262	(19.7)	283	(25.7)
PBT	3,955	3,406	16.1	3,893	1.6	4,110	(3.8)
Provision for tax	802	891	(10.0)	1,032	(22.3)	1,048	(23.5)
% tax rate	20.3	26.2	(588 bp)	26.5	(623 bp)	25.5	(523 bp)
Net profit	3,153	2,515	25.4	2,861	10.2	3,062	3.0
EPS (Rs)	20.5	32.9	25.4	18.6	10.2	39.8	(48.5)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Operating metrics trends

Operating trends	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Revenue (US\$ m)	217	242	256	264	275	283	292	301	311
Growth yoy (%)	42.2	44.8	40.2	32.8	26.4	17.1	14.1	13.7	13.2
Growth qoq (%)	9.2	11.1	5.8	3.4	3.9	3.0	3.1	3.0	3.4
Revenue (Rsm)	16,379	18,781	20,486	21,694	22,545	23,212	24,117	24,982	25,905
Growth yoy (%)	47.1	52.7	51.6	45.4	37.6	23.6	17.7	15.2	14.9
Growth qoq (%)	9.8	14.7	9.1	5.9	3.9	3.0	3.9	3.6	3.7
EBIT Margin (%)	14.0	14.3	14.6	15.4	15.4	14.9	13.7	14.5	14.5
US\$-INR realized rate	75.4	77.8	80.2	82.1	82.1	82.0	82.7	83.1	83.3
Headcount	18,599	21,638	22,476	22,598	22,889	23,130	22,842	23,336	23,850
Utilization - trainees (%)	80.6	79.5	79.9	77.6	77.3	78.3	80.6	81.5	80.0
LTM Attrition (%)	26.6	24.8	23.7	21.6	19.8	15.5	13.5	11.9	11.5
<b>Geography (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
North America	78.6	78.4	78.6	77.1	77.9	79.2	79.2	79.7	80.1
Europe	8.4	8.5	8.3	9.0	10.3	9.7	9.5	8.9	7.8
India	11.0	11.3	11.5	12.3	10.0	9.9	9.7	10.0	10.1
RoW	2.0	1.8	1.6	1.6	1.8	1.2	1.6	1.4	2.0
<b>Geography (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
North America	170.8	189.4	200.9	203.8	213.9	224.1	231.0	239.5	249.0
Europe	18.3	20.5	21.2	23.8	28.3	27.4	27.7	26.7	24.2
India	23.9	27.3	29.4	32.5	27.5	28.0	28.3	30.1	31.4
RoW	4.3	4.3	4.1	4.2	4.9	3.4	4.7	4.2	6.2
<b>Geography yoy (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
North America	41.1	43.9	40.0	29.3	25.2	18.3	15.0	17.5	16.4
Europe	19.5	29.6	32.2	44.0	54.9	33.7	30.6	12.4	-14.3
India	75.8	67.0	53.5	49.8	14.9	2.6	-3.7	-7.6	14.3
RoW	49.7	44.8	12.2	32.8	13.7	-21.9	14.1	-0.5	25.8
<b>Geography qoq (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
North America	8.3	10.9	6.1	1.4	5.0	4.7	3.1	3.7	4.0
Europe	10.5	12.5	3.3	12.1	18.9	-3.0	1.0	-3.5	-9.3
India	10.2	14.2	7.7	10.6	-15.5	2.0	1.0	6.2	4.5
RoW	36.4	0.0	-5.9	3.4	16.9	-31.3	37.5	-9.8	47.8
<b>Incremental revenue (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
North America	13.1	18.5	11.5	2.9	10.1	10.1	7.0	8.5	9.5
Europe	1.7	2.3	0.7	2.6	4.5	-0.8	0.3	-1.0	-2.5
India	2.2	3.4	2.1	3.1	-5.1	0.5	0.3	1.8	1.3
RoW	1.2	0.0	-0.3	0.1	0.7	-1.5	1.3	-0.5	2.0
<b>Vertical (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Financial Services	32.4	33.7	32.8	32.6	32.3	33.3	32.3	31.2	30.7
Healthcare & Lifesciences	20.7	19.9	19.7	19.6	19.7	18.6	19.3	21.8	24.2
Software, Hitech & Emerging Industries	46.9	46.4	47.5	47.8	48.0	48.1	48.4	47.0	45.1
<b>Business unit (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Financial Services	70.4	81.4	83.8	86.2	88.7	94.2	94.2	93.8	95.4
Healthcare & Lifesciences	45.0	48.1	50.4	51.8	54.1	52.6	56.3	65.5	75.2
Software, Hitech & Emerging Industries	101.9	112.1	121.4	126.4	131.8	136.1	141.2	141.3	140.2
<b>Business unit yoy (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Financial Services	53.1	58.4	49.8	34.4	26.0	15.7	12.4	8.8	7.6
Healthcare & Lifesciences	52.5	40.6	30.3	25.7	20.3	9.5	11.8	26.5	39.1
Software, Hitech & Emerging industries	31.8	38.0	38.4	34.7	29.3	21.4	16.3	11.8	6.4
<b>Business unit qoq (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Financial Services	9.8	15.6	3.0	2.8	2.9	6.2	0.0	-0.5	1.8
Healthcare & Lifesciences	9.2	6.8	4.8	2.9	4.4	-2.7	7.0	16.4	14.8
Software, Hitech & Emerging industries	8.7	10.0	8.3	4.1	4.3	3.2	3.8	0.1	-0.7
<b>Incremental revenue (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Financial Services	6.3	11.0	2.4	2.3	2.5	5.5	0.0	-0.4	1.7
Healthcare & Lifesciences	3.8	3.1	2.3	1.5	2.3	-1.5	3.7	9.2	9.7
Software, Hitech & Emerging Industries	8.1	10.1	9.3	4.9	5.4	4.3	5.1	0.1	-1.0
<b>TCV deal wins (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
New wins TCV	195.1	230.3	228.3	239.0	250.3	237.2	313.1	277.4	302.0
qoq	23.8	18.0	-0.9	4.7	4.7	-5.2	32.0	-11.4	8.9
yoy	41.7	55.9	52.9	51.6	28.3	3.0	37.1	16.1	20.7
TTM new wins TCV	649.7	732.3	811.3	892.7	947.9	954.8	1,039.6	1,078.0	1,129.7

yoy	NA	NA	33.0	50.7	45.9	30.4	28.1	20.8	19.2
Renewals TCV	165.9	163.7	139.5	201.2	171.3	143.1	166.2	244.0	145.7
qoq	-6.1	-1.3	-14.8	44.2	-14.9	-16.5	16.1	46.8	-40.3
yoy	52.5	68.6	4.7	13.9	3.3	-12.6	19.1	21.3	-14.9
TTM renewals TCV	572.9	639.5	645.8	670.3	675.7	655.1	681.8	724.6	699.0
yoy	NA	NA	38.7	30.0	17.9	2.4	5.6	8.1	3.4
TTM TCV wins	1,222.6	1,371.8	1,457.1	1,563.0	1,623.6	1,609.9	1,721.4	1,802.6	1,828.7
yoy	NA	NA	35.4	41.1	32.8	17.4	18.1	15.3	12.6
<b>ACV deal wins (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
New wins ACV	131.0	139.8	137.0	143.8	168.3	144.1	184.2	182.9	184.5
qoq	1.9	6.7	-2.0	5.0	17.0	-14.4	27.8	-0.7	0.9
yoy	35.2	49.5	25.9	11.8	28.5	3.1	34.5	27.2	9.6
TTM new wins ACV	461.9	508.2	536.4	551.6	588.9	593.2	640.4	679.5	695.7
yoy	NA	NA	22.1	28.9	27.5	16.7	19.4	23.2	18.1
Renewals ACV	130.9	123.2	134.2	182.5	142.1	127.8	131.7	209.2	132.3
qoq	-19.5	-5.9	8.9	36.0	-22.1	-10.1	3.1	58.8	-36.8
yoy	26.1	29.3	45.4	12.2	8.6	3.7	-1.9	14.6	-6.9
TTM renewals ACV	481.2	509.1	551.0	570.8	582.0	586.6	584.1	610.8	601.0
yoy	NA	NA	35.3	25.7	20.9	15.2	6.0	7.0	3.3
TTM ACV wins	943.1	1,017.3	1,087.4	1,122.4	1,170.9	1,179.8	1,224.5	1,290.3	1,296.7
yoy	NA	NA	28.4	27.3	24.2	16.0	12.6	15.0	10.7
<b>Clients (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Top	14.0	11.7	8.7	7.4	9.3	10.2	10.2	9.3	8.0
Top 2-5	18.5	19.1	18.2	17.3	17.2	17.7	18.1	18.7	21.2
Top 6-10	9.6	9.9	9.8	10.3	10.9	11.7	11.2	11.3	10.8
Non-top 10	57.9	59.3	63.3	65.0	62.6	60.4	60.5	60.7	60.0
<b>Clients (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Top	30.4	28.3	22.2	19.6	25.5	28.9	29.8	28.0	24.9
Top 2-5	40.2	46.1	46.5	45.7	47.2	50.1	52.8	56.2	65.9
Top 6-10	20.9	23.9	25.0	27.2	29.9	33.1	32.7	34.0	33.6
Non-top 10	125.8	143.2	161.8	171.8	171.9	170.9	176.5	182.4	186.5
<b>Clients yoy (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Top	11.2	-0.3	-27.8	-43.9	-16.1	2.1	33.8	42.9	-2.6
Top 2-5	42.2	41.8	35.0	23.5	17.5	8.5	13.5	22.9	39.5
Top 6-10	37.9	40.5	43.1	53.7	43.5	38.4	30.4	24.7	12.2
Non-top 10	53.3	61.1	62.5	56.9	36.6	19.3	9.1	6.2	8.5
<b>Clients qoq (%)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Top	-12.7	-7.1	-21.3	-12.0	30.5	13.0	3.1	-6.1	-11.0
Top 2-5	8.6	14.7	0.8	-1.7	3.3	6.0	5.4	6.4	17.3
Top 6-10	17.7	14.6	4.8	8.7	9.9	10.6	-1.3	4.0	-1.1
Non-top 10	14.9	13.8	13.0	6.2	0.0	-0.6	3.3	3.4	2.2
<b>Incremental revenue (US\$m)</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Top	-4.4	-2.2	-6.0	-2.7	6.0	3.3	0.9	-1.8	-3.1
Top 2-5	3.2	5.9	0.4	-0.8	1.5	2.8	2.7	3.4	9.7
Top 6-10	3.1	3.0	1.1	2.2	2.7	3.2	-0.4	1.3	-0.4
Non-top 10	16.3	17.4	18.6	10.0	0.1	-1.0	5.6	6.0	4.1
<b>Client metrics</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
US\$ 30m+	2.0	3.0	3.0	5.0	5.0	5.0	6.0	5.0	6.0
US\$ 20-30m	2.0	1.0	3.0	2.0	4.0	5.0	3.0	6.0	4.0
US\$ 10-20m	6.0	7.0	6.0	9.0	8.0	7.0	7.0	5.0	7.0
US\$ 5-10m	15.0	15.0	18.0	18.0	17.0	21.0	23.0	22.0	23.0
US\$ 1-5m	93.0	104.0	116.0	118.0	126.0	129.0	136.0	138.0	138.0
<b>Per employee analysis</b>	<b>4QFY22</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>
Revenue (US\$m) - TTM	766	840	914	979	1,036	1,077	1,114	1,150	1,186
Employees (average TTM)	15,374	16,951	18,522	19,850	20,853	21,195	21,276	21,452	21,684
Revenue per employee (TTM)	49,796	49,569	49,321	49,309	49,684	50,835	52,340	53,597	54,697

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Key conference-call takeaways

- Guidance:** Management aims to maintain top quartile growth (FY24 revenue growth was 14.5%) over the next 12 months and maintain margins at FY24 level. FY25F growth would be led by the HLS vertical followed by FSI and Hi-tech. **Demand commentary:** Macroeconomic environment remains challenging. Weak seasonality impacted sequential bookings.
- Vertical commentary:**
  - FSI: Opening of large accounts and ramp-up of multiple deals aided growth during the quarter.
  - Healthcare & Lifesciences vertical: A large customer win and ramp-up of multiple deals aided growth over the past three quarters.
  - Software, Hi-tech and Emerging vertical: Ex-large customer vertical grew 1.6% qoq. Pressure likely over the next few quarters.
- Europe could turn around in the coming quarters led by organic investments and recent new leadership hiring coupled with M&A.

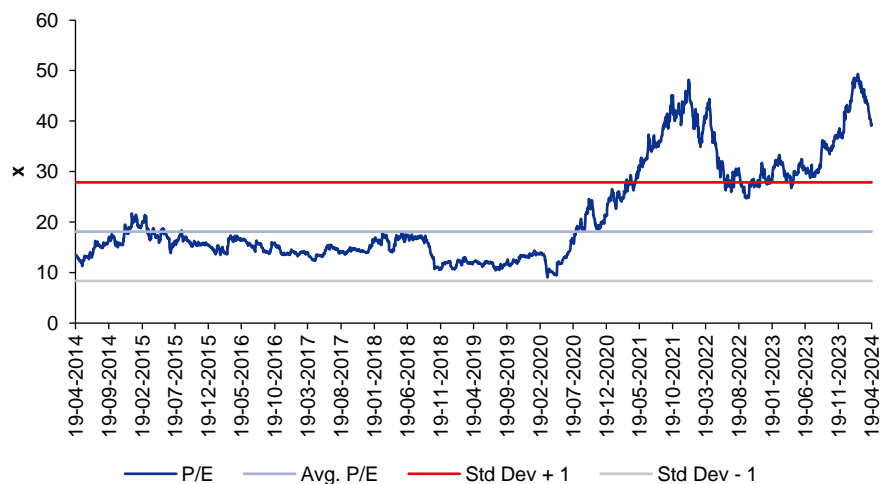
- AI – PSL delivers transformative solutions leveraging generative AI with multiple proof of concepts progressing to production levels. AI for product engineering and for enterprises providing significant opportunities. In engineering, PSL is focused on delivering productivity gains using AI and automation across the product development lifecycle. PSL’s SASVA (digital engineering-powered enterprise AI) is gaining traction as it addresses repository level coding, which usually faces planning problems.
- PSL has expanded its partnership with IBM by signing the IBM Services Business Partner Agreement, which would allow the company to jointly work on deals as well as co-create end-to-end technology assets, primarily focusing on the Watson X data and AI platform.
- The headcount increase during 4QFY24 was driven by laterals and onsite hiring linked to a large deal ramp-up. Hiring of freshers linked to deal ramp-up and capacity build-up. Freshers hired in 2Q are now a part of billable projects.
- The company continues to invest in training teams on AI, ML, and GenAI tools, with the current tally at ~950. 16,000+ developers and engineers are trained in code assist and productivity tools, such as Microsoft GitHub Copilot, Amazon Code Whisperer, Amazon Q, and other modern application development tools.
- M&A: PSL continues to look for M&A in areas like payer provider ecosystem and some segments of the FSI vertical. From a geographic perspective, the company would be looking at Western Europe from the business perspective and at Eastern Europe from the delivery perspective.
- Dividend payout trend (~37% of PAT in FY24) to continue.

**Figure 3: Change in our earnings estimates**

Y/E Mar (Rs m)	FY25F			FY26F		
	New	Old	% change	New	Old	% change
US\$ revenue	1,332	1,359	-2.0	1,527	1,556	-1.9
Revenue	1,11,903	1,14,193	-2.0	1,31,293	1,33,824	-1.9
EBIT	16,646	17,300	-3.8	20,744	21,412	-3.1
EBIT Margin (%)	14.9	15.2	(27) bp	15.8	16.0	(20) bp
Net PAT	13,373	13,673	-2.2	16,736	17,033	-1.7
EPS (Rs)	86.9	88.9	-2.2	108.7	110.7	-1.7

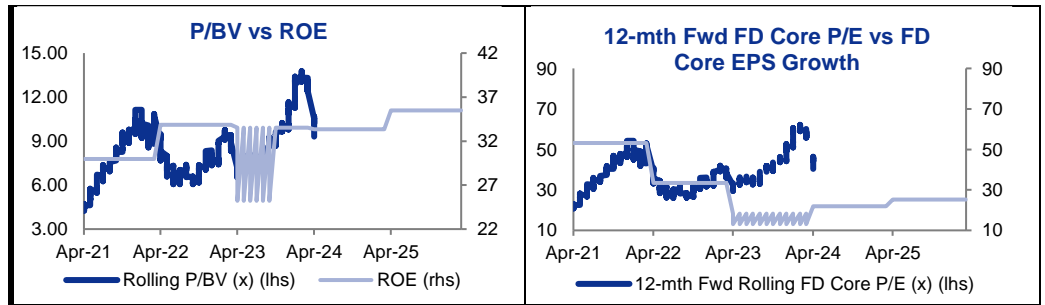
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Persistent Systems trading at ~40x one-year forward P/E**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>57,107</b>	<b>83,506</b>	<b>98,216</b>	<b>111,903</b>	<b>131,293</b>
<b>Gross Profit</b>	<b>19,212</b>	<b>28,191</b>	<b>32,985</b>	<b>37,664</b>	<b>45,033</b>
<b>Operating EBITDA</b>	<b>9,582</b>	<b>15,191</b>	<b>17,243</b>	<b>20,098</b>	<b>24,683</b>
Depreciation And Amortisation	(1,660)	(2,719)	(3,094)	(3,452)	(3,939)
<b>Operating EBIT</b>	<b>7,921</b>	<b>12,472</b>	<b>14,149</b>	<b>16,646</b>	<b>20,744</b>
Financial Income/(Expense)	1,321	(64)	813	1,304	1,720
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>9,243</b>	<b>12,409</b>	<b>14,962</b>	<b>17,951</b>	<b>22,464</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>9,243</b>	<b>12,409</b>	<b>14,962</b>	<b>17,951</b>	<b>22,464</b>
Taxation	(2,339)	(3,198)	(3,541)	(4,577)	(5,728)
Exceptional Income - post-tax		(486)			
<b>Profit After Tax</b>	<b>6,904</b>	<b>9,211</b>	<b>10,935</b>	<b>13,373</b>	<b>16,736</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6,904</b>	<b>9,211</b>	<b>10,935</b>	<b>13,373</b>	<b>16,736</b>
Recurring Net Profit	6,904	9,211	11,421	13,373	16,736
<b>Fully Diluted Recurring Net Profit</b>	<b>6,904</b>	<b>9,211</b>	<b>11,421</b>	<b>13,373</b>	<b>16,736</b>

**Cash Flow**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>9,582</b>	<b>15,191</b>	<b>17,243</b>	<b>20,098</b>	<b>24,683</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(407)	(4,377)	(2,052)	(1,993)	(2,775)
(Incr)/Decr in Total Provisions	1,476	827	(1,145)		
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received		(64)			
Tax Paid	(2,367)	(3,405)	(3,414)	(4,577)	(5,728)
<b>Cashflow From Operations</b>	<b>8,284</b>	<b>8,172</b>	<b>10,633</b>	<b>13,528</b>	<b>16,179</b>
Capex	(3,854)	(4,333)	(2,839)	(2,800)	(2,800)
Disposals Of FAs/subsidiaries	46	12	49		
Acq. Of Subsidiaries/investments	(6,154)	(4,311)	(2,074)		
Other Investing Cashflow	189	4,418	169	1,304	1,720
<b>Cash Flow From Investing</b>	<b>(9,773)</b>	<b>(4,213)</b>	<b>(4,695)</b>	<b>(1,496)</b>	<b>(1,080)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,987)	(2,981)	(4,084)	(4,925)	(6,192)
Preferred Dividends					
Other Financing Cashflow	3,810	(1,059)	(1,853)		
<b>Cash Flow From Financing</b>	<b>1,823</b>	<b>(4,039)</b>	<b>(5,937)</b>	<b>(4,925)</b>	<b>(6,192)</b>
Total Cash Generated	333	(80)	1	7,108	8,907
<b>Free Cashflow To Equity</b>	<b>4,430</b>	<b>3,840</b>	<b>7,794</b>	<b>10,728</b>	<b>13,379</b>
<b>Free Cashflow To Firm</b>	<b>(1,490)</b>	<b>4,023</b>	<b>5,938</b>	<b>12,033</b>	<b>15,099</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	13,491	10,912	12,955	20,063	28,970
Total Debtors	12,615	20,376	22,163	25,290	29,672
Inventories					
Total Other Current Assets	2,233	3,891	6,113	6,113	6,113
<b>Total Current Assets</b>	<b>28,339</b>	<b>35,179</b>	<b>41,232</b>	<b>51,467</b>	<b>64,756</b>
Fixed Assets	5,347	7,220	7,062	6,410	5,272
Total Investments	3,878	4,516	5,539	5,539	5,539
Intangible Assets	11,060	16,355	15,488	15,488	15,488
Total Other Non-Current Assets	5,517	2,922	4,415	4,415	4,415
<b>Total Non-current Assets</b>	<b>25,802</b>	<b>31,012</b>	<b>32,504</b>	<b>31,852</b>	<b>30,713</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	4,299	5,689	8,139	9,273	10,880
Other Current Liabilities	9,911	13,892	13,703	13,703	13,703
<b>Total Current Liabilities</b>	<b>14,210</b>	<b>19,581</b>	<b>21,842</b>	<b>22,976</b>	<b>24,583</b>
Total Long-term Debt	2,801	2,058	99	99	99
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,203	4,529	1,671	1,671	1,671
<b>Total Non-current Liabilities</b>	<b>6,004</b>	<b>6,587</b>	<b>1,770</b>	<b>1,770</b>	<b>1,770</b>
Total Provisions	246	373	547	547	547
<b>Total Liabilities</b>	<b>20,459</b>	<b>26,541</b>	<b>24,159</b>	<b>25,293</b>	<b>26,900</b>
Shareholders Equity	33,682	39,651	49,577	58,025	68,569
Minority Interests					
<b>Total Equity</b>	<b>33,682</b>	<b>39,651</b>	<b>49,577</b>	<b>58,025</b>	<b>68,569</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	36.4%	46.2%	17.6%	13.9%	17.3%
Operating EBITDA Growth	40.3%	58.5%	13.5%	16.6%	22.8%
Operating EBITDA Margin	16.8%	18.2%	17.6%	18.0%	18.8%
Net Cash Per Share (Rs)	69.94	57.93	83.54	129.72	187.59
BVPS (Rs)	220.35	259.40	322.14	377.03	445.54
Gross Interest Cover		195.55			
Effective Tax Rate	25.3%	25.8%	23.7%	25.5%	25.5%
Net Dividend Payout Ratio	25.6%	30.1%	26.7%	27.4%	27.6%
Accounts Receivables Days	65.50	72.10	79.04	77.39	76.40
Inventory Days					
Accounts Payables Days	33.87	32.95	38.69	42.80	42.64
ROIC (%)	64.6%	41.0%	34.6%	37.1%	44.5%
ROCE (%)	18.4%	23.7%	23.6%	23.0%	24.4%
Return On Average Assets	18.2%	20.7%	20.5%	21.6%	23.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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