

India

March 26, 2025 - 2:23 PM

HOLD (no change)

Consensus ratings*: Buy 18 Hold 9 Sell 13

Current price:	Rs5,558
Target price:	Rs6,863
Previous target:	Rs6,863
Up/downside:	23.5%
InCred Research / Consensus:	14.7%
Reuters:	PERS.NS
Bloomberg:	PSYS IN
Market cap:	US\$10,101m Rs866,261m
Average daily turnover:	US\$36.1m Rs3095.7m
Current shares o/s:	154.8m
Free float:	69.0%

*Source: Bloomberg

Key financial forecast

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	13,850	17,422	21,671
Core EPS (Rs)	89.73	112.54	139.99
Core EPS Growth	20.5%	25.4%	24.4%
FD Core P/E	61.94	49.39	39.70
Recurring ROE	25.6%	27.3%	28.7%
P/BV (x)	14.72	12.45	10.48
DPS (Rs)	32.00	43.89	56.00
Dividend Yield	0.58%	0.79%	1.01%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	0.9	(13.1)	37.7
Relative (%)	(3.5)	(12.6)	27.9

Major shareholders	% held
Motilal Oswal Midcap Fund	3.4
HDFC Midcap opportunities fund	3.1
Axis Mutual Fund	2.7

Persistent Systems Ltd

No change in execution; bookings rigour

- Business momentum and commentary appears encouraging.
- No change in client conversations.
- Appears confident of achieving the stated EBIT margin guidance for FY25F and beyond.

Business momentum and commentary encouraging

- We met the management of Persistent Systems (PSYS IN) for updates and were enthused to hear the encouraging business momentum and commentary. From a vertical perspective, financial services' (BFSI) traction continues, deal ramp-up in hi-tech could aid green shoots commentary while healthcare growth continues, but offshoring could moderate the yoy growth trajectory. The company appears to be on track to achieve a FY24-similar-EBIT margin while the reversal in contingent consideration payable could end in 4QFY25F.

Data practice leading service-line growth

- Across service lines, data and artificial intelligence (AI) continues to witness solid momentum aided by traction in core product and platform engineering. Discussions suggest that SASVA™, which drives efficiency across the software development lifecycle (SDLC) with Generative and Deterministic AI, continues to resonate well and is driving growth and bookings momentum.

No change in client conversations

- Despite the recent uncertainty, the company has not seen any change in client conversations and we believe the momentum appears to be like the last quarter, driven by sales rigour. As a reminder, 3QFY25 TCV was up 12.3% qoq and 13.9% yoy at US\$594.1m led by renewals (up 87.1% qoq and 6.8% yoy at US\$260.5m) but offset by new bookings (down 14.4% qoq and up 20.3% yoy at US\$333.6m). The ACV growth (up 23% qoq and 9.2% yoy at US\$428.3m) was led by renewals (up 79.4% qoq and 11.2% yoy at US\$232.7m) but offset by new bookings (down 10.5% qoq and up 6.9% yoy at US\$195.6m).

No change in stated EBIT margin guidance for FY25F and beyond

- Growth leverage and operating rigour could help achieve the stated FY24-similar EBIT margin of ~14.4% in FY25F. As a reminder, the company reported 9MFY25 average margin of 14.3%. Finally, gross margin expansion, driven by cost-of-living adjustment (CoLA) and SG&A leverage could aid its medium-term aspiration of a 200-300bp improvement.

Previous growth assumptions and target price

- Our prior earnings expectations assume an 18% US\$ revenue CAGR over FY25F-27F and ~25% PAT (Rs) CAGR over the same period. We have a HOLD rating on the stock with a target price of Rs6,863.

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Profit & Loss

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	98,216	118,840	142,861	170,875
Gross Profit	32,985	39,601	48,287	58,439
Operating EBITDA	17,243	20,428	25,858	32,125
Depreciation And Amortisation	(3,094)	(3,064)	(3,714)	(4,443)
Operating EBIT	14,149	17,364	22,143	27,682
Financial Income/(Expense)	813	982	1,086	1,213
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
Profit Before Tax (pre-EI)	14,962	18,345	23,229	28,895
Exceptional Items				
Pre-tax Profit	14,962	18,345	23,229	28,895
Taxation	(3,541)	(4,495)	(5,807)	(7,224)
Exceptional Income - post-tax	(486)			
Profit After Tax	10,935	13,850	17,422	21,671
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	10,935	13,850	17,422	21,671
Recursing Net Profit	11,421	13,850	17,422	21,671
Fully Diluted Recurring Net Profit	11,421	13,850	17,422	21,671

Balance Sheet

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	12,955	18,839	26,801	37,132
Total Debtors	23,282	27,927	33,429	39,985
Inventories				
Total Other Current Assets	4,994	4,994	4,994	4,994
Total Current Assets	41,232	51,761	65,224	82,111
Fixed Assets	7,062	6,799	5,884	4,241
Total Investments	5,539	5,539	5,539	5,539
Intangible Assets	15,488	15,488	15,488	15,488
Total Other Non-Current Assets	4,415	4,415	4,415	4,415
Total Non-current Assets	32,504	32,240	31,326	29,683
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	8,139	9,507	11,429	13,670
Other Current Liabilities	13,703	13,703	13,703	13,703
Total Current Liabilities	21,842	23,210	25,132	27,373
Total Long-term Debt	99	99	99	99
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,671	1,671	1,671	1,671
Total Non-current Liabilities	1,770	1,770	1,770	1,770
Total Provisions	547	547	547	547
Total Liabilities	24,159	25,528	27,449	29,691
Shareholders Equity	49,577	58,473	69,101	82,103
Minority Interests				
Total Equity	49,577	58,473	69,101	82,103

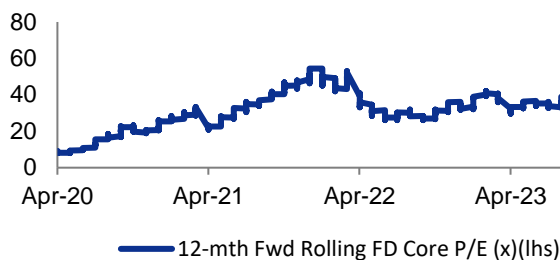
Cash Flow

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	17,243	20,428	25,858	32,125
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(2,052)	(3,276)	(3,580)	(4,314)
(Incr)/Decr in Total Provisions	(1,145)			
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received				
Tax Paid	(3,414)	(4,495)	(5,807)	(7,224)
Cashflow From Operations	10,633	12,656	16,470	20,587
Capex	(2,839)	(2,800)	(2,800)	(2,800)
Disposals Of FAs/subsidiaries	49			
Acq. Of Subsidiaries/Investments	(2,074)			
Other Investing Cashflow	169	982	1,086	1,213
Cash Flow From Investing	(4,695)	(1,818)	(1,714)	(1,587)
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(4,084)	(4,954)	(6,795)	(8,669)
Preferred Dividends				
Other Financing Cashflow	(1,853)			
Cash Flow From Financing	(5,937)	(4,954)	(6,795)	(8,669)
Total Cash Generated	1	5,884	7,961	10,331
Free Cashflow To Equity	7,794	9,856	13,670	17,787
Free Cashflow To Firm	5,938	10,838	14,756	19,000

Key Ratios

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	17.6%	21.0%	20.2%	19.6%
Operating EBITDA Growth	13.5%	18.5%	26.6%	24.2%
Operating EBITDA Margin	17.6%	17.2%	18.1%	18.8%
Net Cash Per Share (Rs)	83.54	121.06	172.49	239.22
BVPS (Rs)	322.14	377.73	446.38	530.37
Gross Interest Cover				
Effective Tax Rate	23.7%	24.5%	25.0%	25.0%
Net Dividend Payout Ratio	26.7%	27.0%	29.2%	30.0%
Accounts Receivables Days	81.12	78.64	78.38	78.41
Inventory Days				
Accounts Payables Days	38.69	40.64	40.40	40.74
ROIC (%)	34.6%	39.2%	45.6%	53.1%
ROCE (%)	23.6%	24.2%	26.0%	27.4%
Return On Average Assets	20.5%	22.3%	24.8%	26.9%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Outstanding Orderbook	N/A	N/A	N/A	N/A
Order Book Depletion	N/A	N/A	N/A	N/A

(Please link your key drivers and assumptions from EFA Sheet here) - Delete this line once done

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.