

CMP: INR 5,603

Rating: Accumulate

Target Price: INR 6,334

Stock Info

BSE	533179
NSE	PERSISTENT
Bloomberg	PERSISTENT IN
Reuters	PERSISTENT.BO
Sector	Computers-Software
Face Value (INR)	5
Equity Capital (INR mn)	779
Mkt Cap (INR Bn)	884.50
52w H/L (INR)	6789/4,149
Avg Yearly Vol (in 000')	527

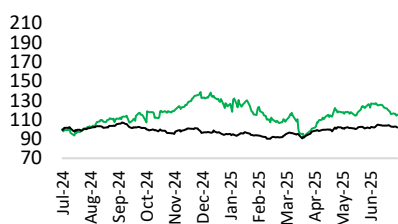
Shareholding Pattern %

(As on July, 2025)

Promoters	30.5
FII	24.1
DII	27.7
Public & Others	17.4

	1m	3m	12m
Persistent Systems	-7.30	9.13	17.5
Nifty 50	0.61	3.28	2.65

Persistent Systems Vs Nifty 50



— Persistent Systems

Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Persistent System Ltd (PSL) Q1FY26 Strong Nos; Reported revenue of USD 389.7Mn (up 3.9% QoQ/18.7%YoY) above our estimate of \$ 328Mn. CC stood at 3.3% QoQ and 19% in FY25 in CC. Reported revenue of INR 33,357 Mn up 2.8% QoQ/ +22% YoY above our estimate of INR 27,372 Mn. The growth was led by BFSI (up 34%YoY/+8% QoQ) Healthcare & Life Sciences was up (+15.3%YoY/-3.0% QoQ) and software (+2.6% QoQ/+17% YoY).EBIT margin up down 5bps QoQ/ +150bps YoY at 15.53% above our estimates of 14%. Consolidated PAT stood at INR 4,249 Mn, up by 7.4% QoQ/ 38.7% YoY Above our estimate of INR 3,063 Mn. Order booking for Q1FY26 was at \$520.8 mn in TCV and \$385.3 mn in ACV.DSO (Billed) down by 2 to 56 Days. Net employee up by 1396 employees in Q1FY25 to close at 25,340 employees. LTM attrition increased by 100bps QoQ to 13.9%.

AI-Driven Differentiation with SASVA Platform: The company is pivoting to an AI-first platform strategy, showcasing its SASVA 3.0 platform built using AI and also used to build itself. With 55+ patents backing it, SASVA drives significant productivity in engineering use-cases. For instance, a core risk platform for a capital market software firm was rebuilt in 6 months vs traditional 18 months. The platform also enables differentiated service delivery, helping win AI-led deals in BFSI and life sciences.

Margin Expansion with Prudent Cost Controls: EBIT margin stood at 15.5% in Q1FY26, up 150 bps YoY, despite -10 bps QoQ impact from amortization and ramp delays. EBIT grew 34.8% YoY to INR 5,178 mn. Margin levers include delayed wage hikes, ESOP cost normalization (benefit of +230 bps QoQ), and operational efficiency. Management reiterates 200–300 bps EBIT margin expansion by FY27.

Healthy Deal Wins and Robust Order Book: TCV for Q1FY26 stood at \$520.8 mn, with new bookings at \$337 mn. ACV from these bookings came in at \$211.8 mn. Though the book-to-bill ratio declined to ~1.3x from the historic 1.5–1.6x, the deal pipeline remains strong, especially in BFSI and Hi-Tech. The company is confident of converting larger deals as macro conditions stabilize.

Valuations

PSL posted strong growth in Q1FY26, with company indicating continued momentum supported by strong deal wins. The company aims to continue delivering strong performance across all verticals; BFSI, Software & Hi-Tech, and Healthcare with BFSI expected to lead growth this year with its aspiration to achieve USD 2 Bn in revenue by FY27 through a mix of organic growth and selective acquisitions, particularly in Europe. Persistent plans to further strengthen its AI-led offerings, especially through its SaaSVA platform, which is helping unlock new opportunities and enhance client engagement. We project an 18% USD revenue CAGR for PSYS from FY26e to FY28e, and with margin expansion, this could result in an EPS CAGR of over 20%. **We value the Persistent system at a PE of 38x to its FY28E EPS of 166.7, which yields a target price of INR 6,334 per share. We maintain our rating to an Accumulate on the stock.**

Exhibit 1: Financial Overview (Consolidated)

INR Mn (consolidated)	Revenues (US\$ mn)	Net Sales	EBIT	PAT	EPS (INR)	EBIT Margin %	RoE (%)	P/E (x)
FY25	1409	1,19,387	17,513	14,002	90.2	14.7%	22.2%	62.1
FY26E	1717	1,45,443	22,689	17,807	115.6	15.6%	22.9%	48.5
FY27E	2031	1,72,012	31,822	21,767	141.3	16.2%	22.8%	39.7
FY28E	2403	2,03,566	37,863	25,677	166.7	16.2%	21.2%	33.6

Source: Arihant Research, Company Filings

Exhibit 2: Q1FY26 - Quarterly Performance (Consolidated)

INR Mn (consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Revenue (Mn USD)	389.7	375.2	328	3.9%	18.7%
Net Revenue	33,336	32,421	27,372	2.8%	21.8%
Employee Cost	23,057	22,797	19,952	1.1%	15.6%
Other Expenses	4,163	3,780	2,868	10.1%	45.1%
EBITDA	6,116	5,844	4,552	4.6%	34.4%
EBITDA Margin %	18.35%	18.03%	16.63%	32bps	172bps
Depreciation	938	791	712	18.6%	31.7%
EBIT	5,178	5,053	3,840	2.5%	34.8%
EBIT Margin %	15.53%	15.59%	14.03%	-5bps	150bps
Other Income	547	184	306	197.7%	78.4%
Finance Cost	171	185	141	-7.6%	20.9%
Exceptional Item	-	-	-	-	-
PBT	5,554.07	5,052.16	4,005.29	9.9%	38.7%
Tax Expense	1,304.71	1,094.48	941.27	19.2%	38.6%
Effective Tax Rate %	23.5%	21.7%	23.5%	183bps	-1bps
PAT	4,249.36	3,957.68	3,064.02	7.4%	38.7%
MI & Associates	-	-	-	-	-
Consolidated PAT	4,249.36	3,957.68	3,064.02	7.4%	38.7%
PAT Margin %	12.7%	12.2%	11.2%	54bps	155bps
EPS (INR)	27.43	25.64	20.09	7.0%	36.5%

INR Mn (consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
BFSI	11,301	10,468	8,432	8.0%	34.0%
Healthcare & Life Sciences	8,427	8,692	7,311	-3.0%	15.3%
Software	13,608	13,261	11,629	2.6%	17.0%

Source: Arianth Research, Company Filings

Q1FY26 Conference call Highlights

The company aims to continue delivering strong performance across all verticals; BFSI, Software & Hi-Tech, and Healthcare with BFSI expected to lead growth this year with its aspiration to achieve USD 2 Bn in revenue by FY27 through a mix of organic growth and selective acquisitions, particularly in Europe. Persistent plans to further strengthen its AI-led offerings, especially through its SaaSVA platform, which is helping unlock new opportunities and enhance client engagement.

- BFSI vertical led YoY growth with +30.7%, followed by Software & Hi-Tech at +14.1%, and Healthcare & Life Sciences at +12.4% YoY.
- Healthcare declined by 2.1% QoQ basis, mainly due to a planned transition from on-site to offshore delivery.
- Revenue from top 5, 10, 20, 50, and 100 customers grew 22.8%, 20.2%, 23.1%, 22.7%, and 22.4% YoY respectively.
- Clients with >USD 75 Mn increased from 3 to 4; >USD 20 Mn increased from 10 to 12; >USD 5 Mn grew from 41 to 56; and >USD 1 Mn grew from 178 to 190 YoY.
- North America grew by 17.4% YoY, Europe by 37.5% YoY, India by 18.3% YoY while RoW revenue declined 1.7% YoY.
- TCV of bookings was USD 337 Mn, with Annual Contract Value at USD 385.3 Mn. ACV from new bookings was USD 211.8 Mn; overall book-to-bill declined slightly to 1.3x–1.4x, from historical 1.5x–1.6x. Management sees a healthy deal pipeline despite elongated decision-making cycles and macro uncertainties.
- Total headcount stood at 25,340, up by 1,821 YoY and 746 QoQ. LTM attrition increased to 13.9%, from 11.9% in Q1FY25. Annual wage hike has been deferred by one quarter due to macro caution.
- Lower ESOP cost was a +230 bps tailwind, while lack of earn-out reversal (-60 bps), project transition delays (-100 bps), higher remuneratization (-40 bps), and forex losses (-40 bps) caused a net 10 bps decline in EBIT margin sequentially.
- ESOP cost will remain stable for coming quarters; further margin levers include pricing, utilization, and SG&A leverage.
- The company launched SaaSVA 3.0 is seeing traction across regulated industries, supported by 55+ patents, up from 35 in Q4FY25.
- AI-for-Tech and AI-for-Business strategies are enabling productivity and client transformation.
- key wins across verticals, including a revenue-share deal with a global tech giant for modernizing a legacy data system and a SaaSVA-led cloud transformation for a software tools player. BFSI and Healthcare wins included platform revamps, digital banking development, and pharma safety systems.
- Chief People Officer Yogesh Patkankar to retire; successor Ajit Netani will take over from August 1, 2025. Shimona Chadha joined as new CMO to lead global marketing from the US.

Exhibit 3: Business Matrix

Revenue	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
Revenue from Operations, USD M					
% Q - o -Q growth	328.2	345.5	360.2	375.2	389.7
% Y - o -Y growth	5.6%	5.3%	4.3%	4.2%	3.9%
% Y - o -Y growth	16.0%	18.4%	19.8%	20.7%	18.7%
Revenue from Operations, INR M					
% Q - o -Q growth	27372	28972	30623	32421	33336
% Y - o -Y growth	5.66%	5.84%	5.70%	5.87%	2.82%
% Y - o -Y growth	17.92%	20.13%	22.58%	25.15%	21.79%
Segment Revenue Mix	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
BFSI	30.80%	31.50%	31.70%	32.30%	33.90%
Healthcare & Life Sciences	26.70%	27.80%	27.80%	26.80%	25.30%
Software, Hi -Tech & Emerging Industries	42.50%	40.70%	40.50%	40.90%	40.80%
Total	100%	100%	100%	100%	100%
Geography Revenue Mix	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
North America	80.70%	81.30%	80.50%	80.50%	79.80%
Europe	7.80%	7.90%	8.20%	8.40%	9.00%
India	9.80%	9.20%	9.40%	9.30%	9.80%
ROW	1.70%	1.60%	1.90%	1.80%	1.40%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Client Contribution	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
Top 5	30.70%	31.40%	30.80%	32.70%	31.80%
Top 10	41.50%	41.50%	40.00%	42.20%	42.00%
Top 20	51.90%	52.10%	50.90%	53.00%	53.80%
Top 50	67.8%	67.9%	67.4%	68.7%	70.0%
Top 100	80.3%	81.0%	80.6%	82.1%	82.8%
Revenue by Delivery Centers	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
Global Development Centers	15.2%	15.8%	15.1%	14.8%	114.8%
India	84.8%	84.2%	84.9%	85.2%	185.2%
Client Engagement Size	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
\$75M+	3	3	3	4	4
\$50M - \$75M	1	1	1	0	0
\$20M – \$50M	6	6	6	6	8
\$10M – \$20M	9	11	12	11	10
\$5M – \$10M	22	22	25	34	34
\$1M – \$5M	137	141	142	136	135
Total	178	184	189	191	191
People Numbers	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
Technical	21866	21,675	22,407	22,408	23,787
Sales and Business Development	510	492	488	489	496
Others	1143	1,070	1,046	1,047	1,057
Total	23,519	23,237	23,941	23,944	25,340
Attrition Rate	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
TTM Basis	11.90%	12.00%	12.60%	12.90%	13.90%
Utilization (Including Trainees)	82.10%	84.80%	87.40%	88.10%	88.70%
DSO	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25	Q1-FY26
Days	67	68	64	58	56

Source: Arianth Research, Company Filings

Exhibit 4: Top line in line with our estimate

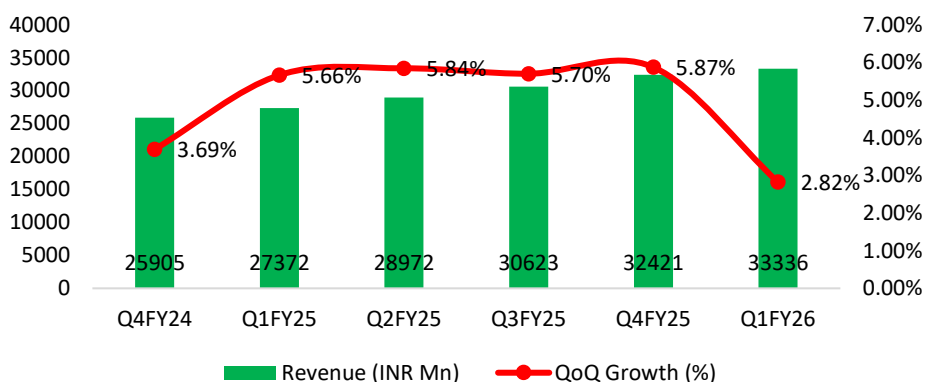


Exhibit 5: Top line in line with our estimate

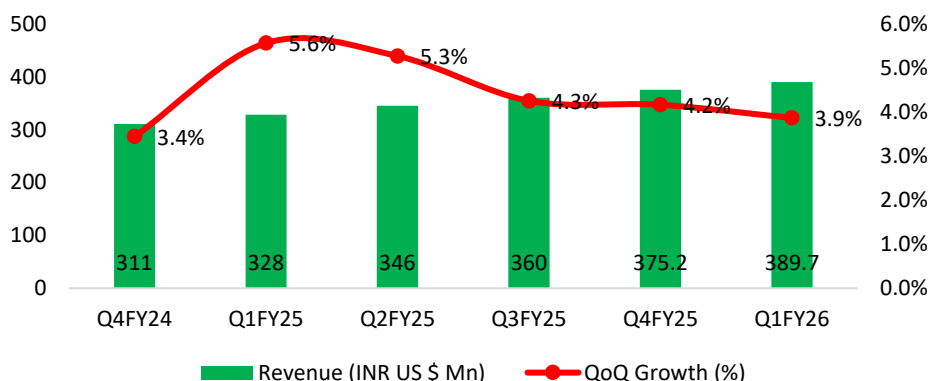


Exhibit 6: PSL remain committed to goal of improving EBIT margins by 200-300 bps over the next couple of years.

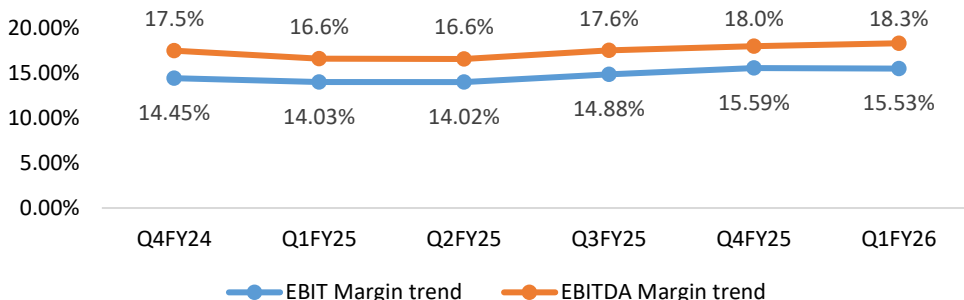
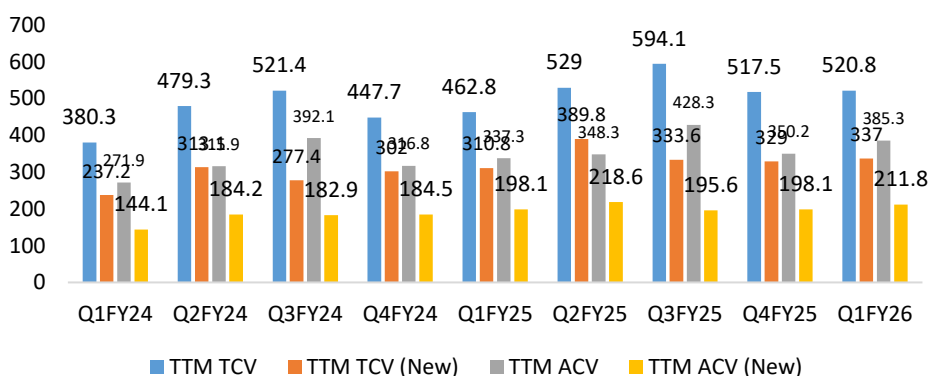


Exhibit 7: Strong deal wins



Source: Arihant Research, Company Filings

Key Financials

Income Statement				
Income Statement (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenues (US\$ mn)	1409	1717	2031	2403
Change (%)	18.8%	21.9%	18.3%	18.3%
Revenues	1,19,387	1,45,443	1,72,012	2,03,566
Change (%)	21.6%	21.8%	18.3%	18.3%
Total Expenses	1,06,294	1,18,681	1,40,190	1,65,703
EBITDA	20,582	26,761	31,822	37,863
EBITDA Margin (%)	17.2%	18.4%	18.5%	18.6%
Depreciation	3,069	4,072	3,956	4,886
EBIT	17,513	22,689	27,866	32,978
EBIT Margin (%)	14.7%	15.6%	16.2%	16.2%
Other Income	711	742	774	808
Interest	-	-	-	-
PBT	18,223	23,431	28,640	33,786
Extra-ordinary Provision for export incentives	-	-	-	-
PBT after ext-ord.	18,223	23,431	28,640	33,786
Tax	4,222	5,623	6,874	8,109
Rate (%)	23.2%	24.0%	24.0%	24.0%
PAT	14,002	17,807	21,767	25,677
MI & Associates				
Consolidated PAT	14,002	17,807	21,767	25,677
Change (%)	19.3%	27.2%	22.2%	18.0%

Cash Flow Statement				
Cash Flow Statement (INR Mn)	FY25	FY26E	FY27E	FY28E
PBT	18,223	23,431	28,640	33,786
Depreciation	3,069	4,072	3,956	4,886
Interest & others	-711	-742	-774	-808
Cash flow before WC changes	20,582	26,761	31,822	37,863
(Inc)/dec in working capital	323	11,740	2,734	3,247
Operating CF after WC changes	20,905	38,502	34,556	41,110
Less: Taxes	-4,222	-5,623	-6,874	-8,109
Operating Cash Flow	16,683	32,878	27,683	33,001
(Inc)/dec in F.A + CWIP	9,062	7,115	7,116	7,117
(Pur)/sale of investment	(1,537.53)	-	-	-
Cash Flow from Investing	-7,417	-7,827	-7,826	-7,825
Free Cash Flow (FCF)	14,753	29,080	23,886	29,205
Loan raised/(repaid)	(2,073.19)	-	-	-
Equity raised	9.00	-	-	-
Interest & others	4,846	5,565	957	4,036
Dividend	-4,084	-4,084	-4,084	-4,084
Cash Flow from Financing Activities	-1,302	1,481	-3,127	-48
Net inc/(dec) in cash	7,964	26,532	16,729	25,128
Opening balance of cash	10,229	10,255	36,787	53,516
Closing balance of cash	18,193	36,787	53,516	78,644

Balance Sheet				
Balance Sheet (INR Mn)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share Capital	779	779	779	779
Reserves & Surplus	62,411	76,946	94,738	1,20,416
Net Worth	63,191	77,725	95,517	1,21,195
Loan Funds				
MI, Deferred Tax & other Liabilities	8,411	8,411	8,411	8,411
Capital Employed	71,602	86,137	1,03,929	1,29,606
Application of Funds				
Net Block	17,086	20,884	24,681	28,477
CWIP	42	42	42	42
Other Non-current Assets	17,518	17,518	17,518	17,518
Deferred Tax Assets	2,024	2,024	2,024	2,024
Net Fixed Assets	36,671	40,469	44,266	48,062
Investments	9,803	9,803	9,803	9,803
Debtors	19,142	23,320	27,580	32,639
Inventories	-	-	-	-
Cash & Bank Balance	10,255	36,787	53,516	78,644
Loans & Advances & other CA	18,139	18,139	18,139	18,139
Total Current Assets	51,591	78,246	99,235	1,29,423
Current Liabilities	22,368	38,286	45,280	53,586
Provisions	4,095	4,095	4,095	4,095
Net Current Assets	25,128	35,865	49,860	71,741
Total Assets	71,602	86,137	1,03,929	1,29,606

Key Ratios				
Key Ratios (INR Mn)	FY25	FY26E	FY27E	FY28E
Per share (INR)				
EPS	90.2	115.6	141.3	166.7
CEPS	110.8	142.0	167.0	198.4
BVPS	410.2	504.5	620.0	786.7
DPS	35.0	42.0	51.0	52.0
Div. Payout (%)	38.5%	36.3%	36.1%	31.2%
Valuation (x)				
P/E	62.1	48.5	39.7	33.6
P/CEPS	50.6	39.4	33.6	28.2
P/BV	13.7	11.1	9.0	7.1
EV/EBITDA	41.4	30.9	25.4	20.7
Dividend Yield (%)	0.6%	0.7%	0.9%	0.9%
Return Ratio (%)				
EBITDA Margin	17.2%	18.4%	18.5%	18.6%
EBIT Margin	14.7%	15.6%	16.2%	16.2%
PAT Margin	11.7%	12.2%	12.7%	12.6%
ROE	22.2%	22.9%	22.8%	21.2%
ROCE	24.5%	26.3%	26.8%	25.4%
Leverage Ratio (x)				
Total D/E	0.002	0.002	0.002	0.002
Net D/E	-0.2	-0.5	-0.6	-0.6
Turnover Ratios				
Asset Turnover (x)	1.7	1.7	1.7	1.6
Receivable Days	59	59	59	59
Payable days	81	96	96	96

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri E Mumbai – 400093 Tel: 91-22 42254800 Fax: 91-22 42254880	6 Lad Colony Y.N Road Indore - 452003, M.P. Tel: 0731-4217100 Fax: 91-731 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri E
Tel. 022-42254800 Fax. 022-42254880

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800