

CMP: INR 5,157

Rating: Accumulate

Target Price: INR 5,858

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)	801
52w H/L (INR)	6789/3,232
Avg Yearly Vol (in 000')	129

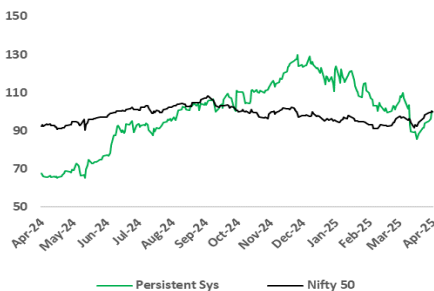
Shareholding Pattern %

(As on March, 2025)

Promoters	30.6
FII	24.3
DII	26.8
Public & Others	18.1

	1m	3m	12m
Persistent Systems	-4.88	-18.9	48.7
Nifty 50	2.49	5.0	8.23

Persistent Systems Vs Nifty 50



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Persistent System Ltd (PSL) Q4FY25 Result First cut Strong Nos; maintains \$2 billion revenue guidance. Reported revenue of USD 375.2Mn (up 4.2% QoQ/20.7%YoY) Slightly above with our estimate of \$ 374Mn. Reported revenue of INR 32,421 Mn up 5.87% QoQ/ +25.15% YoY in line with our estimate of INR 32,428 Mn. The growth was led by Healthcare & Life Sciences was up (+38.43%YoY/2.46% QoQ) BFSI (up 31.52%YoY/+8% QoQ) and software (+6.5% QoQ/+13.65% YoY). EBIT margin up 72bps QoQ/ 115bps YoY at 15.6% above with our estimates of 14.8%. Consolidated PAT stood at INR 3,957Mn, up by 6.1% QoQ/ 12.2 % YoY Above with our estimate of INR 3,907Mn. The Board of Directors has approved the merger of Arrka Infosec into the parent company, subject to necessary statutory approvals via NCLT. The proposed merger is not a related party transaction and has been structured to maintain arm's length principles. There will be no impact on the existing shareholding pattern, and the transaction involves no cash consideration. The order booking for Q4FY25 was at \$517.5 Mn against \$594Mn in TCV and New booking \$ 329Mn against \$333.6Mn and at \$350.2Mn against \$ 438 Mn in ACV terms and ACV (New) \$ 198.1Mn against \$ 195.1Mn. DSO (Billed) down by 6 to 58 Days. Net employee up by 653 employees in Q3FY25 to close at 24,594 employees. LTM attrition increased by 30bps QoQ to 12.9%. Announced final dividend of INR 15 per share.

Positive Outlook for Healthcare Segment Amid Industry Challenges: Healthcare vertical faces pressure from unexpected Medicare costs and reduced US Federal payments, impacting some customers. Despite challenges from DOGE and USAID cost-cutting attempts, growth in the segment remains steady. These shifts are expected to create new opportunities for cost optimization support. Last year saw strong growth in healthcare, with BFSI and tech sectors picking up in recent quarters. Overall, confident outlook remains for both the healthcare segment and broader business performance.

Comprehensive AI Strategy Driving Growth and Innovation: Gen AI pivot led by SASVA platform enables faster software and application development, integrating with third-party tools for seamless lifecycle support. AI for business leverages agentic reasoning to modernize backend workflows, supported by Gen AI Hub and iAURA platforms across verticals like banking and healthcare. Agentic solutions in fraud detection, loan origination, drug discovery, and more have fueled 50%+ annual growth in data and AI practice over the last two years. Inorganic investments like Starfish and ARCA have strengthened capabilities in contact center solutions and data governance. AI investments are driving outcome-based models, with SASVA filing 15 new patents this quarter and being deployed in enterprise-wide transformation for a major SaaS provider.

Valuations

PSL posted strong growth in Q3FY25, with company indicating continued momentum supported by strong deal wins. The company aims to reach \$2 bn in revenue by FY2027, with a broader target of \$5 bn by 2031, positioning itself as one of the fastest-growing tech services firms. Healthcare, Hi-Tech, and BFSI remain the largest verticals, offering significant addressable markets and product-level capabilities to fuel future growth. Persistent is confident in tripling its size by 2031 through a combination of organic growth and strategic acquisitions. We project an 18% USD revenue CAGR for PSYS from FY26 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 36x to its FY28E EPS of 162.7, which yields a target price of INR 5,858 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	119,387	17,513	14,002	90.2	14.7%	22.2%	57.1
FY26E	1717	145,443	21,962	17,368	112.7	15.1%	22.5%	45.7
FY27E	2031	172,012	30,618	20,989	136.2	15.5%	22.3%	37.8
FY28E	2403	203,566	36,845	25,068	162.7	15.7%	21.0%	31.7

Source: Arihant Research, Company Filings

Exhibit 2: Q4FY25 - Quarterly Performance (Consolidated)

INR Mn (consolidated)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Revenue (Mn USD)	375.2	360.2	311	4.2%	20.7%
Net Revenue	32,421	30,623	25,905	5.9%	25.2%
Employee Cost	22,797	21,971	18,936	3.8%	20.4%
Other Expenses	3,780	3,274	2,426	15.5%	55.8%
EBITDA	5,844	5,378	4,543	8.7%	28.6%
EBITDA Margin %	18.03%	17.56%	17.54%	46bps	49bps
Depreciation	791	821	799	-3.7%	-1.0%
EBIT	5,053	4,557	3,744	10.9%	35.0%
EBIT Margin %	15.59%	14.88%	14.45%	70bps	113bps
Other Income	184	426	308	-56.9%	-40.4%
Finance Cost	185	163	97	13.1%	89.6%
Exceptional Item	-	-	-	-	-
PBT	5,052.16	4,820.39	3,954.31	4.8%	27.8%
Tax Expense	1,094.48	1,090.49	801.71	0.4%	36.5%
Effective Tax Rate %	21.7%	22.6%	20.3%	-96bps	139bps
PAT	3,957.68	3,729.90	3,152.60	6.1%	25.5%
MI & Associates	-	-	-	-	-
Consolidated PAT	3,957.68	3,729.90	3,152.60	6.1%	25.5%
PAT Margin %	12.2%	12.2%	12.2%	3bps	4bps
EPS (INR)	25.64	24.28	20.73	5.6%	23.7%
INR Mn (consolidated)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
BFSI	10,468	9,692	7,959	8.0%	31.5%
Healthcare & Life Sciences	8,692	8,483	6,278	2.5%	38.4%
Software	13,261	12,447	11,668	6.5%	13.6%

Source: Arianth Research, Company Filings

Q4FY25 Conference call Highlights

- The company expects a 200–300 bps margin improvement and aims to reach \$2 bn in revenue by FY2027, with a broader goal of \$5 bn by 2031.
- Healthcare, Hi-Tech, and BFSI remain the largest verticals, offering significant addressable markets and product-level capabilities to support future growth. Persistent is confident in tripling its size by 2031, supported by organic growth and strategic acquisitions.
- Improved utilization, reduced SG&A costs, higher earnout credit, and favorable currency movement contributed to a 110 bps margin tailwind, while increased IP-related revenues from multi-year managed services deals posed a 40 bps headwind—resulting in a net 70 bps sequential.
- EBIT margin improvement. Margins for Q4 FY25 stood at 15.6%, with FY25 margins at 14.7%. A one-time realignment between soft costs and salary-related expenses had no material P&L impact. Operational efficiency and margin improvement remain key priorities.
- The company continues to grow in the Healthcare vertical despite challenges such as cuts to US Aid and Department of Health funding, which have halted many government-funded research programs and impacted spending on clinical trial software, equipment, and services. While one healthcare account issued a profit warning and recurring issues continue with a key customer, Persistent remains bullish on long-term healthcare growth.
- BFSI and Tech have shown strong performance in the last two quarters. Vendor consolidation in BFSI continues, and Persistent is well-positioned to benefit, with confidence in recognizing revenue from consolidated clients.
- Utilization remains tight due to macroeconomic uncertainty and is expected to stay that way for some time. Subcontracting costs increased as a result of large BFSI deal wins.
- Continue to invest on SASVA, our AI platform and as a result of that there are many patents that have been filed. So there is a lot of intellectual property that also is getting developed as a part and parcel of the overall, as a part of our overall contribution and as a result of that there is some increase there.
- Operating Cash Flow (OCF) improved by 108.9%, with a target of 100–120%. Intangible assets under development have increased, contributing approximately 50 bps to incremental revenue.
- Customer benefits include Gen AI–driven operational efficiency and compliance with Good Manufacturing Practices in the life sciences services industry.
- Although post-US election sentiment was initially positive, the past six weeks have brought renewed uncertainty. No deal cancellations have occurred, but some deferrals were noted, and clients are showing increased caution in decision-making. A stronger pipeline across industries is needed to sustain momentum.
- BFSI and Healthcare remain the largest verticals, with strong product-level capabilities supporting future growth.
- The company is actively pursuing acquisitions aligned with its strategic path and is committed to disciplined execution.
- Recent weeks have seen some uncertainty in client decision-making. While there have been no cancellations, some deals have been deferred.
- Post US election announcements, client discussions picked up positively, but the last six weeks have brought renewed uncertainty. There have been no deal cancellations, but a stronger pipeline across industries is needed.

Exhibit 3: Business Matrix

Revenue	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
Revenue from Operations, USD M						
	300.6	310.9	328.2	345.5	360.2	375.2
% Q - o -Q growth	3.1%	3.4%	5.6%	5.3%	4.3%	4.2%
% Y - o -Y growth	13.7%	13.2%	16.0%	18.4%	19.8%	20.7%
Revenue from Operations, INR M						
	24982	25905	27372	28972	30623	32421
% Q - o -Q growth	3.59%	3.69%	5.66%	5.84%	5.70%	5.87%
% Y - o -Y growth	15.16%	14.90%	17.92%	20.13%	22.58%	25.15%
Segment Revenue Mix	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
BFSI	31.20%	30.70%	30.80%	31.50%	31.70%	32.30%
Healthcare & Life Sciences	21.80%	24.20%	26.70%	27.80%	27.80%	26.80%
Software, Hi -Tech & Emerging Industries	47.00%	45.10%	42.50%	40.70%	40.50%	40.90%
Total	100%	100%	100%	100%	100%	100%
Geography Revenue Mix	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
North America	79.70%	80.10%	80.70%	81.30%	80.50%	80.50%
Europe	8.90%	7.80%	7.80%	7.90%	8.20%	8.40%
India	10.00%	10.10%	9.80%	9.20%	9.40%	9.30%
ROW	1.40%	2.00%	1.70%	1.60%	1.90%	1.80%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Client Contribution	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
Top 5	28.00%	29.20%	30.70%	31.40%	30.80%	32.70%
Top 10	39.30%	40.00%	41.50%	41.50%	40.00%	42.20%
Top 20	51.40%	51.10%	51.90%	52.10%	50.90%	53.00%
Top 50	66.7%	67.3%	67.8%	67.9%	67.4%	68.7%
Revenue by Delivery Centers	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
Global Development Centers	13.8%	14.8%	15.2%	15.8%	15.1%	14.8%
India	86.2%	85.2%	84.8%	84.2%	84.9%	85.2%
Client Engagement Size	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
\$75M+	2	2	3	3	3	4
\$50M - \$75M	0	1	1	1	1	0
\$20M – \$50M	9	7	6	6	6	6
\$10M – \$20M	5	7	9	11	12	11
\$5M – \$10M	22	23	22	22	25	34
\$1M – \$5M	138	138	137	141	142	136
Total	176	178	178	184	189	191
People Numbers	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
Technical	21738	22224	21866	21,675	22,407	22,408
Sales and Business Development	465	484	510	492	488	489
Others	1133	1142	1143	1,070	1,046	1,047
Total	23,336	23,850	23,519	23,237	23,941	23,944
Attrition Rate	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
TTM Basis	11.90%	11.50%	11.90%	12.00%	12.60%	12.90%
Utilization (Including Trainees)	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
	81.50%	80.00%	82.10%	84.80%	87.40%	88.10%
DSO	Q3-FY24	Q4-FY24	Q1-FY25	Q2-FY25	Q3-FY25	Q4-FY25
Days	66	63	67	68	64	58

Source: Arianth Research, Company Filings

Exhibit 4: Top line in line with our estimate

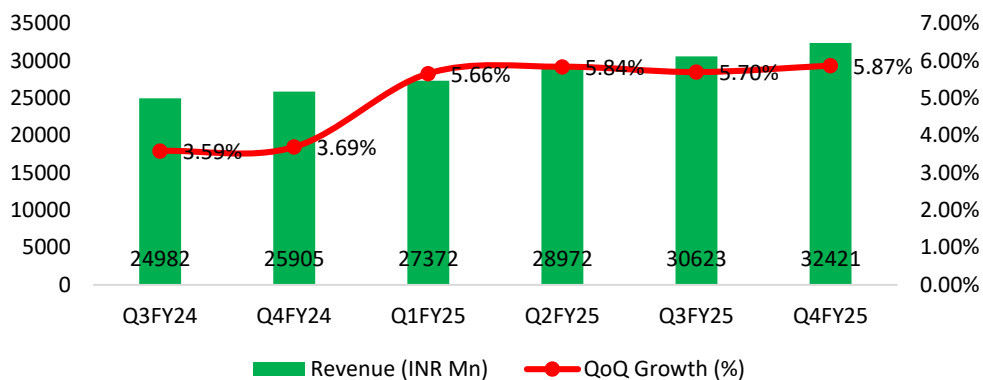


Exhibit 5: Top line in line with our estimate

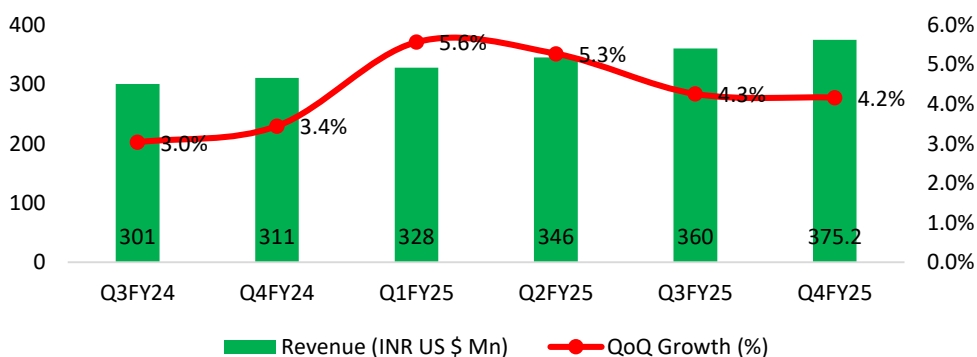


Exhibit 6: PSL remain committed to goal of improving EBIT margins by 200-300 bps over the next couple of years.

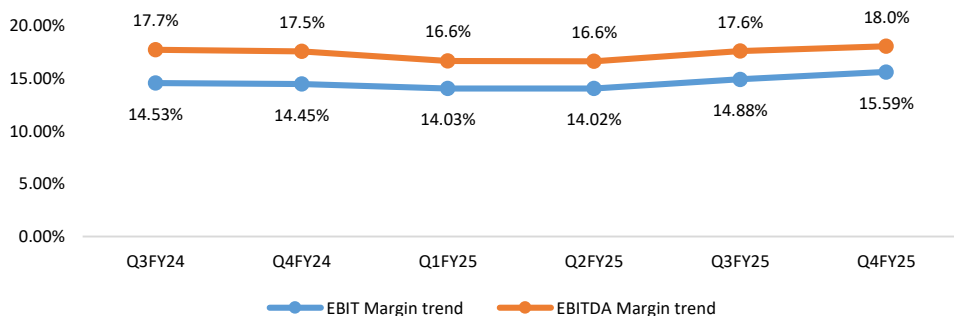
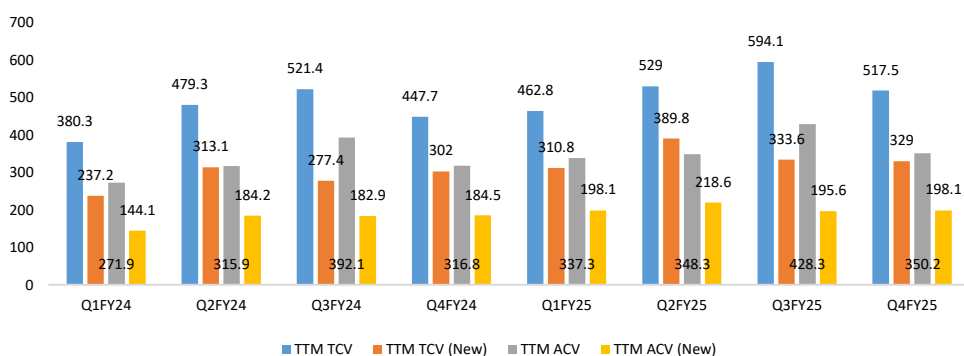


Exhibit 7: Strong deal wins



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	119,387	145,443	172,012	203,566
Change (%)	21.6%	21.8%	18.3%	18.3%
Total Expenses	106,294	119,408	141,394	166,721
EBITDA	20,582	26,034	30,618	36,845
EBITDA Margin (%)	17.2%	17.9%	17.8%	18.1%
Depreciation	3,069	4,072	3,956	4,886
EBIT	17,513	21,962	26,662	31,960
EBIT Margin (%)	14.7%	15.1%	15.5%	15.7%
Other Income	711	742	774	808
Interest	-	-	-	-
PBT	18,223	22,703	27,436	32,768
PBT after ext-ord.	18,223	22,703	27,436	32,768
Tax	4,222	5,335	6,447	7,701
Rate (%)	23.2%	23.5%	23.5%	23.5%
PAT	14,002	17,368	20,989	25,068
MI & Associates	-	-	-	-
Consolidated PAT	14,002	17,368	20,989	25,068
Change (%)	19.3%	24.0%	20.8%	19.4%

Balance Sheet				
Balance Sheet (INR Mn)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share Capital	779	779	779	779
Reserves & Surplus	62,411	76,507	93,521	118,589
Net Worth	63,191	77,286	94,300	119,368
Loan Funds	-	-	-	-
MI, Deferred Tax & other Liabilities	8,411	8,411	8,411	8,411
Capital Employed	71,602	85,697	102,712	127,780
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	33,589	49,369	49,369
Loans & Advances & other CA	18,139	18,139	18,139	18,139
Total Current Assets	51,591	70,344	90,732	90,732
Current Liabilities	22,368	37,306	44,118	44,118
Provisions	4,095	4,095	4,095	4,095
Net Current Assets	25,128	29,160	42,736	42,736
Total Assets	71,602	78,013	95,386	95,386

Cash Flow Statement				
Cash Flow Statement (INR Mn)	FY25	FY26E	FY27E	FY28E
PBT	18,223	22,703	27,436	32,768
Depreciation	3,069	4,072	3,956	4,886
Interest & others	(711)	(742)	(774)	(808)
Cash flow before WC changes	20,582	26,034	30,618	36,845
(Inc)/dec in working capital	323	1,775	2,203	2,203
Operating CF after WC changes	20,905	27,568	33,376	33,376
Less: Taxes	(4,222)	(5,335)	(6,447)	(7,701)
Operating Cash Flow	16,683	22,206	27,000	27,000
(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	18,408	23,203	23,203
Interest & others	4,846	4,394	2,948	11,002
Dividend	(4,084)	(4,084)	(4,084)	(4,084)
Cash Flow from Financing Activities	(1,302)	310	(1,136)	6,919
Net inc/(dec) in cash	7,964	12,654	15,780	15,780
Opening balance of cash	10,229	10,255	33,589	33,589
Closing balance of cash	18,193	33,589	49,369	49,369

Key Ratios				
Key Ratios (INR Mn)	FY25	FY26E	FY27E	FY28E
Per share (INR)				
EPS	90.2	112.7	136.2	162.7
CEPS	110.8	139.2	161.9	194.4
BVPS	410.2	501.7	612.1	774.9
DPS	35.0	42.0	51.0	52.0
Div. Payout (%)	38.5%	37.3%	37.4%	32.0%
Valuation (x)				
P/E	57.1	45.7	37.8	31.7
P/CEPS	46.5	37.0	31.8	26.5
P/BV	12.6	10.3	8.4	6.7
EV/EBITDA	38.1	32.6	26.4	26.4
Dividend Yield (%)	0.7%	0.8%	1.0%	1.0%
Return Ratio (%)				
EBITDA Margin	17.2%	17.9%	17.8%	18.1%
EBIT Margin	14.7%	15.1%	15.5%	15.7%
PAT Margin	11.7%	11.9%	12.2%	12.3%
ROE	22.2%	22.5%	22.3%	21.0%
ROCE	24.5%	25.6%	26.0%	25.0%
Leverage Ratio (x)				
Total D/E	0.002	0.002	0.002	0.002
Net D/E	-0.2	-0.4	-0.5	-0.5
Turnover Ratios				
Asset Turnover (x)	1.7	1.8	1.8	1.8
Receivable Days	59	59	59	59
Payable days	81	96	96	96

Source: Arihant Research, Company Filings,

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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%

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