



Persistently Delivering Growth...

Persistent Systems has delivered strong topline growth, driven by healthcare, BFSI Vertical and North America contributing to the growth. The management remains focused on improving the margins by 200-300 bps over the medium term.

- \$ revenue: \$328.2 Mn, +5.6% QoQ / +16% YoY and +0.3% vs our estimates
- INR revenue at 27,372 Mn, +5.7% QoQ / +17.9% YoY and +0.4% vs our estimates
- EBITDA: INR 4,552 Mn, +0.2% QoQ / +7.6% YoY and -1.5% vs our estimates
- EBITDA margins: 16.6%, vs 17.5% / 18.2% in Q4FY24 / Q1FY24 respectively
- EBIT: INR 3,840 Mn, +2.6% QoQ / +10.8% YoY and +0.9% vs our estimates
- EBIT margins: 14%, vs 14.5% / 14.9% in Q4FY24 / Q1FY24 respectively.
- PAT: INR 3,064 Mn, -2.8% QoQ / +33.9% YoY and -1.8% vs our estimates
- EPS at INR 19.9 in Q1FY25 vs 20.5 / 14.9 in Q4FY24 / Q1FY24 respectively and versus our estimate of INR 19.8
- New TTM Deal wins TCV were at \$310.8 Mn vs \$302 Mn in Q4FY24.
- Total TCV now stands at \$462.8 Mn in Q1FY25 vs \$447.7 Mn in Q4FY24.

Segment-wise Performance

- **BFSI** (30.8% of revenue) reported +5.9% QoQ / +7.3% YoY.
- **Healthcare & Lifesciences** (26.7% of revenue) reported +16.5% QoQ / +66.5% YoY.
- **Software, Hi-Tech & Emerging Industries** (42.5% of revenue) reported -0.5% QoQ / +2.5% YoY.

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	83,506	98,216	113,207	135,238	155,503
EBITDA	15,191	17,243	19,397	24,742	29,624
Adjusted net profit	9,507	11,421	13,043	16,885	20,325
Free cash flow	4,306	14,334	18,938	10,425	22,705
EPS (Rs)	62	74	85	110	132
growth (%)	0.4	0.2	0.1	0.3	0.2
P/E (x)	80	68	57	44	36
P/B (x)	80	68	57	44	36
EV/EBITDA (x)	24	21	18	14	12
ROCE (%)	22.0	22.3	22.7	24.7	25.2
RoE (%)	25.9	24.5	24.4	27.1	27.6
Dividend yield (%)	0.6	1.0	0.9	1.2	1.6

Source: Dalal & Broacha Research, Company

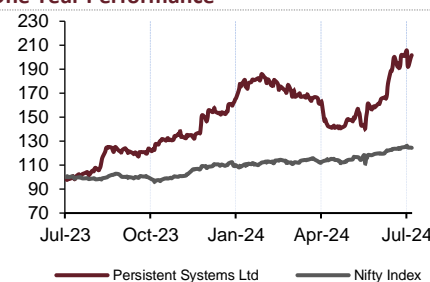
Rating	TP (Rs)	Up/Dn (%)
Buy on Dips	5,278	10

Market data

Current price	Rs	4,810
Market Cap (Rs.Bn)	(Rs Bn)	741
Market Cap (US\$ Mn)	(US\$ Mn)	8,857
Face Value	Rs	10
52 Weeks High/Low	Rs	4,986 / 2,813
Average Daily Volume	('000)	1,203
BSE Code		533179
Bloomberg		PSYS.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	31.02	31.02
Public	68.29	67.86
Others	0.69	1.12
Total	100	100

Source: Bloomberg

Neel Nadkarni
+91 22 67141412
neel.nadkarni@dalal-broacha.com

Concall Highlights

- Persistent is experiencing an improving macro situation in the US, with an increase in cost optimization deals and better decision-making, while the European market faces some challenges. With the overall macro environment improving and a robust deal pipeline, Persistent remains confident in its long-term growth. Persistent growth in Q1FY25 was led by Healthcare Life Science growing by 66.8% YoY and BFSI growing by 7.3% YoY Industry verticals. BFSI segment has gained momentum crossing the \$ 100 mn dollar revenue mark for the first time.
- Geographically & by verticals: North America saw a healthy growth of +18.2% YoY, Europe declined by 7.1% YoY, India revenue grew 15.7% YoY, and ROW revenue grew by 65.6% YoY on a low a base in dollar terms. Europe revenue declined as a result of decline in sales force business and rationalization of tail customers specific to the sales force business.
- Margin Walk: The margin was impacted by -60 bps due to one-time visa costs, -210 bps due to increased subcontracting costs to support the onsite ramp-up in key accounts, and -70 bps due to higher SG&A during the quarter. However, there were tailwinds of +90 bps from increased utilization, +90 bps from operational efficiencies, +60 bps from the reversal of earn-out credits related to past acquisitions, +40 bps from the change in the useful life of computer and networking assets, and +10 bps from employee benefit rationalization due to increased ESOP costs.
- Headcount decreased by 331 employees. The quarter's utilization rate increased to 82.1% from 80% in Q4FY24.
- Attrition was at 11.9% (vs 11.5% in Q4FY24) attrition has come down to a comfortable band over the last few quarters.
- Order book: TCV stood at \$462.8 million in Q1FY25 (+3.4% QoQ/+21.7% YoY). On a TTM basis, TCV was \$1.911 billion, while the ACV stood at \$337.3 million (-19.2% QoQ/2.1% YoY). On a TTM basis, ACV was \$1.362 billion.
- The DSO stood at 67 days (vs. 63 days in Q4FY24) this quarter. Due to an internal reorganization of business operations, invoicing was delayed in Q1FY25, resulting in billed DSO remaining flat YoY and unbilled DSO increasing by 4 days YoY.
- The customer count increased in the \$1mn-\$5mn, \$10mn-\$20 mn & 75mn+ buckets, which have the potential to scale up further in the coming quarters.
- The company has announced its acquisition of New Jersey-based Starfish Association. Integrating Starfish's contact center platform with Persistent's existing unified communication offerings will increase traction with existing customers through AI-led innovations and leverage their robust partner ecosystems, including Google Contact Center AI, AWS Connect, and advancements in Microsoft Teams. Additionally, in Q1, Persistent signed a strategic partnership agreement with Google that strengthens its hyperscaler-led offerings centered around AI-driven industry solutions.

Outlook:

- Management aspires to improve margins by 200-300 bps in next 2 to 3 years. on account of improvement in utilization, a higher offshore mix, and an improved employee pyramid.

Quarterly Deviation Sheet

YE March (Rs. Mn)	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)	Q1FY25E	Deviation (%)
Net Sales (US\$ Mn)	328.2	310.9	5.6%	282.9	16.0%	327.1	0.3%
Net Sales (INR Mn)	27,372	25,905	5.7%	23,212	17.9%	27,254	0.4%
Less:							
Employees Remuneration & Benefits	19,952	18,936	5.4%	16,312	22.3%	20,125	(0.9%)
SG&A Expenses	2,868	2,426	18.2%	2,670	7.4%	2,507	14.4%
Total Operating Expenditure	22,820	21,362	6.8%	18,982	20.2%	22,632	0.8%
EBITDA	4,552	4,544	0.2%	4,229	7.6%	4,622	(1.5%)
EBIT	3,840	3,744	2.6%	3,466	10.8%	3,804	0.9%
Less: Depreciation	712	799		763		818	
Less: Interest	141	97	45.0%	126	12.0%	54	163.0%
Add: Other income	306	308	(0.5%)	216	41.5%	409	(25.1%)
Extraordinary Income	0	0		(486)		0	
Profit Before Tax	4,005	3,955	1.3%	3,557	12.6%	4,159	(3.7%)
Adjusted Profits	4,005	3,955	1.3%	3,070	30.4%	4,159	
Less: Total Tax	941	802		783		1,040	
PAT	3,064	3,153	(2.8%)	2,774	10.5%	3,119	(1.8%)
Adjusted PAT	3,064	3,153	(2.8%)	2,288	33.9%	3,119	(1.8%)
Reported Diluted EPS (Rs.)	19.9	20.5		18.0		20.2	(1.8%)
Adjusted Diluted EPS (Rs.)	19.9	20.5		14.9		20.2	
No of Shared Diluted (mn)	154	154		154		154	
Margin Analysis %	Q1FY25	Q4FY24	Change in bps	Q1FY24	Change in bps	Q1FY25E	Deviation in bps
EBIT margin	14.0%	14.5%	(42)	14.9%	(90)	14.0%	7
EBIDTA Margin	16.6%	17.5%	(91)	18.2%	(159)	17.0%	(33)
NPM	11.2%	12.2%	(98)	12.0%	(76)	11.4%	(25)
Adjusted NPM	11.2%	12.2%	(98)	9.9%	134	11.4%	(25)
Effective Tax Rate %	23.5%	20.3%	323	22.0%	149	25.0%	(150)
Cost Analysis %	Q1FY25	Q4FY24	Change in bps	Q1FY24	Change in bps	Q1FY25E	Deviation in bps
Employee Cost/Net Sales	72.9%	73.1%	(20)	70.3%	262	73.8%	(95)
SG&A/Net sales	10.5%	9.4%	111	11.5%	(103)	9.2%	128

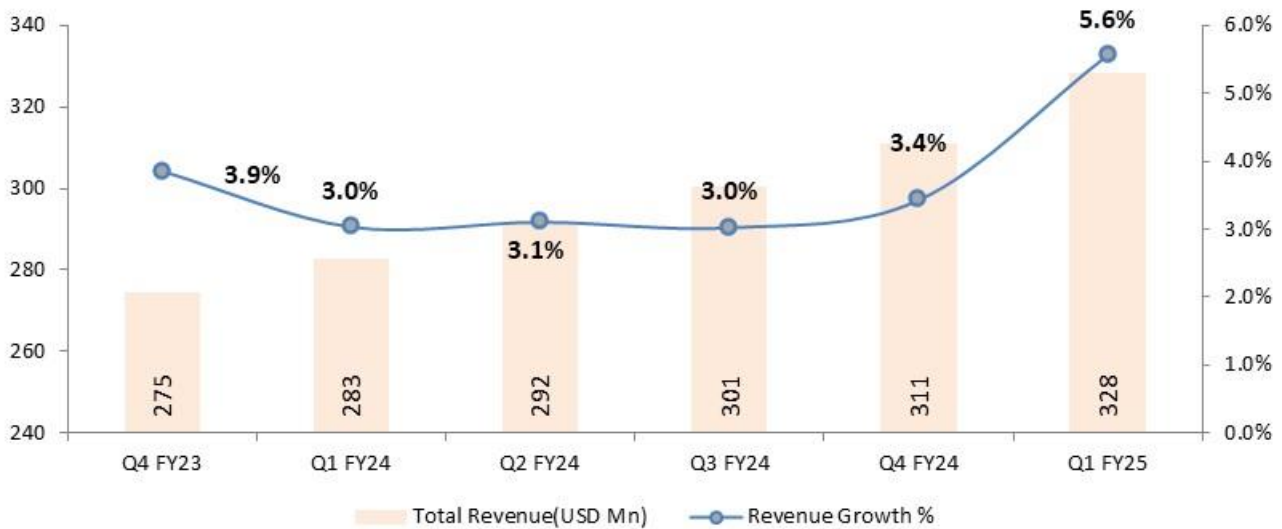
Source: Dalal & Broacha Research, Company

Valuation & Outlook

Persistent Systems is focused on achieving a margin improvement of 200-300 bps over the next 2 to 3 years. The strategic emphasis on generative AI and cloud technologies has yielded positive results, leading to new deal wins. The company remains committed to account mining and has observed early signs of recovery in discretionary spending. Growth is being led by the healthcare and life sciences sectors, followed by BFSI. Attrition has decreased to comfortable levels, and there is anticipation of improved utilization of freshers. Persistent Systems is poised to maintain its strong execution rate and secure healthy deal wins over the next two years. With an improving macro environment and a robust pipeline, Persistent is well-positioned for the future.

Persistent Systems is currently trading at 56.8x / 43.9x / 36.5x FY25e/FY26e/FY27e EPS respectively. Taking the above factors into consideration, we recommend a BUY ON DIPS rating and our target multiple of 40x FY27e EPS to arrive at TP of INR 5,278.

Exhibit 1: Total Revenue USD Growth



Source : Dalal & Broacha Research, Company

Exhibit 2:

Rs Mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Total Revenue (Rs Mn)	22,545	23,212	24,117	24,982	25,905	27,372
Revenue Growth %	3.9	3.0	3.9	3.6	3.7	5.7
EBITDA %	18.5	18.2	16.8	17.7	17.5	16.6
OPM %	15.4	14.9	13.7	14.5	14.5	14.0
NPM %	11.2	9.9	10.9	11.5	12.2	11.2

Exhibit 3: Change in Geographical Presence

	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
North America	214	224	231	240	249	265
Growth Rate QoQ (%)	4.9%	4.8%	3.1%	3.7%	4.0%	6.4%
Europe	28	27	28	27	24	26
Growth Rate QoQ (%)	18.9%	-3.0%	1.0%	-3.5%	-9.3%	5.6%
India	27	28	28	30	31	32
Growth Rate QoQ (%)	-15.6%	2.0%	1.0%	6.2%	4.5%	2.4%
ROW	5	3	5	4	6	6
Growth Rate QoQ (%)	16.8%	-31.3%	37.5%	-9.8%	47.8%	-10.3%

Source : Dalal & Broacha Research, Company

Financials

Profit & Loss A/c					
YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	83,506	98,216	113,207	135,238	155,503
<i>Growth %</i>	<i>46.2%</i>	<i>17.6%</i>	<i>15.3%</i>	<i>19.5%</i>	<i>15.0%</i>
Less:					
Employee Cost & Related Expenses	60,122	71,102	83,217	97,677	111,884
Miscellaneous Expenses	8,193	9,870	10,593	12,818	13,995
Total Operating Expenditure	68,315	80,973	93,810	110,496	125,879
EBIDTA	15,191	17,243	19,397	24,742	29,624
<i>Growth %</i>	<i>58.5%</i>	<i>13.5%</i>	<i>12.5%</i>	<i>27.6%</i>	<i>19.7%</i>
Less: Depreciation	2,719	3,094	2,945	3,922	4,510
EBIT	12,472	14,149	16,452	20,820	25,114
<i>Growth %</i>	<i>57.4%</i>	<i>13.4%</i>	<i>16.3%</i>	<i>26.5%</i>	<i>20.6%</i>
Interest Paid	473	467	565	215	215
Non-operating Income	706	1,280	1,422	1,758	2,022
Extraordinary Income	(297)	(486)	0	0	0
Profit Before tax	12,409	14,476	17,310	22,364	26,921
Tax	3,198	3,541	4,267	5,479	6,596
Net Profit before Minority	9,211	10,935	13,043	16,885	20,325
Net Profit	9,211	10,935	13,043	16,885	20,325
Adjusted Profit	9,507	11,421	13,043	16,885	20,325
Reported Diluted EPS Rs	59.9	71.1	84.7	109.6	131.9
<i>Growth %</i>	<i>32.5%</i>	<i>18.7%</i>	<i>19.1%</i>	<i>29.5%</i>	<i>20.4%</i>
Adjusted Diluted EPS Rs	61.8	74.2	84.7	109.6	131.9
<i>Growth %</i>	<i>36.8%</i>	<i>20.1%</i>	<i>14.0%</i>	<i>29.5%</i>	<i>20.4%</i>

Balance Sheet (Consolidated)					
YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Liabilities					
Equity Capital	764	770	770	770	770
Reserves & Surplus	38,887	48,807	56,600	66,688	78,833
Equity	39,651	49,577	57,370	67,459	79,603
Preference Share Capital					
Net Worth	39,651	49,577	57,370	67,459	79,603
Minority Interest					
Net Deferred tax liability/(Asset)	3,760	859	1,035	1,328	1,599
Total Loans	2,058	99	99	99	99
Capital Employed	45,468	50,535	58,504	68,886	81,301
Assets					
Gross Block	11,936	12,354	15,854	19,354	22,854
Less: Depreciation	7,076	7,934	10,879	14,801	19,310
Net Block	4,860	4,420	4,975	4,553	3,544
Capital WIP	161	335	386	462	531
Investments	5,475	6,952	8,168	9,485	10,776
Intangible Assets	16,355	15,488	17,851	24,343	27,991
Others Assets	1,629	1,255	1,447	1,729	1,988
Current Assets					
Sundry Debtors	15,253	16,761	19,850	24,454	28,118
Current Investments	1,880	2,727	4,528	5,410	6,220
Cash and Bank Balance	9,033	10,229	15,548	17,059	21,292
Other Current Assets	8,752	11,902	10,189	12,712	14,617
Total Current Assets	34,918	41,619	50,115	59,635	70,248
Less:Current Liabilities & Provisions					
Sundry Creditors	5,689	8,139	9,509	10,595	12,071
Provisions	4,649	3,331	6,188	7,397	8,904
Other Current Liabilities	9,790	10,372	11,156	13,328	15,325
Total Current Liabilities & Provisions	20,129	21,842	26,854	31,320	36,299
Capital Applied	45,468	50,535	58,504	68,886	81,301

Source : Dalal & Broacha Research, Company

Key Ratios (Consolidated)					
YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Key Operating Ratios					
EBITDA Margin (%)	18.2%	17.6%	17.1%	18.3%	19.1%
Tax / PBT (%)	25.8%	24.5%	24.7%	24.5%	24.5%
Net Profit Margin (%)	11.0%	11.1%	11.5%	12.5%	13.1%
RoE (%)	25.9%	25.6%	24.4%	27.1%	27.6%
RoCE (%)	22.0%	22.3%	22.7%	24.7%	25.2%
Current Ratio (x)	1.7x	1.9x	1.9x	1.9x	1.9x
Dividend Payout (%)	47.9%	33.8%	40.3%	40.3%	40.3%
Book Value Per Share (Rs.)	257.7	322.2	372.4	437.9	516.7
Financial Leverage Ratios					
Debt/ Equity (x)	0.1x	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	32.1x	36.9x	34.4x	115.3x	138.0x
Interest / Debt (%)	19.5%	43.3%	569.4%	216.5%	216.5%
Growth Indicators %					
Growth in Gross Block (%)	33.1%	3.5%	28.3%	22.1%	18.1%
Sales Growth (%)	46.2%	17.6%	15.3%	19.5%	15.0%
EBITDA Growth (%)	58.5%	13.5%	12.5%	27.6%	19.7%
Net Profit Growth (%)	33.4%	18.7%	19.3%	29.5%	20.4%
Diluted EPS Growth (%)	32.5%	18.7%	19.1%	29.5%	20.4%
Turnover Ratios					
Debtors Days	54	59	59	60	62
Creditors Days	42	50	53	51	50

Cash Flows (Consolidated)					
YE March (Rs. Mn)	FY23	FY24	FY25E	FY26E	FY27E
PAT	9,211	10,935	13,043	16,885	20,325
Less: Non Operating Income	(706)	(1,280)	(1,422)	(1,758)	(2,022)
Add: Depreciation	2,719	3,094	2,945	3,922	4,510
Add: Interest Paid	473	467	565	215	215
Operating Profit before WC Changes	11,994	13,702	15,130	19,263	23,028
(Inc)/Dec in Current Assets	(9,108)	(4,658)	(1,375)	(7,128)	(5,569)
Inc/(Dec) in Current Liabilities	5,869	1,713	5,012	4,466	4,980
Net Cash Generated From Operations	8,755	10,757	18,767	16,601	22,438
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(2,966)	(418)	(3,500)	(3,500)	(3,500)
(Inc)/Dec in Capital Work In Progress	910	(174)	(51)	(75)	(69)
(Inc)/Dec in Investment (Strategic)	(638)	(1,023)	(1,000)	(1,000)	(1,000)
(Inc)/Dec in Investment (Others)	(428)	(454)	(216)	(317)	(292)
Add: Non Operating Income	706	1,280	1,422	1,758	2,022
(Inc)/Dec in Intangible Assets	(3,062)	1,241	(2,555)	(6,773)	(3,907)
Cash Flow from Investing Activities	(5,478)	453	(5,900)	(9,907)	(6,746)
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	691	(4,860)	176	294	271
Dividend Paid	(3,833)	(3,210)	(4,565)	(5,910)	(7,114)
Tax Paid on Dividend	(575)	(482)	(685)	(886)	(1,067)
Less: Interest Paid	(473)	(467)	(565)	(215)	(215)
Net Cash Flow from Financing Activities	(5,017)	(9,057)	(5,638)	(6,717)	(8,125)
Net Inc/Dec in cash equivalents	(1,739)	2,152	7,228	(23)	7,568
Opening Balance	9,145	9,033	10,229	15,548	17,059
Closing Cash Balance	7,406	11,185	17,457	15,525	24,626

Free Cash Flow Analysis					
	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	15,191	17,243	19,397	24,742	29,624
Add: Depreciation Tax Shield	701	757	726	961	1,105
Working Capital Changes	(5,422)	293	6,582	(6,299)	2,072
Less: Inc in FC Investment	2,966	418	3,500	3,500	3,500
Taxes Paid	3,198	3,541	4,267	5,479	6,596
Total Free Cash Flows	4,306	14,334	18,938	10,425	22,705

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | : equity.research@dalal-broacha.com