Persistent Systems Ltd.

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Pune E-Stock Broking Limited

About the Company:

Persistent Systems Ltd., headquartered in Pune, is a leading technology services firm with strong capabilities in software product engineering, digital transformation, and IT consulting. Established in 1990, the company has built a diversified presence across BFSI, healthcare, life sciences, industrial, and hi-tech verticals. Persistent's expertise spans across cloud, AI, automation and enterprise security, supported by strategic partnerships and acquisitions that enhance its service depth. With a global workforce of over 24,500 and operations across key international markets, the company continues to deliver scalable, client-centric digital solutions..

Investment Rationale (Q2FY27):

Continuous Improvement in Competitive Advantage: Persistent is widening its competitive moat by launching AI-native Software Reinvention Services, supported by proprietary platforms like SASVA to modernise legacy software architectures. The company embeds certified Forward Deployed Engineers (FDEs) directly within enterprise customer environments to accelerate legacy modernisation under outcome-based commercial constructs.

Revenue Growth & Order Book Momentum: Persistent achieved its 26th consecutive quarter of sequential growth in Q2 FY27, reporting revenue of $487.6 million (+20.0% YoY, +7.8% QoQ). Trailing twelve-month (TTM) TCV bookings surged 36.3% YoY to $3,055.1 million. This compounding order book provides strong top-line visibility, reinforcing its growth trajectory.

Deep Client Mining & High-Margin Wallet Share Expansion: Persistent continues to capture market share through client tier escalation, with Q2 FY27 Top 5 customer revenue surging 38.9% YoY and Top 10 growing 29.9% YoY. Broad-based vertical growth across BFSI (+24.3% YoY) and Healthcare (+16.4% YoY) drove TTM revenue to $1,798.5 million (+17.4% YoY) with a 15.0% EBIT margin.

Outlook: Persistent Systems is well-positioned to sustain double-digit growth, supported by 20.0% YoY revenue growth in Q2FY27 and a 36.3% YoY increase in TTM TCV to $3,055.1 million, providing strong revenue visibility. Its AI-native Software Reinvention Services, proprietary platforms SASVA and iAURA, and rising enterprise AI adoption offer opportunities to capture high-value transformation deals. Strong client mining, with Top 5 customer revenue growing 38.9% YoY, and 24.3% BFSI growth reinforce business momentum. The proposed Nagarro acquisition could create a ~$2.9 billion revenue platform with 46,000+ professionals and is expected to be cash EPS-accretive in year one, excluding transaction costs. However, near-term profitability may remain under pressure from acquisition expenses and hiring investments. Cautious enterprise spending, elongated deal cycles, and regulatory uncertainty in healthcare remain key risks.

We maintain our **ACCUMULATE** rating on Persistent Systems, assigning a P/E of 28x on its FY29E EPS (₹240), arriving at a TP of ₹6,720, with an upside of 17%.

CMP: 5,741
Rating: ACCUMULATE
Target Price: 6,720

Stock Info	
BSE	533179
NSE	PERSISTENT
Sector	IT
Face Value (₹)	5
Equity Capital (₹Cr)	78.9
Mkt Cap (₹Cr)	88,921
Avg volume (1 year)	6,72,284
Dividend yield (%)	0.72%
52w H/L (₹)	6,599/4,243

Source: Company filings, PESB research

Shareholding Pattern (Sep 2025)	
Promoters	30.29%
FII	20.79%
DII	31.96%
Public	16.39%

Source: Company filings, PESB research

Returns	Persistent Systems (%)	NIFTY 50 (%)
1M	3.47	0.59
6M	2.33	-4.50
1 year	-3.65	-9.71

Source: Company filings, PESB research

IC Link: Persistent Systems

Anupama Bhootra
Analyst
Praveen Kumar Yadav
Associate

Q2FY27 Financials

Income Statement (₹ cr)	Q2 2027	Q1 2027	QoQ	Q2 2026	YoY
Revenue from operations	4,664	4,303	8%	3,581	30%
Expenses					
Subcontracting Costs	714	667	7%	537	33%
Employee Benefit Expenses	2,382	2,199	8%	1,946	22%
Other expenses	935	740	26%	414	126%
Total expenses	4,030	3,606	12%	2,898	39%
EBITDA	**633**	**697**	**-9%**	**683**	**-7%**
EBITDA Margin	*16.00%*	*15.00%*	*100bps*	*19.08%*	*-308bps*
Depreciation and amortisation expense	167	115	45%	100	67%
EBIT	**467**	**582**	**-20%**	**583**	**-20%**
EBIT Margin	*10.00%*	*13.52%*	*-351bps*	*16.28%*	*-628bps*
Other income	24	71	-65%	52	-53%
Finance costs	38	29	29%	18	109%
Exceptional items	0	0		0	
EBT	**453**	**623**	**-27%**	**617**	**-26%**
EBT Margin	*9.72%*	*14.48%*	*-476bps*	*17.23%*	*-750bps*
Tax	102	140	-27%	145	-30%
PAT	**351**	**483**	**-27%**	**471**	**-25%**
PAT Margin	*7.53%*	*11.23%*	*-369bps*	*13.17%*	*-563bps*
EPS	22.27	30.62	-27%	29.89	-25%
No. of Shares	15.78	15.78		15.78	

Source: Company filings, PESB research

➢ Concall Highlights

- **Sustained Revenue Expansion Across Currencies:** Persistent reported Q2FY27 revenue of $487.6 million, representing a 7.8% QoQ and 20.0% YoY increase in USD terms, marking its 26th consecutive quarter of sequential growth. In rupee terms, revenue reached ₹4,663.90 crore, growing 8.4% QoQ and 30.3% YoY. Constant currency revenue growth stood at 7.8% QoQ and 20.8% YoY.

- **Direct Cost Investments Drive EBIT Margin Movement:** Quarterly EBIT reached ₹466.61 crore, up 20% YoY and -20% QoQ. EBIT margin stood at 10%, contracting 628 basis points YoY from 16.28% in Q2FY26. Margin compression resulted from total direct costs rising to 66.3% of sales (up from 64.0% YoY), reflecting proactive hiring and wage investments to support large deal ramp-ups.

- **One-Time M&A Expenses Impact Reported PAT:** Reported PAT for Q2FY27 stood at ₹351 crore (7.53% margin), reflecting a 25.4% YoY decline. This decrease was driven by exceptional one-time transaction expenses of ~$50 million associated with the Nagarro acquisition, creating a 3.1% drag on reported PAT margin. Excluding transaction costs, operating PAT margin was 10.6% (+5.0% YoY).

- **Headcount Expansion and Balance Sheet Metrics:** Total headcount reached 29,598 employees, representing an increase of 958 resources QoQ. Utilization moderated to 85.8% (-70 bps QoQ) as the company proactively staffed for upcoming deal executions. Trailing 12-month attrition improved to 11.9% (vs 12.3% QoQ), while ROCE (excluding cash) strengthened to 45.6%.

Concall Highlights

- **Progress on Transformational Nagarro Acquisition:** Persistent secured 94.04% of total share capital and voting rights in Nagarro following its voluntary public takeover offer. The business combination creates an AI-led digital engineering entity with a ~$2.9 billion revenue run rate and 46,000+ professionals across 40+ countries. Shareholders approved an equity raise of up to $450 million via QIP to optimise the funding structure.

- **Strong Order Book and TTM TCV Expansion:** In Q2FY27, quarterly TCV bookings reached $633.5 million (with new bookings contributing $367.1 million), while quarterly ACV stood at $481.0 million ($262.3 million from new bookings). On TTM TCV expanded to $3,055.1 million, representing a 36.3% YoY increase compared to $2,241.6 million in TTM Q2 FY26.

- **Broad-Based Growth Across All Industry Segments:** All three primary industry verticals delivered healthy YoY growth during the quarter. Banking, Financial Services and Insurance (BFSI) led growth at 24.3% YoY, Healthcare & Life Sciences grew 16.4% YoY ($164.3 million revenue), and Software, Hi-Tech & Emerging Industries expanded 16.3% YoY ($208.5 million revenue).

- **Wallet Share Expansion Across Key Client Tiers:** Persistent continued to deepen relationships across top-tier customer accounts during Q2 FY27. Revenue from Top 5 customers grew 38.9% YoY, while revenue from Top 10 customers increased 29.9% YoY. This performance underscores effective client mining across Global 2000 enterprise accounts.

- **Rollout of AI-Native Software Reinvention Services:** The company launched its Software Reinvention Services to assist Independent Software Vendors (ISVs) and enterprise clients in modernising legacy software architectures into AI-native platforms. Powered by its proprietary framework, this offering positions Persistent to capture high-value, outcome-based transformation engagements.

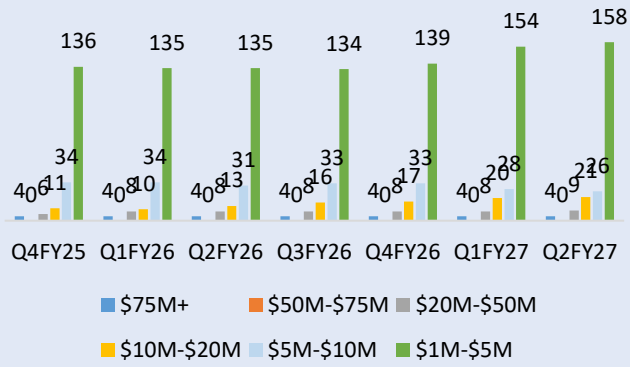
- **Acquisition Closure Timeline and Accretion Outlook:** Management anticipates closing the Nagarro transaction by Q4 CY 2026 or Q1 CY 2027. The deal is expected to be cash EPS accretive in year one, excluding ~$50 million in transaction expenses. Incremental transaction expenses of $25 million–$30 million are projected over Q3-Q4 FY27.

- **Cautious Enterprise Spending:** Management notes that while the global economy has avoided deep recessions, high inflation, elevated interest rates, and geopolitical uncertainties have created a cautious spending environment. Enterprise CIOs are facing stretched decision-making cycles and lumpy quarterly deal conversion, though overall worldwide IT spending is projected to reach $5.61 trillion (+9.8% YoY) in 2025, with IT services remaining the largest segment at $1.73 trillion (+9.0% YoY).

- **Outcome Commercials:** The tech services industry is evolving from traditional time-and-material billing and "Software-as-a-Service" toward "Service-as-a-Software". Enterprises increasingly seek bundled, end-to-end solutions where IT providers integrate proprietary AI platforms (such as SASVA and iAURA) with frontier/open-weight models, operating under outcome-based or revenue-sharing commercial models.

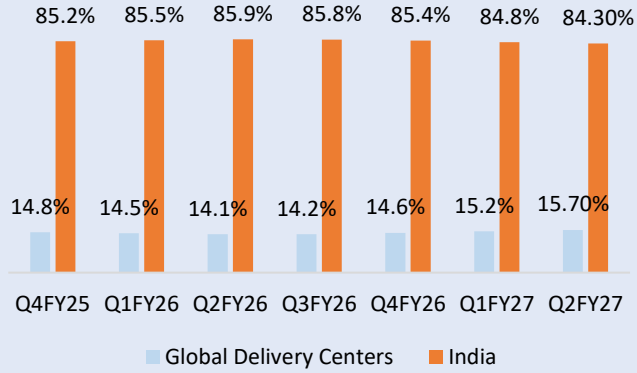
Charts

Client Engagement Size



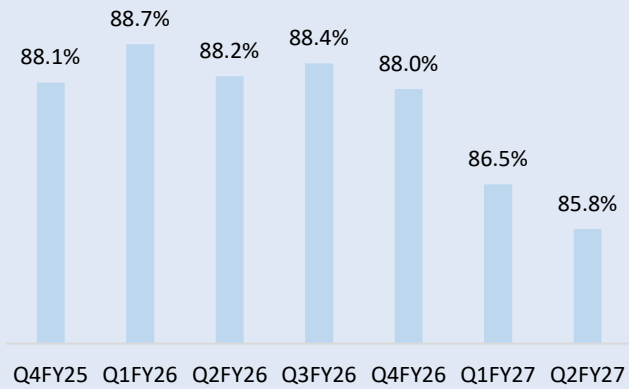
Source: Company filings, PESB Research

Effort Mix (%)



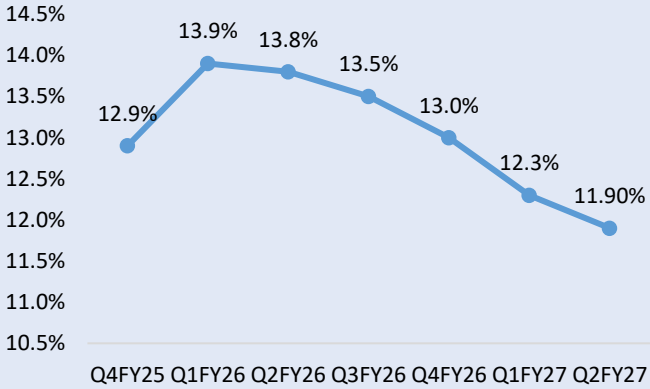
Source: Company filings, PESB Research

Total Utilization (%)



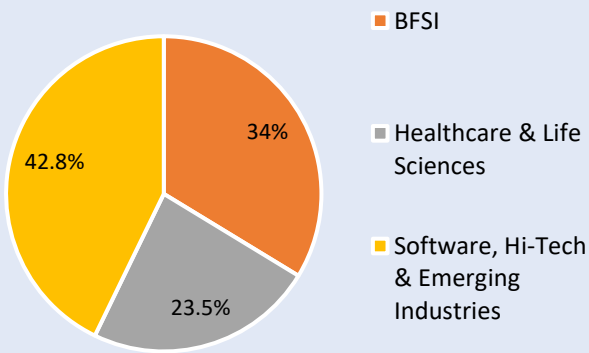
Source: Company filings, PESB Research

Attrition Rate (%)



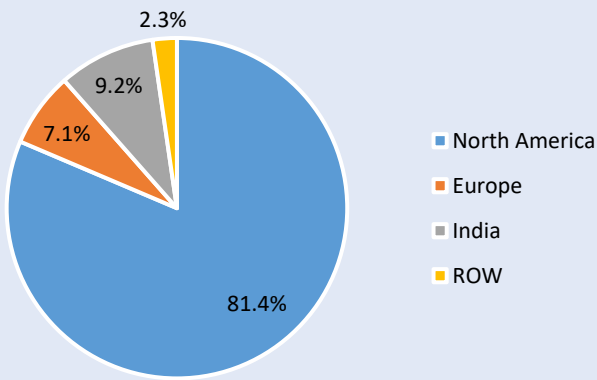
Source: Company filings, PESB Research

Segment Revenue Mix (Q2FY27)



Source: Company filings, PESB Research

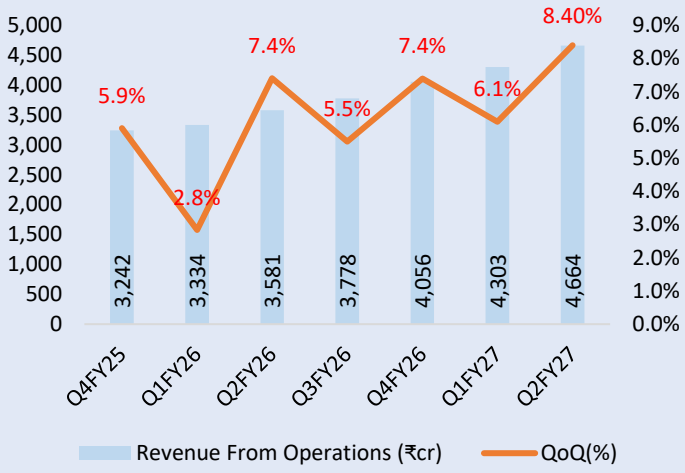
Geography Revenue Mix (%)



Source: Company filings, PESB Research

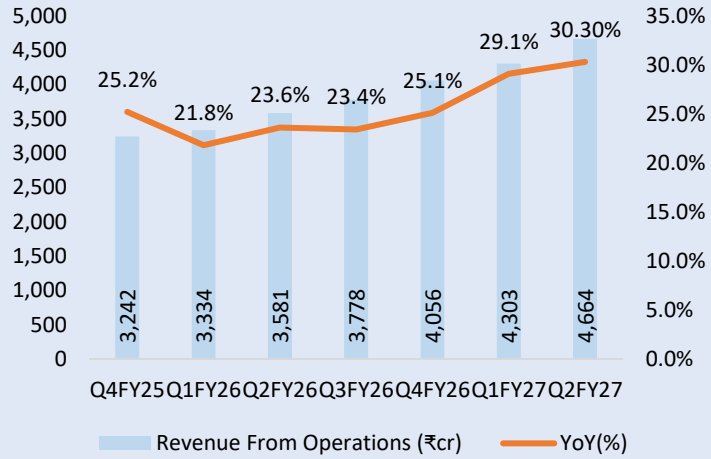
Charts

Revenue (₹cr) & QoQ (%)



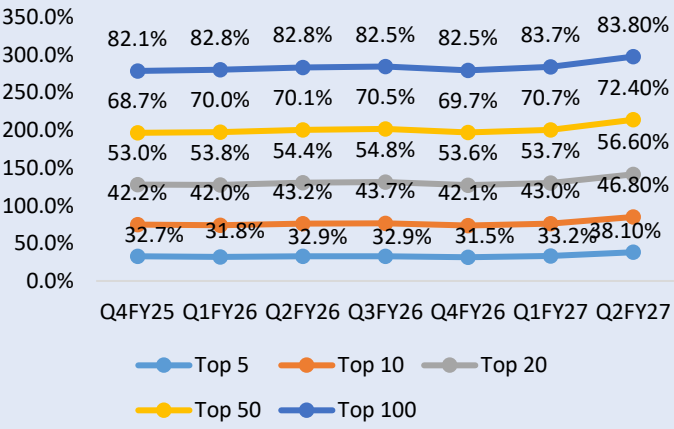
Source: Company filings, PESB Research

Revenue (₹cr) & YoY (%)



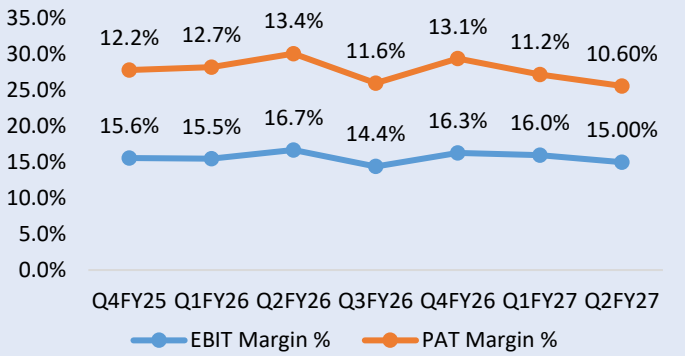
Source: Company filings, PESB Research

Revenue Concentration (%)



Source: Company filings, PESB Research

EBIT & PAT Margins (%)



Source: Company filings, PESB Research

Charts

Income Statement

Particulars (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	8,351	9,822	11,939	14,748	18,319	22,161	26,002
Expenses							
Employee Expense	6,012	7,110	8,623	10,148	12,457	15,070	17,422
SG&A	819	1,036	1,258	1,805	2,198	2,881	3,380
EBITDA	**1,519**	**1,676**	**2,058**	**2,795**	**3,664**	**4,211**	**5,200**
EBITDA Margin	***18%***	***17%***	***17%***	***19%***	***20%***	***19%***	***20%***
EBITDA Growth rate		***10%***	***23%***	***36%***	***31%***	***15%***	***24%***
Depreciation and Amortization	272	309	307	403	366	399	416
EBIT	**1,247**	**1,366**	**1,751**	**2,392**	**3,297**	**3,812**	**4,784**
EBIT Margin	***15%***	***14%***	***15%***	***16%***	***18%***	***17%***	***18%***
EBIT Growth rate		***10%***	***28%***	***37%***	***38%***	***16%***	***26%***
Finance Cost	47	47	67	73	60	107	92
Other Income	71	128	138	180	219	267	356
Exceptional items	0	0	0	89	0	0	0
EBT	**1,271**	**1,448**	**1,822**	**2,411**	**3,456**	**3,972**	**5,049**
EBT Margin	***15%***	***15%***	***15%***	***16%***	***19%***	***18%***	***19%***
EBT Growth rate		***14%***	***26%***	***32%***	***43%***	***15%***	***27%***
Tax expense	320	354	422	546	864	993	1,262
PAT	**951**	**1,093**	**1,400**	**1,865**	**2,592**	**2,979**	**3,786**
PAT Margin	***11%***	***11%***	***12%***	***13%***	***14%***	***13%***	***15%***
PAT Growth rate		***15%***	***28%***	***33%***	***39%***	***15%***	***27%***
			FY23-25				**FY26-28E**
Revenue CAGR			**20%**				**33%**
EBITDA CAGR			**16%**				**36%**
PAT CAGR			**21%**				**42%**

Source: Company filings, PESB research

RATIOS

	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Margin Analysis							
Gross Margins	28%	28%	28%	31%	32%	32%	33%
EBITDA Margin	18%	17%	17%	19%	20%	19%	20%
PAT Margin	11%	11%	12%	13%	14%	13%	15%
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profitability							
ROA	14%	15%	16%	16%	21%	20%	21%
ROCE	28%	26%	28%	31%	33%	31%	32%
ROE	24%	22%	22%	24%	27%	25%	26%
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Liquidity and Solvency							
Current ratio (x)	1.8	1.9	2.4	2.4	3.7	4.0	4.6
Quick ratio (x)	1.8	1.9	2.4	2.4	3.7	4.0	4.6
fixed asset turnover (x)	16.6	20.7	23.3	33.9	37.9	39.8	35.3
Total Debt/ Equity (x)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest Coverage Ratio (x)	26.3	29.2	26.1	32.9	55.0	35.7	52.3
	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Valuation Ratios							
EV/EBITDA (x)	59	54	44	32	24	20	16
P/E (x)	95	83	65	49	35	30	24
P/B (x)	23	18	14	12	9	8	6
EV/Sales (x)	11	9	8	6	5	4	3

Source: Company filings, PESB research

Charts

BALANCE SHEET

Particulars (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Assets							
PP&E (Including Intangibles)	486	442	435	397	426	509	685
Capital WIP	16	34	77	38	57	48	52
Other Non Current Assets	2,599	2,785	3,198	3,845	3,345	3,362	3,386
Inventories	0	0	0	0	0	0	0
Investments	188	273	339	915	430	429	477
Trade Receivables	1,570	1,676	1,848	3,334	2,509	3,036	3,562
Cash and Bank	903	1,023	1,025	1,218	4,613	6,538	8,640
Other Current Assets	856	1,185	1,814	1,630	1,204	1,338	1,434
Total Assets	**6,619**	**7,418**	**8,737**	**11,377**	**12,585**	**15,259**	**18,236**
Equity							
Equity Share Capital	76	77	78	79	79	79	79
Other Equity	3,889	4,881	6,241	7,759	9,644	11,870	14,616
Total Equity	**3,965**	**4,958**	**6,319**	**7,838**	**9,723**	**11,949**	**14,695**
Liabilities							
Borrowings	206	10	0	0	100	100	90
Other Non Current Liabilities	490	232	285	614	393	403	386
Borrowings	223	197	0	0	50	55	60
Trade Payables	569	814	889	1,134	1,195	1,445	1,671
Other Current Liabilities	1,166	1,207	1,244	1,790	1,124	1,306	1,334
Total Equity and Liabilities	**6,619**	**7,418**	**8,737**	**11,377**	**12,585**	**15,258**	**18,235**

Source: Company filings, PESB research

CASH FLOW

Particulars (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net cash from operations	9,069	10,898	10,673	1,757	3,602	3,150	3,832
Net cash from Investing	-7,188	-8,789	-15,836	-1,218	349	-478	-687
Net cash from Financing	-1,631	-1,926	5,076	-316	-556	-747	-1,044

Source: Company filings, PESB research

Disclosures and Disclaimers:

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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