MIRAE ASSET Sharekhan

Stock Update | Company Update

Persistent Systems Ltd

Well positioned to deliver consistent top quartile performance

IT & ITES	Sharekhan code: PERSISTENT
Reco/View: Buy ↔	CMP: **Rs. 6,069** · Price Target: **Rs. 7,000** ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

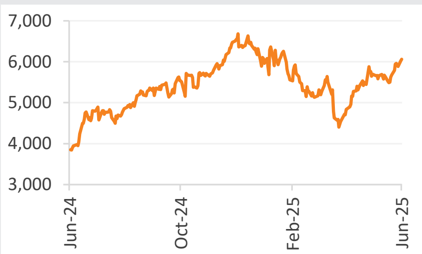
Company details

Market cap:	Rs. 94,913 cr
52-week high/low:	Rs. 6789/3,765
NSE volume: (No of shares)	6.2 lakh
BSE code:	533179
NSE code:	PERSISTENT
Free float: (No of shares)	10.8 cr

Shareholding (%)

Promoters	30.7
FII	24.4
DII	26.9
Others	18.1

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.5	17.4	-7.3	57.7
Relative to Sensex	7.4	7.4	-8.4	52.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- We maintain BUY with revised PT of Rs. 7,000 (51x FY27E EPS). At CMP, the stock trades at 54.3/44.1x its FY26/27E EPS.
- The company is well-positioned to deliver top quartile growth in FY26, aided by robust order inflows and strong growth momentum across key markets and verticals.
- The management expects the BFSI and Software, Hi-Tech verticals to lead growth in FY26, followed by the healthcare & life sciences despite potential short-term pressures from DOGE/USAID funding cuts impacting healthcare clients.
- Growth-led operating leverage, lower SGA, right shoring, subcontractor optimisation, pricing to aid margin improvement for fiscals ahead.

We interacted with management of Persistent Systems to understand the company's business strategy and growth prospects. The management expects BFSI and Software, Hi-Tech to lead growth in FY26, followed by Healthcare & lifesciences, despite potential short-term pressures from DOGE/USAID funding cuts impacting healthcare clients. Although de-escalation of tariff wars to some extent has improved the sentiment, caution in customer decision-making continues. While no cancellations were reported, but company is seeing some delays in deal closures due to macro uncertainties. The consistent strong order inflow and robust deal pipeline supports management's confidence of achieving the $2 billion revenue aspiration by FY27 from its current run rate of $1.5 billion. Despite wage hike and ESOP related headwind in FY25, the company improved margins by 30bps y-o-y. The company expects further margin expansion in the coming quarters due to lower SG&A expenses and lower ESOP costs, right shoring, subcon optimisation and operational efficiencies. The company remains committed to its margin improvement target of 200-300 bps by FY27. We maintain Buy rating on the stock with revised PT of Rs. 7,000 (51x FY27E EPS), which is reasonable, given its consistent top quartile performance and strong positioning on aspired growth trajectory. At CMP, the stock trades at 54.3/44.1x FY26/27E EPS.

Consistent growth: The company has consistently delivered top quartile growth over past several quarters despite macro headwinds and uncertainty outperforming peers. For FY25, the company grew 18.8% y-o-y driven by Healthcare & Life Sciences, BFSI and Software, High Tech. Although the de-escalation of tariff war to some extent has improved the sentiment, caution in customer decision-making continues. The management expects BFSI and Software,High Tech to lead growth in FY26, followed by Healthcare & Life Sciences, despite potential short-term pressures from DOGE/USAID funding cuts impacting healthcare clients.

Robust order inflows: The company has reported robust order inflow in FY25 with new TCV and ACV growing at 20.6%/16.4% y-o-y supported by improving traction in SASVA. The pipeline remains robust, supporting management's confidence in achieving the $2 billion revenue aspiration by FY27. SASVA is driving productivity gains and deal wins. SASVA is enhancing deal pipelines and customer engagements, particularly in outcome-driven models. While no cancellations were reported, but company is seeing some delays in deal closures due to macro uncertainty.

Margins: The company improved EBIT margin by 30 bps in FY25 and remains committed to its guidance of 200-300 bps margin improvement by FY27. The company sees several levers to aid margin improvement. SG&A is expected to be the key lever along with lower ESOP costs. The company has undertaken structural changes as part of its cost-program, and certain expenses such as consultancy and other professional expenses relating to it is likely to be absent in FY26. While Utilisation levels have peaked at 88.1% in Q4FY25, the company has adequate margin levers such as growth-led operating leverage, and SGA optimisation ,right shoring, subcon optimisation, pricing, to aid margin improvement for the fiscals ahead.

Our Call

Valuation – Maintain Buy with revised PT of Rs. 7,000: Persistent Systems delivered robust FY25 and is on a strong growth trajectory toward its $2 billion revenue goal by FY27, leveraging on strong order inflow and robust deal pipeline despite macro uncertainty. Key verticals BFSI and Technology are expected to lead growth in FY26, followed by Healthcare & Life Sciences. Despite utilisation peaking, there are adequate margin levers margin improvement to support margin improvement aligning with management's commmittement of 200-300 bps margin improvement by FY27. We expect Sales/PAT CAGR at ~18%/23% over FY25-FY27E. We maintain Buy rating on the stock with revised target price (TP) of Rs. 7,000 (51x FY27E EPS), which is reasonable, given its consistent top quartile performance and strong positioning on the aspired growth trajectory. At CMP, the stock trades at 54.3/44.1x FY26/27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements. The contagion effect of the banking crisis, macro headwinds, and recession in the US can moderate the pace of technology spends.

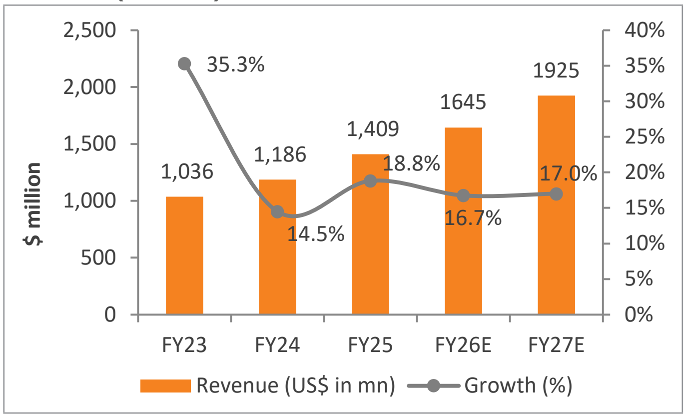
Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	9,821.6	11,938.7	14,147.1	16,648.1
OPM (%)	17.6	17.2	17.3	18.2
Adjusted PAT	1,142.1	1,400.1	1,726.6	2,125.2
YoY growth (%)	20.1	22.6	23.3	23.1
Adjusted EPS (Rs.)	75.1	90.6	111.7	137.5
P/E (x)	80.8	67.0	54.3	44.1
P/B (x)	9.4	15.0	12.8	10.9
EV/EBITDA (x)	53.3	44.5	37.9	30.9
RoNW (%)	25.6	24.8	25.2	26.5
RoCE (%)	28.7	30.0	31.2	32.8

Source: Company; Mirae Asset Sharekhan estimates

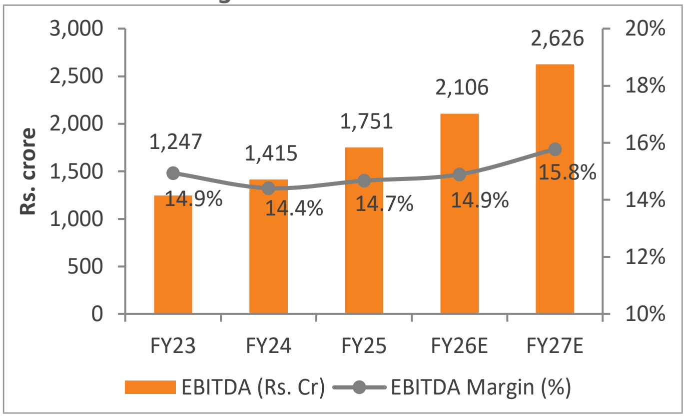
Financials in charts

Revenue (USD mn)



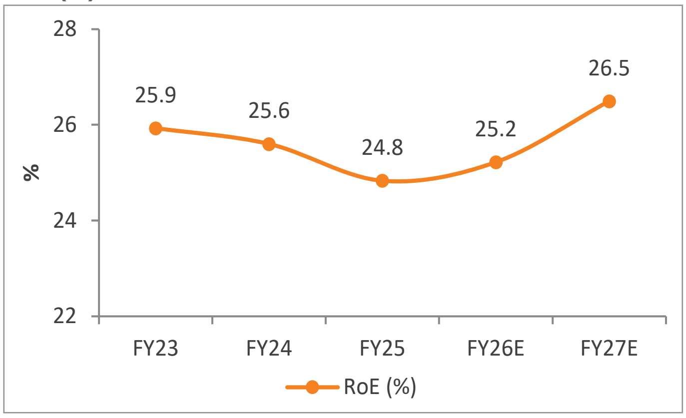
Source: Company; Mirae Asset Sharekhan Research

EBIT and EBIT Margin



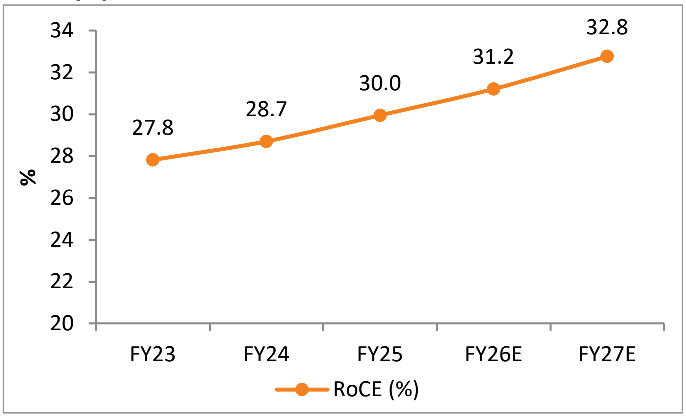
Source: Company; Mirae Asset Sharekhan Research

RoE (%)



Source: Company; Mirae Asset Sharekhan Research

RoCE (%)



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets like the US and Europe, alongside increasing demand for AI, cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays, and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation initiatives.

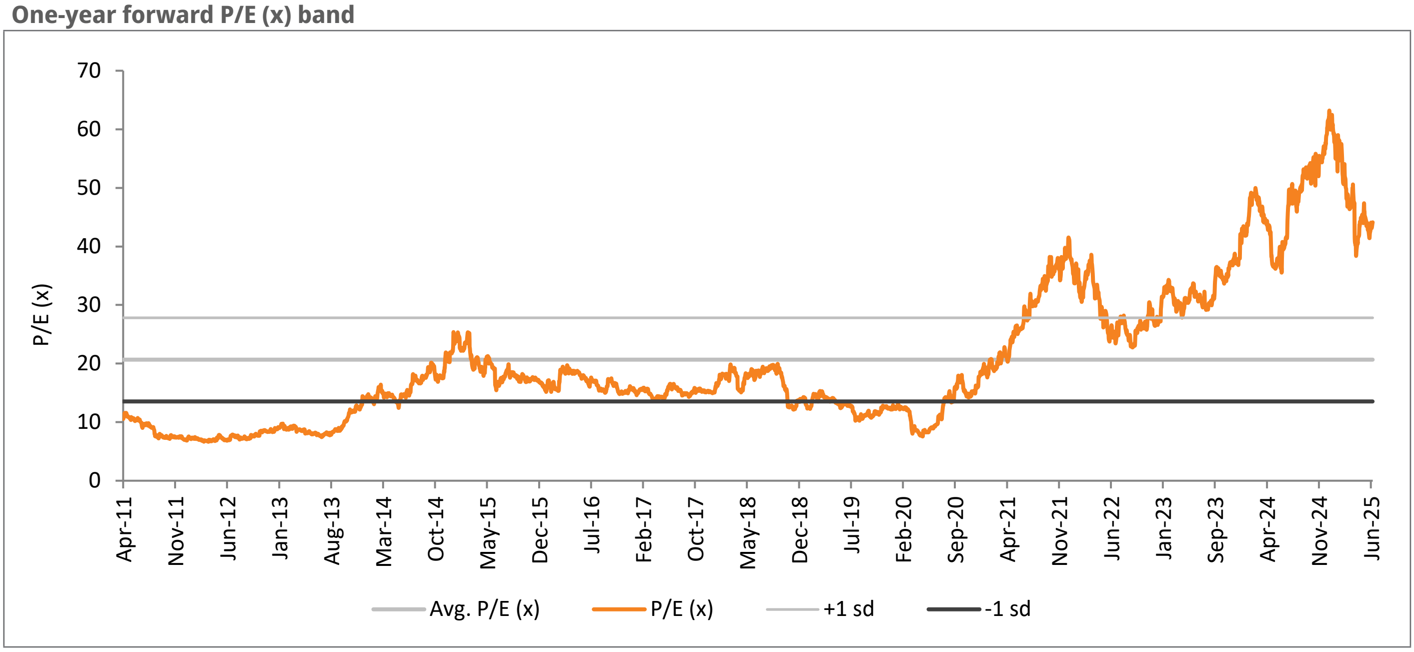
■ Company Outlook – Well-positioned to capture the immense growth opportunity

Persistent is well placed to capture a significant chunk of spends in digital technologies as well as opportunities in vendor consolidation and cost optimisation. The compamy is confident of the trajectory towards achieving its $2 billion aspirational near term revenue target by FY27 and has set a new aspiration of reaching $5 billion in revenue by FY31.Management remains committed to a guidance of a 200-300 bps improvement in margins by FY27. We believe the company is on a robust trajectory toward its $2 billion revenue goal by FY27, leveraging a $1.5 billion run rate and proven growth resilience.

■ Valuation – Maintain Buy with revised PT of Rs. 7,000

Persistent Systems delivered robust FY25 and is on a strong growth trajectory toward its $2 billion revenue goal by FY27, leveraging on strong order inflow and robust deal pipeline despite macro uncertainty. Key verticals BFSI and Technology are expected to lead growth in FY26, followed by Healthcare & Life Sciences. Despite utilisation peaking, there are adequate margin levers margin improvement to support margin improvement aligning with management's commmittement of 200-300 bps margin improvement by FY27. We expect Sales/PAT CAGR at ~18%/23% over FY25-FY27E. We maintain Buy rating on the stock with revised target price (TP) of Rs. 7,000 (51x FY27E EPS), which is reasonable, given its consistent top quartile performance and strong positioning on the aspired growth trajectory. At CMP, the stock trades at 54.3/44.1x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Persistent Systems is a global IT services and digital company delivering software product development, AI-driven solutions, and digital transformation across BFSI, Healthcare & Life Sciences, and Technology verticals. With FY25 revenue US$1.41 billion and a workforce of 24,500, it serves Fortune 500 clients, generating 80% of revenue from North America.

Investment theme

Large corporates have been allocating higher budgets towards digital transformation initiatives and IT spends are moving from ISV to the enterprise model. Persistent has restructured its business and aligned its sales resources to capitalise the benefits from clients' digital transformation journey. The alliance with top tech companies, hyperscalers and investments in new-age technologies (AI, gen AI ,IoT, Blockchain, artificial learning, and machine learning) are expected to help the company capture opportunities from these spends.

Key Risks

1) Rupee appreciation and/or adverse cross-currency movements and 2) Macro headwinds, and recession in the U.S., can moderate the pace of technology spends.

Additional Data

Key management personnel

Name	Designation
Dr. Anand Deshpande	Founder, Chairman and MD
Sandeep Kalra	Executive Director and CEO
Vinit Teredesai	Chief Financial Officer (CFO)

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal Asset Management Co	5.61
2	KOTAK MAHINDRA TRUSTEE CO	4.89
3	Vanguard Group Inc	2.86
4	Blackrock Inc	2.66
5	HDFC Asset Management Co Ltd	2.48
6	FundRock Management Co SA	2.24
7	Kotak Mahindra Asset Management Co	1.99
8	Nippon Life India Asset Management	1.91
9	UTI Asset Management Co Ltd	1.63
10	Axis Asset Management Co Ltd/India	1.61

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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