

## RATING

MANAGEMENT	★★★★★
BUSINESS	★★★★★
FINANCIALS	★★★★★
VALUATION	★★★★★



**FIN2RESEARCH**  
Investment Advisor Pvt. Ltd.



Ranking 1 to 5, denoting lowest and 5 highest

**CMP : ₹ 4550      RATING : BUY      TARGET : ₹ 5300      11th July 2024**

## KEY INFO      ABOUT

Mkt Cap (₹ in cr)	70,561.06
52-Week High	4,845.70
52-Week Low	2,318.83
No. of eq shares (cr)	154.05
Face Value	5
Bse Code	533179
Nse Code	PERSISTENT
Free Float (₹ in cr)	47,973.67

Incorporated as Persistent Systems Private Limited on May 30, 1990, A trusted Digital Engineering Enterprise Modernization partner for software product companies and enterprises, combining deep technical expertise and industry experience. Their offerings and proven solutions create a unique competitive advantage for their clients. Their partner ecosystem enables them to create innovative and flexible solutions across industries and technology domains, bringing differentiated business value to their clients. They are focused on outsourced software product development for their customers, working with companies who build and deploy software products across all phases of the product lifecycle. Their team is trained with proprietary techniques, time-to-market accelerators, connectors, and integration services which help their customers deliver products to their end users efficiently.

Source : BSE,NSE

## KEY METRICS      2023      2024      KEY HIGHLIGHTS

Sales ( ₹ million )	83,506	98,216
Sales Growth	46.2%	17.6%
EBITDA Margin	18.2%	17.1%
EBIT Margin	14.9%	13.9%
NP Margin	11.0%	11.1%
P/E	38.2x	56.1x
P/B	8.9x	12.4x
P/S	0.03x	0.04x
EV/Sales	4.2	6.2
EV/EBIDTA	23.0	36.3
EV/EBIT	28.0	44.5
ROE	23.2%	22.1%
ROA	15.2%	15.6%
ROCE	26.8%	26.3%
EPS	60.3	71.0
EPS Growth	33.4%	17.8%

**Software, Hi-Tech & Emerging Industries**

- Spearheading IT transformation initiatives, including upgrading legacy middleware stack to open-source and developing AI/ML applications for a leading consumer intelligence company.
- Enabling open-source software porting and validation to support large data volume for a key cloud infrastructure offering for one of the largest global technology companies.
- Setting up an offshore research and development center for the core energy control system for one of the largest European conglomerates.

**Banking, Financial Services & Insurance**

- Accelerating digital transformation and automation as well as engineering a GenAI platform for a leading insurance distribution and risk management firm.
- Driving new CRM experiences including workflow automation for sales, contact center, and marketing for the financial services arm of a Fortune 500 automobile company.
- Building next-generation banking platform for neo-banks and building societies leveraging Digital Engineering capabilities for a leading UK-based FinTech.

**Healthcare & Life Sciences**

- Developing a modern data and analytics platform in collaboration with one of the largest data warehousing firms and a leading hyperscaler for a drug wholesaler and contract research organization.
- Migrating clinical applications to a unified cloud platform and integrating them with electronic medical record applications for a leading renal care service provider.
- Building a centralized patient relationship management system to enhance patient care and operational efficiency for a leading biopharmaceutical company.

Source:Company,Fin2research

## Shareholding Pattern      KEY RISKS

Promoter	31.02%
FII's	24.96%
DII's	25.88%
Public	17.03%
Employee Trusts	1.12%

Source : BSE,NSE

Global Presence



Source: Annual Report

**Foreign Ex-change Risks :** The inflationary pressures in the global economy and the geo-political situations are resulting in volatility in the currency market and may have an impact as the Company is operational in several geographies.

**Risk of economic downturn :** Higher inflation, rising interest rates, geo-political and macro-economic developments may impact the growth of business.

**Credit Risk :** Delay in collection of customer dues as a result of the global economic situation.

**Global regulatory risks :** Failure to comply with existing statutory regulations, new regulations, or amendments to existing regulations where the company operates globally, may have an impact.

**Data privacy :** Persistent operates globally and hence needs to be compliant with the data privacy laws of the local jurisdiction.

**Dependency on Client Industries :** Concentration of clients in specific industries exposes companies to risks associated with the performance of those industries.

**KEY MANAGEMENT PERSON**


**Dr. Anand Deshpande**  
 Founder, Chairman and  
 Managing Director

Dr. Anand Deshpande is responsible for the overall leadership of the Company.

Anand holds a Bachelor of Technology (B. Tech.) with Honours (Hons.) in Computer Science and Engineering from the Indian Institute of Technology (IIT), Kharagpur, and an M.S. and a Ph.D. in Computer Science from Indiana University, Bloomington, Indiana, USA.

Anand is a true technology visionary and has been the driving force in growing Persistent Systems from its inception in 1990 to the publicly traded global Company of today.

Prior to founding Persistent Systems, Anand began his professional career at HewlettPackard Laboratories in Palo Alto, California, where he worked as a Member of Technical Staff from May 1989 to October 1990.



**Sandeep Kalra**  
 Chief Executive Officer  
 and Executive Director

Sandeep brings a wealth of experience in the IT services industry and a track record of revitalizing businesses to boost growth and profitability.

A graduate of the IIM Calcutta, Sandeep spent over 16 years at HCL, holding various leadership positions, extending HCL Technologies' presence in LATAM and Canada, and leading the Pharma industry vertical. After HCL Technologies, Sandeep joined Symphony Teleca, where he was instrumental in its growth and successful acquisition by HARMAN.

Under his guidance, Persistent is evolving from a specialized technology provider into a dynamic, cutting-edge digital transformation partner and a strong global brand.



**Sunil Sapre**  
 Executive Director and  
 Chief Financial Officer

Sunil Sapre is responsible for corporate finance, treasury, financial reporting, taxation and investor relations. He also oversees the people and admin functions.

He holds a bachelor's degree in Commerce and is a member of the Institute of Chartered Accountants of India. Having more than 30 years of experience in the areas of corporate finance, accounting, tax, financial planning and analysis, risk management and merger and acquisition diligence, and integration. Prior to joining Persistent in June 2015, he worked with L&T Group in various functions and his most recent role was with L&T Infotech where he spent 14 years as the head of finance and accounts for global operations.



**Praveen Kadle**  
 Independent Director

Chairman of the Investment Committee, Risk Management Committee, Audit Committee.

Praveen holds a bachelor's degree with Honours in Commerce and Accountancy from Bombay University. He is also a member of the ICAI. A qualified Cost Accountant and also a professionally qualified Company Secretary.

Praveen was the non-executive Chairman of Tata Autocomp Systems Limited. Praveen is associated with the Tata Group for more than 30 years. He is on the boards of various Tata and non-Tata companies.

Source: Annual Report

**JOURNEY**
**journey over 33+ years infused with Cloud, Data, and AI**
**First Orbit**

**1990 – 2001**

- Company inception
- 2000 – Intel IA 64 investment

**Second Orbit**

**2001 – 2008**

- Category leadership for outsourced product development
- 2005 – Investment by Norwest & Gabriel Ventures

**Third Orbit**

**2008 – 2016**

- Offering expansion to full product lifecycle
- 2010 – Persistent IPO; 93x oversubscribed

**Fourth Orbit**

**2016 – 2019**

- Catching the early wave of Digital Transformation
- Rapid expansion into enterprise customer segment

**Fifth Orbit**

**2019 – 2023**

- Strong positioning as a global Digital Engineering leader
- Industry-leading growth and shareholder value creation

**Sixth Orbit**

**2024 onwards**

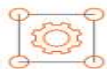
- Unlocking newer growth vectors at the intersection of industries, technologies, and geographies

Source: Annual Report

**COMPANY OFFERINGS**

**Digital Strategy & Design**

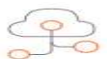
Company today are increasingly focused on creating seamless digital experiences for their customers. However, achieving this requires more than just technology; it demands a clear strategy and vision to adapt to changing customer needs and market dynamics. It offers a comprehensive approach, blending design frameworks, industry experience, and technological expertise to help clients develop and implement robust digital business strategies. By integrating business and technology architectures, Persistent enables clients to unlock new business models and deliver enhanced customer value.


**Software Product Engineering**

In today's dynamic software landscape, innovation is constant. The adoption of cloud, microservices, API-led connectivity, containerization, and DevSecOps has revolutionized software development, albeit increasing complexity. With over 30 years of experience, It is a trusted partner for software product engineering services. Collaborating with top software brands, we offer comprehensive services spanning the entire software development lifecycle. company expertise accelerates software engineering and drives modernization initiatives,


**CX Transformation**

Company operates as a leading Salesforce Partner with a rich history spanning over 18 years in designing and implementing transformative customer experiences. Utilizing a global delivery network, Persistent offers top-tier solutions aimed at accelerating time to market, enhancing business agility, and fostering enterprise growth. With specialized expertise in CX Strategy, Industry Solutions, CX Platform Integration, Salesforce Cloud Implementation, and Customer Analytics, Persistent provides comprehensive support across the Salesforce ecosystem, ensuring optimized customer experiences and business outcomes.


**Cloud & Infrastructure**

Company 's product is a comprehensive suite of services that guides organizations through their cloud journey. It includes assistance in multi-cloud strategy development, infrastructure modernization, digital workplace solutions, integration of cloud providers, complexity reduction, cost optimization, operational efficiency improvement, and enhanced experiences for stakeholders.


**Intelligent Automation**

Company offers intelligent automation solutions designed to elevate customer experience, boost employee productivity, and adapt to evolving industry demands. With a focus on overcoming the challenges posed by complex and siloed IT infrastructures, Persistent draws upon over 14 years of experience in delivering intelligent automation solutions to global enterprises.


**Data & Analytics**

Company's data-driven solutions empower organizations to anticipate market changes, introduce new products, optimize costs, and streamline processes. We offer end-to-end services including defining data strategy, implementing cloud data stacks, establishing governance frameworks, managing data quality, and providing AI and ML solutions. Our purpose-built accelerators deliver results three times faster than custom integrations, ensuring rapid transformation and business success.


**Application Development and Management**

Persistent accelerates application development by leveraging containerization, microservices, cloud-native development, and DevSecOps. They aid in overcoming technical debt through application portfolio rationalization and reengineering with lowcode front-end technologies. With over 30 years of software product engineering experience, they employ a set of IPs and accelerators, along with software engineering best practices, to facilitate application refactoring and modernization with minimal business disruption.


**Enterprise Integration**

Persistent's Enterprise Integration Services address the challenge of siloed applications by seamlessly integrating software applications and providing a real-time, consistent view of data across channels. This facilitates effective collaboration and information exchange both within and outside organizations. Our services enable the creation of state-of-the-art integration platforms, reducing complexity, enhancing organizational agility, and improving


**Persistent.AI**

Company offers secure Generative AI solutions to enterprises aiming to leverage this technology for cost savings and improved business outcomes. As a trusted strategic partner, Persistent stands out in the market due to its expertise in data, Digital Engineering leadership, and proven track record with global partners. By collaborating closely with clients, Persistent ensures the development and deployment of tailored solutions that address specific needs and drive tangible results.



**INDUSTRY SERVED**
**Banking & Financial Services**

**Insurance**

**Healthcare**

**Life Sciences**

**Industrial**

**Software & Hi-Tech**

**Telecom & Media**

**Consumer Tech**


Source: Annual Report

**PARTNER ECOSYSTEM**

**Gold Partner & Direct CSP with 6,536+ technologists**  
**5,050+ Certifications**
**Premier Partner with 2,146+ technologists**  
**1,250+ Certifications**
**Premier Partner with 844+ technologists**  
**1,800+ Certifications**
**Global Summit Partner with 2,450+ technologists**  
**7,550+ Certifications**
**Platinum Business Partner with 2,031+ technologists**  
**500+ Certifications\***
**Our 360° Strategic Alignment**
**As an Engineering Partner**  
 Bringing in deep technical expertise and knowledge

**As a Solutions Partner**  
 Bringing in customizable solutions

**As a GTM Partner**  
 Bringing in customer understanding and implementation expertise

**16,200+**  
 Total Certifications

All certification numbers are as per partner portals \*IBM badges

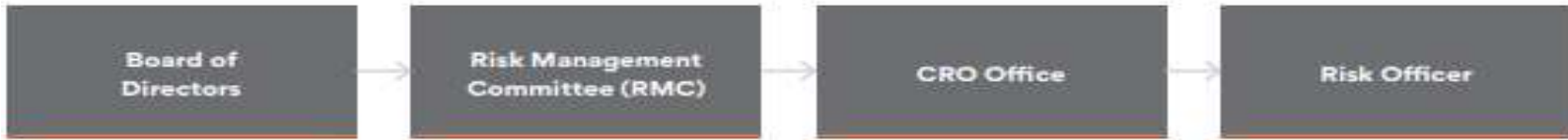


Persistent, as a company, collaborates closely with all major hyperscalers and leading technology providers to curate optimal technology stacks for its clients. With a team of in-house subject matter experts, they continuously engage with partners to craft solutions leveraging emerging technologies and evolving trends in cloud, data, automation, Generative AI, and cybersecurity. These experts work in tandem with partners to develop strategies tailored to client needs. With dedicated task forces comprising thousands of certified platform experts, Persistent gains early access to new partner technologies, enabling them to devise customized client strategies that are finely tuned for success

Source: Annual Report

## RISK MANAGEMENT FRAMEWORK

The risk management governance structure at Persistent is as follows:



Below is the risk management process followed at Persistent:



Source: Annual Report

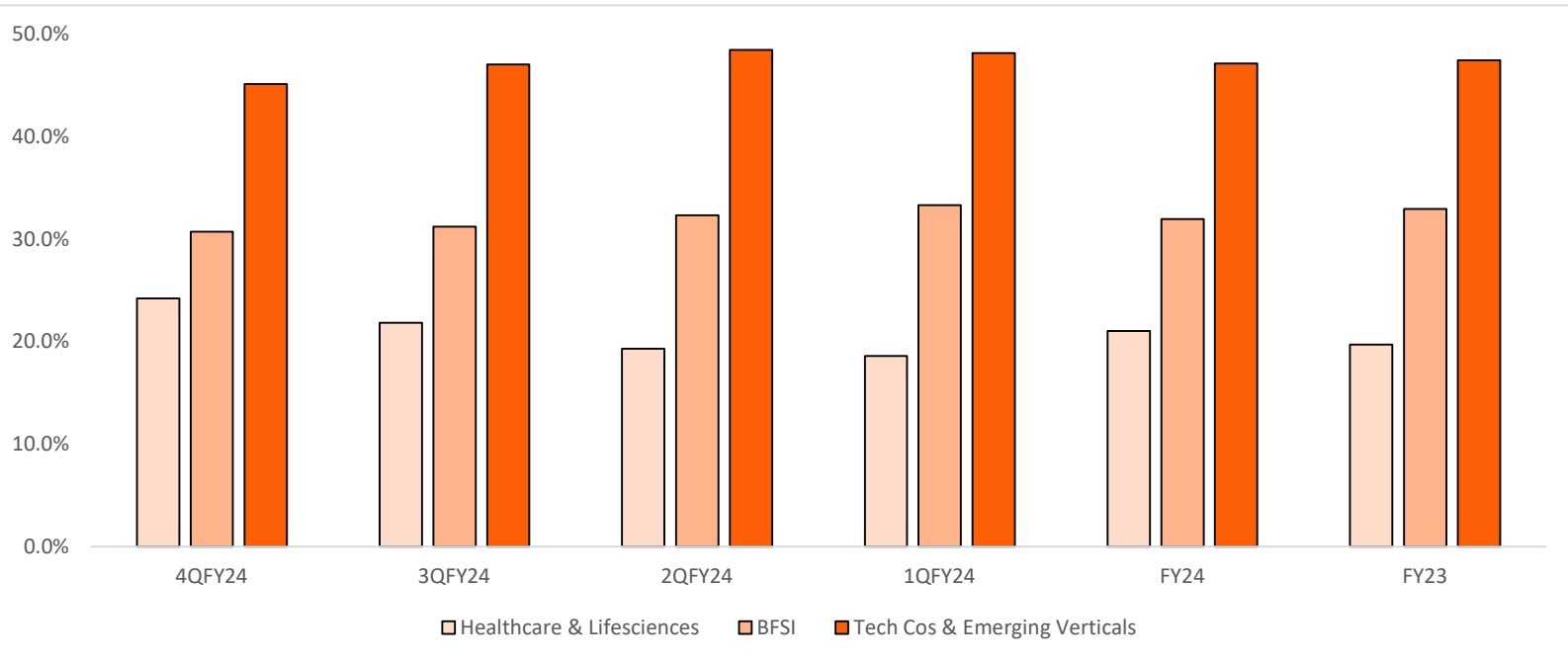
The risk management framework at Persistent is well-structured, with clear roles and responsibilities at different levels of the organization. The governance structure ensures that risk management is integrated into the strategic decision-making process, while the risk management process provides a systematic approach to identifying, analyzing, evaluating, prioritizing, monitoring, and reporting risks. This comprehensive framework enables Persistent to proactively manage risks and enhance organizational resilience.

(% of revenue)

Performance by Geography	4QFY24	3QFY24	2QFY24	1QFY24	4QFY23	FY24	FY23	YOY%	QOQ%
North Americas	80.10%	79.70%	79.20%	79.20%	77.90%	79.60%	78.00%	2.05%	0.50%
Europe	7.80%	8.90%	9.50%	9.70%	10.30%	9.00%	9.00%	0.00%	-12.36%
India	10.10%	10.00%	9.70%	9.90%	10.00%	9.90%	11.30%	-12.39%	1.00%
ROW	2.00%	1.40%	1.60%	1.20%	1.80%	1.50%	1.50%	0.00%	42.86%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		

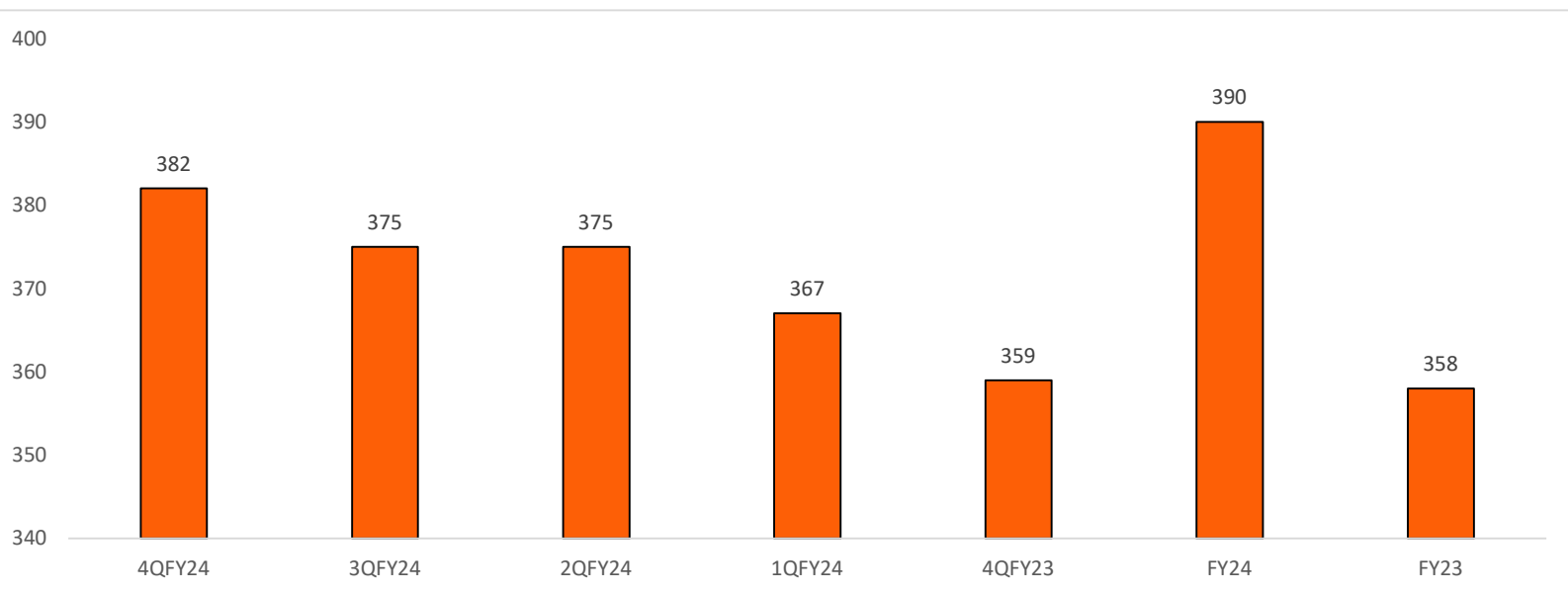


Source: Quaterly Investor Presentation



(% of revenue)

Performance by Verticals	4QFY24	3QFY24	2QFY24	1QFY24	4QFY23	FY24	FY23	YOY%	QOQ%
BFSI	30.70%	31.20%	32.30%	33.30%	32.30%	31.90%	32.90%	-3.04%	-1.60%
Healthcare & Lifesciences	24.20%	21.80%	19.30%	18.60%	19.70%	21.00%	19.70%	6.60%	11.01%
Tech Cos & Emerging Verticals	45.10%	47.00%	48.40%	48.10%	48.00%	47.10%	47.40%	-0.63%	-4.04%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		



\*annualized revenue of more than \$250

Active Clients	4QFY24	3QFY24	2QFY24	1QFY24	4QFY23	FY24	FY23	YOY%	QOQ%
Clients Billed*	382	375	375	367	359	390	358	8.94%	1.87%

Headcount Metrics	4QFY24	3QFY24	2QFY24	1QFY24	4QFY23	FY24	FY23	YOY%	QOQ%
Total	23,850	23,336	22,842	23,130	22,889	23,850	22,889	4.20%	2.20%
Attrition (%)	11.50%	11.90%	13.50%	15.50%	19.80%	11.50%	19.80%	-41.92%	-3.36%

Source: Quaterly Investor Presentation

## COMPANY OUTLOOK

Persistent Systems has established a significant presence in the Indian IT services industry, distinguishing itself through its robust and client-centric approach known as "The Persistent Way." This philosophy is deeply rooted in partnership, teamwork, and collaboration, fostering strong relationships across various platforms and industries.

### Strategic Ecosystem and Partnerships

Persistent has built an extensive ecosystem that supports its software engineering and enterprise modernization strategies. The company's collaborations with major hyperscalers and technology providers enable it to create bespoke technology stacks tailored to client needs. Persistent's in-house experts, in conjunction with partners, develop solutions leveraging emerging technologies, including cloud computing, data management, automation, Generative AI, and cybersecurity.

### Commitment to Client Success

Persistent's dedication to client success is unwavering. The company engages proactively with clients to engineer solutions that deliver tangible, real-world impacts globally. This commitment is exemplified by the Persistent Innovation Labs, which serve as incubators for pioneering offerings utilizing emerging technologies. A notable achievement from these labs is 'Zacharias,' an AI-powered cancer cell imaging solution poised to revolutionize cancer treatment.

### Advancements in Generative AI and Innovation

Persistent continues to strengthen its competitive edge through advancements in Generative AI and broader AI initiatives. Strategic acquisitions in cloud, security, and hyperscalers have bolstered its Digital Engineering expertise, expanding its global delivery footprint and enhancing its service capabilities. The company's AI initiatives are driving significant productivity enhancements and automation across the product development lifecycle, particularly in product engineering and enterprise applications.

### Innovative Platforms

The introduction of SASVA, Persistent's AI-powered digital engineering platform, addresses complex coding and planning challenges at the repository level. SASVA utilizes hybrid language models and advanced algorithms to deliver efficiencies, quality improvements, cost savings, and enhanced security. The application of the SASVA platform across Persistent's Accelerate portfolio has demonstrated substantial productivity gains, showcasing significant efficiency improvements in software product engineering and attracting further customer interest.

### Growth Strategy and Market Position

Persistent's current strategy focuses on helping clients reassess traditional approaches, prioritize key areas, and improve productivity. By capitalizing on emerging trends such as AI, machine learning, cybersecurity, and cloud computing, Persistent leverages its scalable software engineering capabilities to support clients effectively. The company is confident in maintaining industry-leading growth rates in FY25E, leveraging its track record of outperformance even in uncertain demand environments.

### Revenue Visibility and Long-term Contracts

With multiple long-term contracts with leading global brands, Persistent enjoys improved revenue visibility, bolstering confidence in its business growth. Despite rising concerns over the prospects of large economies and prevailing supply-side constraints, the company is well-positioned for encouraging growth in the short-term.

### Strategic M&A and Expansion

Persistent remains focused on strategic M&A opportunities, particularly in the healthcare life sciences, BFSI, and data/AI sectors. The company prioritizes acquisitions that augment capabilities rather than solely for revenue aggregation, aiming to address growth opportunities and enhance its presence in Europe. Persistent is targeting Western Europe for business expansion and Eastern Europe for delivery capabilities.

### Sector Opportunities

The company highlights ongoing growth opportunities in BFSI, with a focus on challenging larger incumbents and expanding into managed services, particularly in private equity carve-out scenarios. This strategic focus contributes to revenue diversification and positions Persistent as a formidable player in the industry.

### Overview

Persistent Systems is poised for continued growth and success, underpinned by its robust ecosystem, strategic partnerships, and unwavering commitment to client success. With innovative platforms like SASVA, strategic acquisitions, and a focus on emerging technologies, Persistent is well-positioned to capitalize on future growth opportunities and maintain its industry-leading status.



**FOCUSING ON AN INTEGRATED APPROACH FOR NEXT ORBIT**
**Fortifying Footprint**

- o Deepening industry leading partnerships, bolstering GTM channels.
- o Reinforcing organization structure for continued long-term growth.
- o Supersizing existing accounts

**Expanding Boundaries**

- o Domain-centric capability expansion across industries and technologies.
- o Incubating new practices around disruptive and emerging technologies.
- o Expanding geographic diversity of revenue mix.

**Talent @scale**

- o Elevating employee value proposition through culture transformation.
- o Upskilling employees in next-generation technologies.
- o Building high-performance, high-bandwidth organization.

**Operations as a Multiplier**

- o Reinforcing sales and delivery rigor.
- o Infusing technology in all aspects of operations.

**INDUSTRY OUTLOOK**
**IT & BPM sector**
**IT services**

- Estimated Market Size: US\$ 125 billion in 2023.
- Over 81% revenue comes from the export market.
- BFSI continues to be the key vertical for the IT sector.
- IT services is estimated to account for about 51.2% of the IT & BPM market revenue in India in 2023.

**Business Process Management**

- Estimated Market size: US\$ 47 billion in 2023. Market size of BPM industry is expected to reach US\$ 54 billion by FY25.
- About 87% revenue comes from the export market.
- BPM is estimated to have a 19.3% share of the IT & BPM market revenue in India in 2023.

**Software products and engineering services**

- Estimated Market size: US\$ 54 billion during 2023.
- Over 83.9% of revenue comes from export.
- It is estimated to have around 22.1% revenue share in the Indian IT space in 2023.

**Hardware**

- Estimated Market size: US\$ 18 billion in 2023.
- The domestic market accounts for a significant share.
- The share of hardware in the IT & BPM sector is estimated to be around 7.4% in 2023.

Source : IBEF Report

India's IT industry is likely to hit the US\$ 350 billion mark by 2026 and contribute 10% towards the country's GDP is on track to double its revenue to US\$ 500 billion by 2030.

As per a survey by AWS (2021), India is expected to have nine times more digitally skilled workers by 2025. This indicates that a total of ~ 3.9 billion digital skill trainings are expected by 2025. India will need 30 million digitally skilled professionals by 2026.

This push towards cloud services has boosted hyper-scale data centre investments, with global investments estimated to exceed US\$ 200 billion annually by 2025. India is expected to gain a significant share in the global market, with the country's investment expected to hit US\$ 5 billion annually by 2025

India's overall Digital Competitiveness Score of 60 (on 100) , Ahead of every BRICs nations besides China, reflects the rise of tech talent in the country

IT & BPM industry is well diversified across verticals such as BFSI, telecom and retail.

Increasing strategic alliance between domestic and international players to deliver solutions across the globe.

Artificial Intelligence (AI) is expected to boost India's annual growth rate by 1.3% by 2035, according to NITI Aayog

Export of IT services was the major contributor, accounting for more than 53% of total IT exports (including hardware).

Companies are investing a lot in R&D and training employees to create an efficient workforce, enhancing productivity and quality

R&D forms a significant portion of companies' expenses, which is critical when margins are under pressure, to promote innovations in the changing landscape.

Indian IT firms have started to adopt pricing strategies to compete with Global firms like IBM and Accenture.

Non-linear growth due to platforms, products and automation. Emerging verticals (retail, healthcare, utilities) are driving growth.

Source : IBEF Report



**QUARTER HIGHLIGHTS**
**Income Statement (Standalone)**

(₹ million)

Particulars	Q4FY24	Q3FY24	Q4FY23	YOY%	QOQ%
Revenue	16,309	16,694	14,835	9.9%	-2.3%
Total Operating expenses	13,642	13,153	11,071	23.2%	3.7%
<b>EBITDA</b>	<b>2,667</b>	<b>3,542</b>	<b>3,764</b>	<b>-29.2%</b>	<b>-24.7%</b>
<b>% EBITDA Margin</b>	<b>16%</b>	<b>21%</b>	<b>25%</b>	<b>-35.6%</b>	<b>-22.9%</b>
D&A	413.97	412.79	386.45	7.1%	0.3%
<b>EBIT</b>	<b>2,253</b>	<b>3,129</b>	<b>3,378</b>	<b>-33.3%</b>	<b>-28.0%</b>
<b>% EBIT Margin</b>	<b>14%</b>	<b>19%</b>	<b>23%</b>	<b>-39.3%</b>	<b>-26.3%</b>
Finance cost	40.57	43.87	46.45	-12.7%	-7.5%
Other income	351.82	396.31	110.75	217.7%	-11.2%
PBT	2,564	3,481.23	3,442	-25.5%	-26.3%
Taxes	724.58	883.68	858.08	-15.6%	-18.0%
<b>PAT</b>	<b>1,840</b>	<b>2,597.55</b>	<b>2,584</b>	<b>-28.8%</b>	<b>-29.2%</b>

Continuing strength in demand environment in the medium term: The US is seeing higher cost optimization deals (with faster decision-making) while the Europe market remains impacted. As the macro environment stabilizes, the company expects decision-making to pick up. The company is also confident about gaining momentum over the long term backed by the robust deal pipeline.

The company added one client each in its \$30mn+ and \$5mn+ revenue category on a sequential basis, while the number of clients declined by two in the \$20mn+ revenue category. The company added two clients in the \$10 million+ revenue category.

**Income Statement (Consolidated)**

(₹ million)

Particulars	Q4FY24	Q3FY24	Q4FY23	YOY%	QOQ%
Revenue	25,905	24,982	22,545	15%	3.7%
Total Operating expenses	21,362	20,564	18,382	16%	3.9%
<b>EBITDA</b>	<b>4,544</b>	<b>4,418</b>	<b>4,163</b>	<b>9%</b>	<b>2.8%</b>
<b>% EBITDA Margin</b>	<b>18%</b>	<b>18%</b>	<b>18%</b>	<b>-5%</b>	<b>-1%</b>
D&A	799.17	787.31	697.25	15%	2%
<b>EBIT</b>	<b>3,744</b>	<b>3,631</b>	<b>3,466</b>	<b>8%</b>	<b>3%</b>
<b>% EBIT Margin</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>	<b>-6%</b>	<b>-1%</b>
Finance cost	97.35	127.12	148.31	-34%	-23%
Other income	307.83	383.1	88.27	249%	-20%
PBT	3,955	3,887.01	3,406	16%	2%
Taxes	801.71	1031.67	890.72	-10%	-22%
<b>PAT</b>	<b>3,153</b>	<b>2,855.34</b>	<b>2,515</b>	<b>25%</b>	<b>10%</b>

The total TCVs for Q4FY24 stood at \$447.7 million, down 14% q-o-q/up 6%y-o-y. Book-to-bill stood at 1.4x. New business TCVs stood at \$302 million, up 9% q-o-q/21% y-o-y. New annual contract value stood at \$184.5 million, up 1% q-o-q/10% y-o-y, while new business ACV stood at \$182.9, down 1% q-o-q/up 27% y-o-y, respectively. For FY24, TCV and ACV stood at \$1828.7 million and \$1296.7 million, respectively, while new TCV and new ACV stood at \$1,129.7 million and \$695.7 million, respectively.

Source: Quarterly Report

Persistent Systems is winning in BFSI against larger peers and it's gaining with clients as a challenger to larger competitors. The growth pecking order in FY25E is expected to be led by the Healthcare & Lifescience vertical, followed by BFSI and tech verticals.

During the last quarter, several proofs of concepts have progressed to production programs. AI is opening opportunities for Persistent in both AI for product engineering and AI for enterprises. Persistent is leveraging its AI platform 'SASVA' for opportunities in AI for product engineering. The key deal in GenAI includes a three-year deal from the US insurer for straight-through processing and support documents such as policy contracts, employee records, and other policy admin documents.

EBIT Margin : EBIT of INR 3,744 Mn rose by 8.0% YoY; EBIT margins contracted by 92 bps YoY, primarily due to a surge in the cost of professionals.

PAT Margin : PAT jumped by 25.4% YoY to INR 3,153 Mn, driven by robust growth across all segments; PAT margins improved by 102 bps YoY.

Headcount and attrition: Net additions grew by 514, taking the total headcount to 23,850. LTM attrition moderated further by 40bps to 11.5% in Q4FY24 from 11.9% in Q3FY24. However, utilisation declined 150bps to 80% in Q4FY24 from 81.5% in Q3FY24.

Revenue contribution from the topmost customer fell 1.2% YoY, while the top 5, 10, 20, and 50 customers saw increases of 26.6%, 22.9%, 22.6%, and 20.1% YoY, respectively.

On the geographical front, North America (80% of revenue) improved by 1% QoQ, while Europe (9% of revenue) continued to de-grew by 12% QoQ, and RoW (10% of revenue) business degrew by 43% QoQ (in the CC terms). India business grew by 1% QoQ.

Organic growth achieved, no acquisitions made during FY24.

**FINANCIAL SUMMARY**

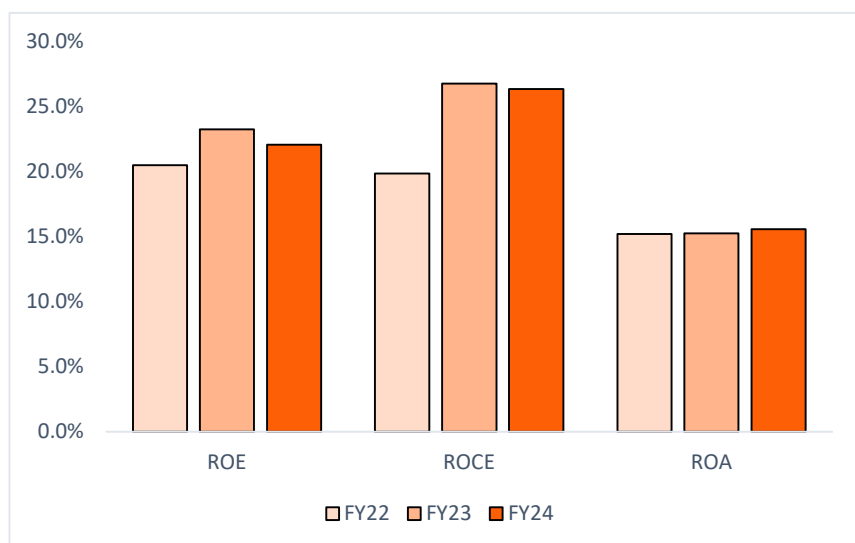
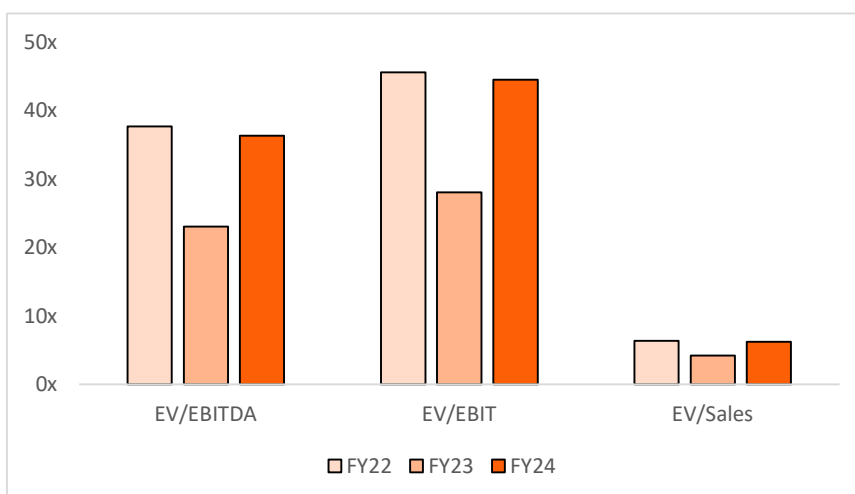
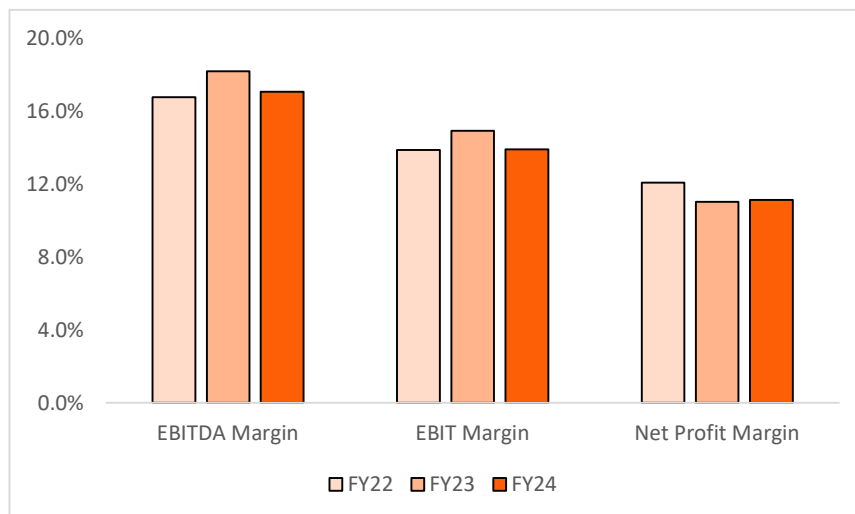
<b>INCOME STATEMENT</b>			
	<b>( ₹ million )</b>		
Particulars	FY22	FY23	FY24
Revenue	57,107	83,506	98,216
Total Operating expenses	47,526	68,315	81,459
<b>EBITDA</b>	<b>9,582</b>	<b>15,191</b>	<b>16,757</b>
<b>% EBITDA Margin</b>	<b>17%</b>	<b>18%</b>	<b>17%</b>
D&A	1,660	2,719	3,094
<b>EBIT</b>	<b>7,922</b>	<b>12,472</b>	<b>13,663</b>
<b>% EBIT Margin</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>
Finance cost	118	473	467
Other Income	1,440	706	1,280
<b>PBT, before exception</b>	<b>9,243</b>	<b>12,705</b>	<b>14,476</b>
Add, Exceptional Items	0	297	0
JV/Associates	0	0	0
Taxes	2,339	3,198	3,541
<b>PAT</b>	<b>6,904</b>	<b>9,211</b>	<b>10,935</b>
<b>% NET Margin</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>
Minority Interest	0	0	0
<b>Adjusted PAT</b>	<b>6,904</b>	<b>9,211</b>	<b>10,935</b>

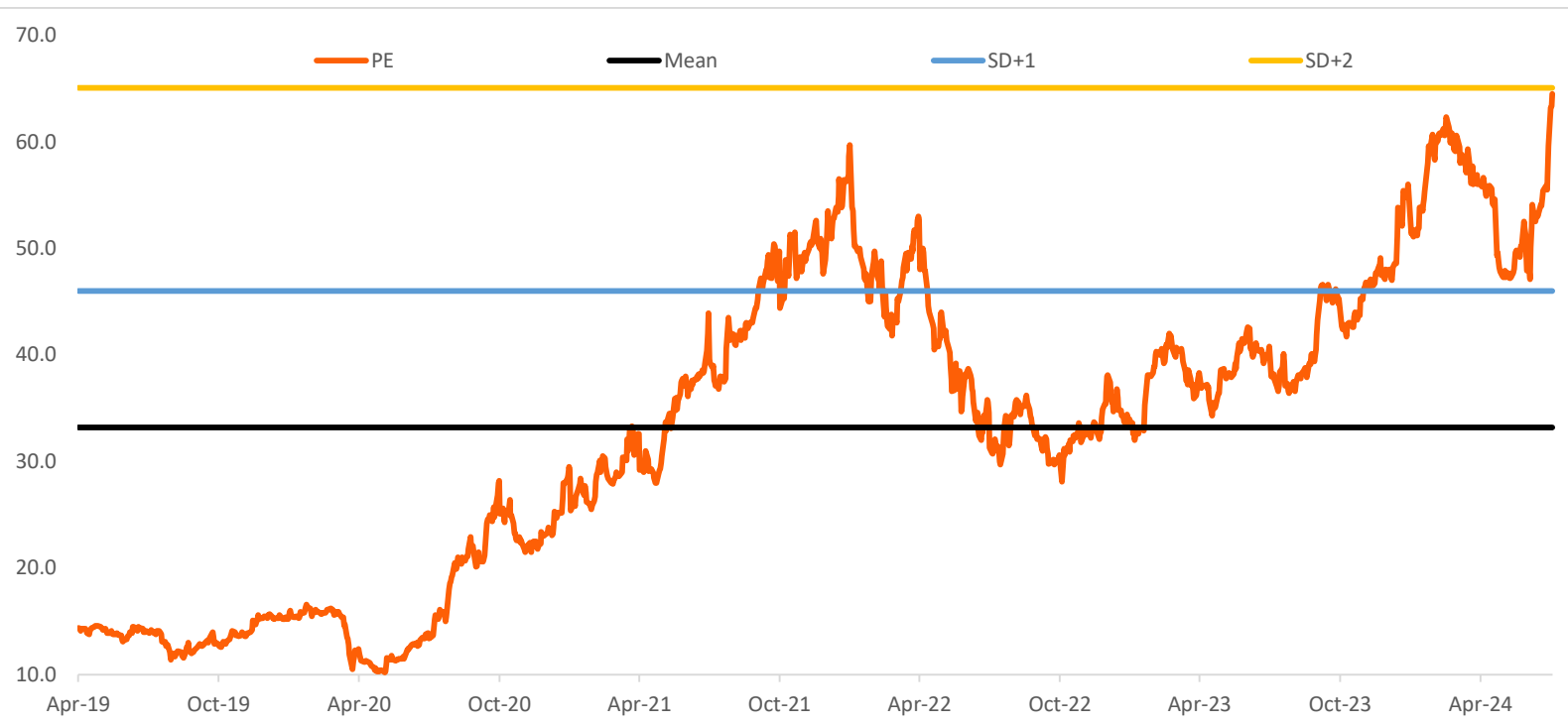
<b>BALANCE SHEET</b>			
	<b>( ₹ million )</b>		
Particulars	FY22	FY23	FY24
<b>Non Current Asset</b>			
PP&E	2,918	4,860	4,420
CWIP	1,071	161	335
Right of use assets	1,358	2,198	2,307
Goodwill	2,790	7,184	10,913
Other Intangible assets	8,270	9,171	4,575
Trade receivables	0	709	730
Investments	3,878	4,516	5,539
Loans	3,522	0	0
Other fin assets	341	920	525
Deferred tax assets	1,123	1,134	1,360
Income tax asset	0	452	387
Other non-current assets	532	959	1,413
<b>Total Non Current Asset</b>	<b>25,802</b>	<b>32,265</b>	<b>32,504</b>
<b>Current Assets</b>			
Investments	4,347	1,880	2,727
Trade receivables	9,484	15,253	16,761
cash and cash equiv	9,145	9,033	10,229
Other fin assets	3,231	4,882	6,622
Current tax assets	180	0	0
Other current assets	2,003	3,418	4,893
<b>Total Current Asset</b>	<b>28,389</b>	<b>34,466</b>	<b>41,232</b>
<b>Total Asset</b>	<b>54,191</b>	<b>66,731</b>	<b>73,736</b>
<b>Non - Current liabilities</b>			
Borrowings	2,801	2,058	99
Lease liab	1,114	1,592	1,608
Other financial liab	2,089	2,889	0
Other noncurrent liab	0	35	44
Deferred tax liab	0	5	19
Provisions	246	373	547
<b>Total Non Current Liab</b>	<b>6,249</b>	<b>6,951</b>	<b>2,317</b>
<b>Current liabilities</b>			
Borrowing	1,525	2,249	1,974
Lease liabilities	343	676	830
Trade payables	4,299	5,689	8,139
Other financial liab	2,174	3,923	3,718
Other current liab	1,622	2,648	3,303
Provisions	3,950	4,649	3,331
Current tax liab	349	294	547
<b>Total current liabilities</b>	<b>14,260</b>	<b>20,129</b>	<b>21,842</b>
<b>Total Liabilities</b>	<b>20,509</b>	<b>27,080</b>	<b>24,159</b>
Equity share capital	764	764	770
Other equity	32,918	38,887	48,807
<b>Total Sharholder's Eq</b>	<b>33,682</b>	<b>39,651</b>	<b>49,577</b>
<b>Total Equity &amp; Liab</b>	<b>54,191</b>	<b>66,731</b>	<b>73,736</b>

<b>CASH FLOW STATEMENT</b>			
	<b>( ₹ million )</b>		
Particulars	FY22	FY23	FY24
<b>Operating Activity</b>			
CFO Before WC	11,224	17,340	17,678
Change in WC	-407	-4,377	-2,052
Tax	-2,367	-3,405	-3,414
<b>Net CFO</b>	<b>8,450</b>	<b>9,558</b>	<b>12,213</b>
<b>Investing Activity</b>			
Net Capex	-3,808	-4,321	-2,791
Interest income	719	539	597
Other CFI	-6,684	-431	-2,501
<b>Net CFI</b>	<b>-9,773</b>	<b>-4,213</b>	<b>-4,695</b>
<b>Financing Activity</b>			
Borrowings in Indian rupee	-2	-2	-2
Foreign currency borrowings	4,281	-38	-2,232
Issuance of share capital	0	0	1,608
Lease liabilities	-351	-545	-760
Interest paid	-118	-473	-467
Dividends paid	-1,987	-2,981	-4,084
Project related grant received	0	0	0
<b>Net CFF</b>	<b>1,823</b>	<b>-4,039</b>	<b>-5,937</b>
<b>Net change in CF</b>	<b>499</b>	<b>1305</b>	<b>1581</b>

**RATIOS**

Particulars	FY22	FY23	FY24
<b>Profitability Ratios</b>			
EPS	45.17	60.26	70.98
EBITDA Margin	16.78%	18.19%	17.06%
EBIT Margin	13.87%	14.94%	13.91%
Net Profit Margin	12.09%	11.03%	11.13%
Dividend Payout	28.78%	32.36%	37.34%
Dividend Yield	0.55%	0.85%	0.67%
Sales Growth	36.36%	46.23%	17.62%
Expense Growth	35.60%	43.74%	19.24%
EBITDA Growth	40.29%	58.54%	10.31%
EBIT Growth	56.10%	57.45%	9.55%
Net Profit Growth	53.19%	33.42%	18.72%
Dividend Growth	85.71%	50.00%	37.01%
<b>Valuation Ratios</b>			
Enterprise Value	3,60,826	3,49,824	6,08,102
EV/EBITDA	37.66x	23.03x	36.29x
EV/EBIT	45.55x	28.05x	44.51x
EV/Sales	6.32x	4.19x	6.19x
P/CFO	0.28x	0.24x	0.33x
P/E	52.75x	38.25x	56.13x
P/S	0.04x	0.03x	0.04x
P/B	10.81x	8.88x	12.38x
<b>Efficiency Ratios</b>			
ROE	20.50%	23.23%	22.06%
ROCE	19.84%	26.76%	26.33%
ROA	15.20%	15.23%	15.57%
Asset turnover	1.26x	1.38x	1.40x
<b>Leverage Ratios</b>			
D/E	0.17x	0.17x	0.09x
Debt/EBITDA	0.60x	0.43x	0.27x
Debt/Assets	0.11x	0.10x	0.06x
Interest Coverage Ratio	66.93	26.35	29.24
<b>Liquidity Ratios</b>			
Current Ratio	1.99	1.71	1.89
Quick Ratio	1.99	1.71	1.89
Cash Ratio	0.64	0.45	0.47
<b>Cash Flow Ratio</b>			
CFO Growth	14.8%	13.1%	27.8%
CFO/Revenue	0.15x	0.11x	0.12x
CFO/EBITDA	0.88x	0.63x	0.73x
CFO/PAT	1.22x	1.04x	1.12x
CFO/Total Assets	0.16x	0.14x	0.17x
CFO/Total Debt	1.46x	1.45x	2.71x



**VALUATION**


Source: Company, Fin2research

Based on our analysis using the Price-to-Earnings (P/E) valuation method, we have determined that current P/E ratio of 64.5x is above from its 5 year historical P/E average of 33.2x. This suggests that the stock may be well above relative to its earnings potential.

We expect Persistent to see strong growth going forward due to many factors such as: strong broad-based growth across verticals, strong deal pipeline and better engagement with clients, Improved sales velocity and supported by advisory/private equity channel, Strong product development pedigree, Greater focus on services business, expectation gaining medium-term demand momentum on the backdrop of the deals it has won in the previous quarters.

We believe that a higher P/E multiple of 64.5x is justified relative to its strong growth potential in the near future.

However, it is important to note that P/E valuation has its limitations, including reliance on past earnings and market sentiment. Risks such as regulatory changes and competitive pressures could also impact the valuation.



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- **BUY** – We expect the stock to deliver more than 10%-20% returns over the next 9 months.
- **ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 9 months.
- **REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 9 months.
- **SELL** – We expect the stock to deliver negative returns over the next 9 months.
- **NR** – Not Rated. Fin2Research is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- **RS** – Rating Suspended. Fin2Research has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
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- **NOTE** – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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CIN: U70200DL2023PTC4132071A

Registration No: INA000018425

Registered Office: Plot No A 2nd Floor, Street New Bungalow Road, Malka Ganj, Delhi North Delhi, 110007 Delhi

Phone no: 9711885801

Email id: [customercare@fin2research.com](mailto:customercare@fin2research.com)Website: [www.fin2research.com](http://www.fin2research.com)