21 January 2026

Persistent Systems

AI-led execution drives margin outperformance; upgrade to BUY

Rating: **BUY**
Target Price (12-mnth): Rs.7,587
Share Price: Rs.6,306

Persistent sustained its 'consistent compounding' narrative for another quarter with 4.1% q/q and 17.3% y/y CC revenue growth to $423mn aided by a healthy order book along with (LTM TCV up 14.2% y/y) continued deepening of its large-client relationships. The management used the quarter to position the company's medium-term ambition of achieving $2bn revenue by FY27 and $5bn aspiration by FY31, led by AI-led, platform-driven execution. BFSI led growth, while Europe and North America saw strong y/y growth. Persistent continued to emphasise its deep domain expertise playbook anchored in its top accounts (~82% revenue from Top 100; up >20%), which supports its near-term growth momentum as well as multi-year wallet-share expansion. Thus, we upgrade our rating on the stock to BUY with a TP of Rs7,587, valuing it at 40.3x FY28e PE.

AI Platform-led Execution Lifts Profitability: Persistent is increasingly monetising its proprietary AI platforms and tools via outcome-driven pricing models driving 150bps margin with the scale in earlier engagements, aided by operational efficiency and higher utilisation (40bps), and lower subcontractor cost (20bps), partially offset by wage hike (~180bps) and furloughs (~20bps).

Large BFSI and Platform-led Wins: Persistent secured a ~US$100m TCV deal with a Tier-I US bank with ~25% net-new, focused on cybersecurity transformation, identity access management and AI-led data modernisation. Again, a large French MNC bank selected it for a multi-initiative global data factory and iAURA-led data ops programme, bypassing a multi-vendor RFP.

Outlook and Valuation: Considering the healthy quarterly performance and deal momentum, we have increased our FY26/27/28e revenue and EPS estimates by 0.5/4.5%, 0.2/5.7% and 0.7/7.8%, respectively with 22.2% CAGR in adj. EPS over FY26-28e. At CMP, the stock trades at 40.7x/33.5x FY27/28e P/E. We upgrade our rating on the stock to BUY with a TP of Rs7,587, implying ~20.3% upside from CMP.

Risks: (a) Increasing share of third-party license-based revenue; (b) delay in revival of discretionary spend, amid increasing geopolitical uncertainties.

Key Financials (Y/E Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	98,216	1,19,387	1,46,118	1,71,311	1,97,834
Net profit (Rs m)	10,935	14,001	19,214	24,465	29,718
Reported EPS (Rs)	71	91	122	155	188
PE (x)	91.0	71.0	51.8	40.7	33.5
EVEBITDA (x)	56.2	47.1	34.6	28.7	24.0
PBV (x)	20.1	15.7	13.6	11.7	10.2
RoE (%)	24.5	24.8	28.1	30.9	32.6
RoCE (%)	20.5	22.2	26.1	27.9	29.5
Dividend yield (%)	0.4	0.6	0.9	1.3	1.7
Net debt/equity (x)	-0.3	-0.3	-0.4	-0.4	-0.5

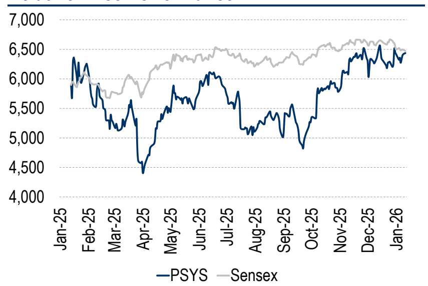
Source: Company, Anand Rathi Research

Key Data	PSYS IN / PERS.BO
52-week high / low	Rs6599 / 4149
Sensex / Nifty	82180 / 25233
Market cap	Rs990bn
Shares outstanding	156m

Shareholding Pattern (%)	Dec'25	Sep'25	Jun'25
Promoters	30.29	30.56	30.56
- *of which, Pledged*			
Free float	69.71	69.44	69.44
- Foreign institutions	22.79	21.24	24.19
- Domestic institutions	29.80	30.60	27.77
- Public	17.12	17.60	17.48

Estimates Revision (%)	FY26e	FY27e	FY28e
Sales ($)	0.5	0.2	0.7
Adj. EBIT	5.1	5.9	8.1
Adj. PAT	4.5	5.7	7.8

Relative Price Performance



Source: Bloomberg

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Quick Glance – Financial and Valuations (Consolidated)

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenue (US$ m)	**1,186**	**1,409**	**1,657**	**1,917**	**2,214**
Growth (%)	**14.5**	**18.8**	**17.6**	**15.7**	**15.5**
Net revenue (Rs m)	98,216	1,19,387	1,46,118	1,71,311	1,97,834
Employee & Direct Costs	65,231	78,740	93,454	1,09,100	1,25,214
Gross Profit	32,985	40,647	52,664	62,212	72,619
Gross Margin (%)	33.6	34.0	36.0	36.3	36.7
SG&A	15,742	20,066	24,615	28,422	32,308
EBITDA	**17,243**	**20,581**	**28,049**	**33,790**	**40,312**
EBITDA margins (%)	17.6	17.2	19.2	19.7	20.4
- Depreciation	3,094	3,069	3,766	4,042	4,232
Other income	327	710	1,507	1,746	2,226
Interest Exp					
PBT	14,476	18,223	24,901	31,494	38,306
Effective tax rate (%)	24	23	23	22	22
+ Associates/(Minorities)					
Net Income	10,935	14,001	19,214	24,465	29,718
WANS	154	154	158	158	158
FDEPS (Rs/share)	**71.0**	**90.9**	**121.8**	**155.1**	**188.4**

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	770	779	779	779	779
Net worth	49,577	63,191	73,336	84,957	97,497
Total debt (incl. Pref)	2,073	-	-	-	-
Minority interest					
DTL/(Asset)	-1,360	-2,024	-2,024	-2,024	-2,024
Capital employed	**50,291**	**61,166**	**71,313**	**82,933**	**95,474**
Net tangible assets	6,727	8,150	8,358	8,245	7,973
Net Intangible assets	4,575	4,923	3,934	2,803	1,069
Goodwill	10,913	12,338	12,338	12,338	12,338
CWIP (tang. & intang.)	335	774	387	193	97
Other Long-term Assets/(Liab.)	5,539	6,415	6,415	6,415	6,415
Investments (Financial)	2,727	3,388	5,082	7,623	11,435
Current Assets (ex Cash)	31,332	39,099	45,642	51,739	58,065
Cash	10,229	10,255	15,262	22,747	30,542
Current Liabilities	22,086	24,175	26,106	29,170	32,461
Working capital	9,246	14,924	19,536	22,569	25,604
Capital deployed	**50,291**	**61,166**	**71,313**	**82,933**	**95,474**
Contingent Liabilities	1,284	2,308	-	-	-

Fig 3 – Cashflow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	14,476	18,223	24,901	31,494	38,306
+ Non-cash items	3,202	4,694	3,588	2,616	2,301
Operating profit before WC	17,678	22,917	28,489	34,110	40,607
- Incr./(decr.) in WC	2,052	6,233	4,611	3,033	3,035
Others including taxes	-3,414	-5,114	-5,687	-7,029	-8,588
Operating cash-flow	**12,213**	**11,569**	**18,191**	**24,048**	**28,984**
- Capex (tang. + Intang.)	2,791	1,931	2,130	2,130	2,130
Free cash-flow	**9,423**	**9,638**	**16,061**	**21,917**	**26,853**
Acquisitions	2,074	490	467	474	-
- Div. (incl. buyback & taxes)	4,084	4,600	9,069	12,844	17,177
+ Equity raised	1,608	1,846	-	-	-
+ Debt raised	-2,234	-2,061	-	-	-
- Fin Investments	428	350	1,694	2,541	3,812
- Misc. Items (CFI + CFF)	1,365	3,957	-178	-1,425	-1,931
Net cash-flow	846	26	5,008	7,484	7,796

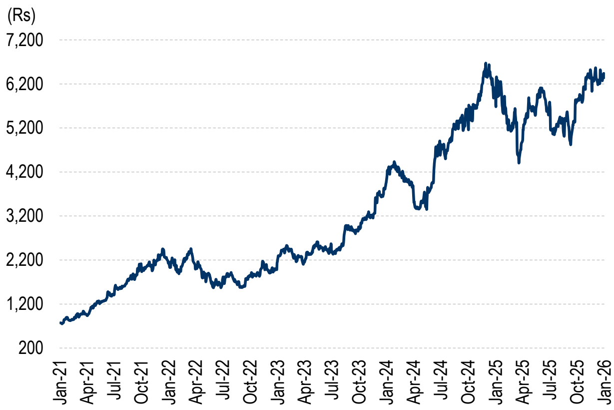
Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	**91.0**	**71.0**	**51.8**	**40.7**	**33.5**
EV/EBITDA (x)	56.2	47.1	34.6	28.7	24.0
EV/sales (x)	10.0	8.2	6.7	5.6	4.8
P/B (x)	20.1	15.7	13.6	11.7	10.2
RoE (%)	24.5	24.8	28.1	30.9	32.6
RoCE (%) - After tax	20.5	22.2	26.1	27.9	29.5
RoIC (%) - After tax	30.5	32.5	38.7	45.3	53.6
DPS (Rs per share)	26.0	38.1	57.5	81.4	108.9
Dividend yield (%)	0.4	0.6	0.9	1.3	1.7
Dividend payout (%) - Inc. DDT	36.6	41.9	47.2	52.5	57.8
Net debt/equity (x)	-0.3	-0.3	-0.4	-0.4	-0.5
Receivables (days)	89	87	86	85	85
Inventory (days)					
Payables (days)	37	33	30	30	31
CFO:PAT%	**112**	**83**	**95**	**98**	**98**

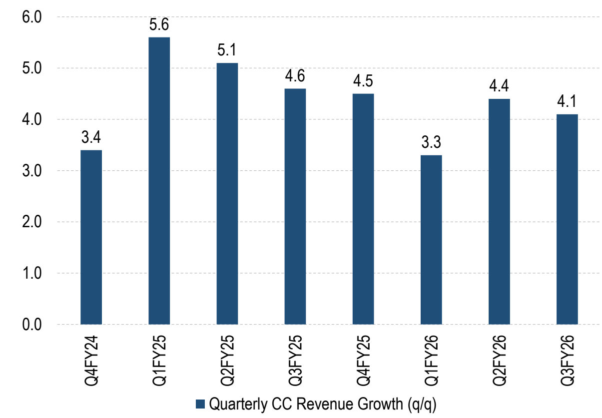
Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – Quarterly CC Revenue Growth (q/q) (%)



Source: Company

Key Earnings & Concall Takeaways

Earnings Snippets

- Beating consensus estimate by ~2.4%, CC revenue grew 4.1% y/q and 17.3% y/y to US4423mn in Q3FY26, driven by broad-based vertical momentum and deal ramp-ups. EBIT margin improved 40 bps q/q to 16.7%, even after absorbing wage hikes and impact of new labour code, reflecting increasing contribution from AI-led delivery and tool-based pricing. The reported EBIT margin of 14.4% includes 230bps one-time hit due to New Labour Code provisioning.
- **Margin Tailwinds:** Forex benefit (+30bps), lower subcontractor cost (+20bps), higher utilisation, onsite pyramid correction and SG&A optimisation (+40bps), and scaling of AI/tool-led pricing models (+150bps). **Margin Headwinds:** Wage hike effective Oct 1, 2025 (-180bps) and furlough impact (-20bps).
- TCV came in at $0.7 bn (up 13.5% y/y) with a book-to-bill of 1.6x, while LTM TCV stood at $2.3 bn (up 14.2% y/y). TCV (net new) came in at $0.4 bn (up 10.6% y/y), while LTM TCV (net new) stood at $1.4 bn (up 3.7% y/y).
- ACV came in at $0.5 bn (up 17.2% y/y) with a book-to-bill of 1.2x, while LTM ACV stood at $1.7 bn (up 17.8% y/y). ACV (net new) came in at $0.25bn (up 31.1% y/y), while LTM ACV (net new) stood at $0.92 bn (up 15.5% y/y).
- The company secured a US$50mn+ (5-year) healthcare deal from a leading US pathology and laboratory sciences organisation for end-to-end modernisation across applications, data, cloud and security, alongside multiple SASVA-led Hi-Tech and digital engineering wins, most of which are already scaling and contributing to margin expansion.
- The company reaffirmed its roadmap to reach $2bn by FY27 and $5bn by FY31.

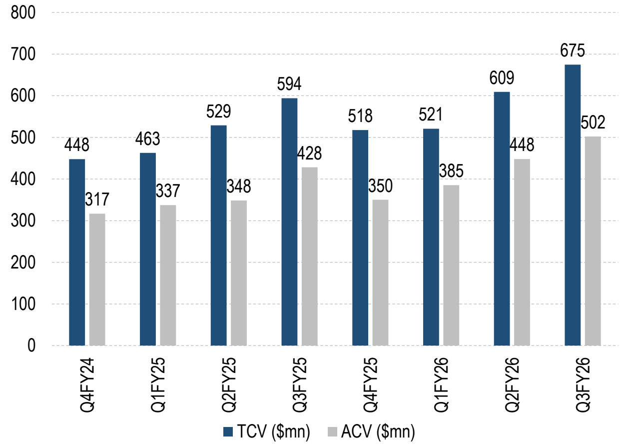
Macro & Demand Environment/ Vertical Performance

- BFSI (35.0% of revenue, +4.6% q/q): Growth led by data modernisation, core platform transformation and AI-enabled programmes for banks and fintechs. BFSI remains the most consistent growth engine with multiple large programs scaling.
- Healthcare & Life Sciences (25.4% of revenue, +4.8% q/q): Recovery driven by application modernisation and transformation programmes, following prior offshoring-related disruptions with improving sequential momentum.
- Software, Hi-Tech & Emerging Industries (~40% of revenue, +3% q/q): Growth supported by SASVA-led platform programs, rising AI adoption, and large deal ramp-ups, with the clients increasingly opting for AI-led, outcome-oriented engagements.
- **Demand Outlook:** The quarter saw multiple large, multi-year transformation deals, along with repeat wins and expansions in BFSI and Hi-Tech, reinforcing wallet share gains. The clients are increasingly selecting vendors capable of delivering end-to-end programmes anchored on AI, rather than point AI solutions, structurally benefiting Persistent's platform-centric positioning.

AI Tools & Strategy

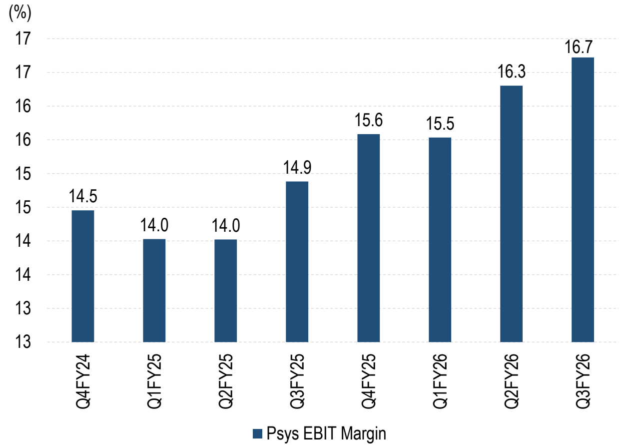
- AI platforms i.e., SASVA, iAURA and GenAI Hub are now integral to service delivery with most new engagements leveraging AI tools, moving away from purely people-led execution.
- Clear financial impact from AI-led engagements: ~150bps of margin uplift in Q3FY26 was directly attributable to scaling of AI-led, tool-driven engagements signed in earlier quarters.

Fig 7 – TCV and ACV ($ m)



Source: Company, Anand Rathi Research

Fig 8 – EBIT Margin (%)



Source: Company, Anand Rathi Research

Quarterly Snapshot

Fig 9 – Quarterly Performance (Rs m)

Y/E Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	q/q (%)	y/y (%)
Revenue ($ m)	**311**	**328**	**346**	**360**	**375**	**390**	**406**	**423**	**4.0**	**17.3**
y/y growth (%)	13.2	16.0	18.4	19.8	20.7	18.7	17.6	17.3	0 bps	0 bps
Revenue (Rs m)	25,905	27,372	28,972	30,623	32,421	33,336	35,807	37,782	5.5	23.4
Effec. exchange rate	83.3	83.4	83.9	85.0	86.4	85.5	88.2	89.4	1.4	5.2
TCV ($ m)	448	463	529	594	518	521	609	675	10.7	13.5
TCV (LTM)	**1,829**	**1,911**	**1,961**	**2,034**	**2,103**	**2,161**	**2,242**	**2,322**	**4**	**14**
Employees (EoP)	23,850	23,519	23,237	23,942	24,594	25,340	26,224	26,711	1.9	11.6
Rev. prod. ($ '000/employee)	**13.2**	**13.9**	**14.8**	**15.3**	**15.5**	**15.6**	**15.8**	**16.0**	**1**	**5**
CoR (excl. D&A)	(17,286)	(18,329)	(19,294)	(20,000)	(21,117)	(21,576)	(22,924)	(24,128)	5.3	20.6
As % of revenue	-67	-67	-67	-65	-65	-65	-64	-64	16 bps	145 bps
SG&A	(4,075)	(4,491)	(4,870)	(5,244)	(5,460)	(5,644)	(6,046)	(6,331)	4.7	20.7
As % of revenue.	-16	-16	-17	-17	-17	-17	-17	-17	13 bps	37 bps
EBITDA	**4,544**	**4,552**	**4,807**	**5,378**	**5,844**	**6,116**	**6,838**	**7,324**	**7.1**	**36.2**
EBITDA margin (%)	17.5	16.6	16.6	17.6	18.0	18.3	19.1	19.4	29 bps	182 bps
EBIT	**3,744**	**3,840**	**4,062**	**4,557**	**5,053**	**5,178**	**5,837**	**6,318**	**8.2**	**38.6**
EBIT margin (%)	14.5	14.0	14.0	14.9	15.6	15.5	16.3	16.7	42 bps	184 bps
Other income (excl. forex)	226	173	177	118	154	187	59	301	410.4	153.9
Non-recurring / Forex	(16)	(7)	106	145	(154)	189	272	(78)	-128.8	-154.0
PBT	3,955	4,005	4,345	4,820	5,052	5,554	6,168	5,650	-8.4	17.2
PBT margin (%)	15.3	14.6	15.0	15.7	15.6	16.7	17.2	15.0	-227 bps	-79 bps
Taxes	(802)	(941)	(1,095)	(1,091)	(1,095)	(1,305)	(1,454)	(1,255)	-13.6	15.1
ETR (%)	-20	-24	-25	-23	-22	-23	-24	-22	135 bps	40 bps
Associates / Minority	0	0	0	0	0	0	0	0	0	0
Net income	**3,153**	**3,064**	**3,250**	**3,730**	**3,958**	**4,249**	**4,715**	**4,394**	**-6.8**	**17.8**
Net margin (%)	12.2	11.2	11.2	12.2	12.2	12.7	13.2	11.6	-154 bps	-55 bps
EPS (Rs)	20.5	19.9	21.0	23.9	25.4	27.2	30.2	27.9	-7.3	16.8

Source: Company

Valuation

Considering the healthy quarterly performance and deal momentum, we have increased our FY26/27/28e revenue and EPS estimates by 0.5/4.5%, 0.2/5.7% and 0.7/7.8%, respectively with 22.2% CAGR in adj. EPS over FY26-28e. At CMP, the stock trades at 40.7x/33.5x FY27/28e P/E. **We upgrade our rating on the stock to BUY with a TP of Rs7,587, implying ~20.3% upside from CMP.**

Fig 10 – Change in Estimates

(Rs m)	FY26e			FY27e			FY28e		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue ($ m)	1,657	1,648	0.5	1,917	1,913	0.2	2,214	2,199	0.7
Revenue (Rs m)	1,46,118	1,45,108	0.7	1,71,311	1,70,501	0.5	1,97,834	1,96,052	0.9
EBITDA	28,049	26,872	4.4	33,790	32,124	5.2	40,312	37,617	7.2
EBITDA Margin (%)	19.2%	18.5%	68 bps	19.7%	18.8%	88 bps	20.4%	19.2%	119 bps
EBIT	24,284	23,107	5.1	29,749	28,082	5.9	36,080	33,385	8.1
EBIT Margin (%)	16.6%	15.9%	70 bps	17.4%	16.5%	89 bps	18.2%	17.0%	121 bps
PBT (Adj.)	25,791	24,836	3.8	31,494	30,198	4.3	38,306	35,949	6.6
Net PAT (Adj.)	19,894	19,029	4.5	24,465	23,147	5.7	29,718	27,556	7.8

Source: Anand Rathi Research.

Fig 11 – 1-Year Fwd. PE

Source: Bloomberg, Anand Rathi Research

Risks

- Increasing share of 3rd party license-based revenues.
- Delay in revival of discretionary spend, amid increasing geopolitical uncertainties.

Appendix

Analyst Certification

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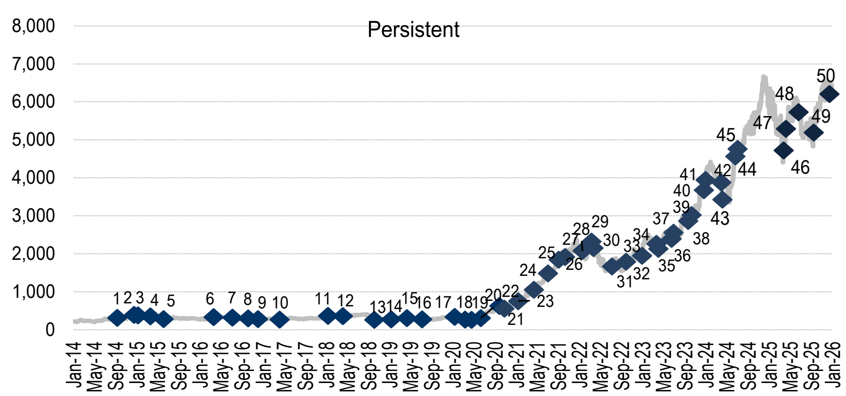
Important Disclosures on subject companies

Rating and Target Price History (as of 20 January 2026)



	Date	Rating	TP (Rs)	Share Price (Rs)
37	25-Jul-23	**Hold**	2,710	2,387
38	10-Oct-23	**Hold**	2,930	2,798
39	20-Oct-23	**Hold**	3,030	2,925
40	10-Jan-24	**Hold**	3,765	3,691
41	23-Jan-24	**Hold**	4,205	3,965
42	10-Apr-24	**Hold**	4,670	3,959
43	24-Apr-24	**Buy**	4,190	3,510
44	08-Jul-24	**Buy**	4,580	4,586
45	22-Jul-24	**Hold**	4,670	4,572
46	15-Apr-25	**Buy**	5,287	4,541
47	28-Apr-25	**Hold**	5,836	5,259
48	09-Jul-25	**Hold**	5,912	5,770
49	06-Oct-25	**Hold**	5,815	5,072
50	05-Jan-26	**Hold**	7,089	6,189

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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