Persistent Systems (PERSYS)

CMP: ₹5,507 Target: ₹6,450 (17%) Target Period: 12 months

BUY

August 4, 2026

Record TCV and AI momentum to drive growth...

About the stock: Persistent Systems (Persistent) offers cloud, data, product & design led services to BFSI, healthcare & hi-tech verticals.

Q1FY27 performance: Revenues at US$452.4 mn, up 3.8% QoQ/16.1% YoY (up 4.1% QoQ/16.5% YoY in CC terms). EBIT margin at 16.0% was down ~30 bps QoQ /up ~45 bps YoY. Reported PAT stood at ₹483 crore, down 8.7% QoQ (due to forex losses) but up 13.7% YoY.

Investment Rationale:

- **Industry-leading growth backed by market share gains & record deal wins:** Persistent revenue growth was driven by healthy execution and continued market share gains. It **reported a strong TCV of US$1.15 billion** (+91% QoQ/+120% YoY), including a US$650+ million strategic services contract spanning 6.5 years in the Technology vertical, significantly improving revenue visibility. **Management indicated that this deal already started contributing to revenues in Q1 and is expected to reach 75-80% of peak run-rate in Q2FY27 before attaining full run-rate in Q3FY27, providing strong multi-year revenue visibility.** Combined with healthy ACV growth of 39% YoY, we believe the robust deal pipeline positions the company to sustain industry-leading growth over the medium term. **We expect the reported US$ revenue to grow at 44.3% CAGR (organic growth of 16.2% CAGR) over FY26-28E.**
- **AI-led differentiation and operating leverage support premium growth profile:** The management indicated that Persistent continues to strengthen its positioning as an AI-led digital engineering partner through its 3C framework (Core, Context & Coordination), with AI increasingly embedded across large transformation engagements. The company has expanded capabilities across SASVA, GenAI Hub and iAURA, increased its AI IP portfolio to 239 patent filings, and continues to deepen partnerships across leading AI ecosystems. **While company continues to invest in AI platforms, talent and large deal ramp ups, it remains confident of sustaining 16-17% EBIT margins. Accordingly, we have baked in EBIT margins of 16%/12.9% in FY27E/FY28E, with FY28 margin dilution owing to Nagarro consolidation.**
- **Nagarro acquisition enhances scale, European presence & long-term earnings potential:** The proposed Nagarro acquisition, as per the management, is strategically aligned with Persistent's long-term growth strategy, creating an AI-led engineering company with a pro-forma revenue run-rate of ~US$2.9 billion and a significantly stronger presence across Europe. The transaction expands the company's digital engineering capabilities, strengthens its nearshore delivery footprint and diversifies its vertical mix, while creating meaningful cross-selling opportunities across a larger global client base. We believe the acquisition enhances Persistent's long-term competitive positioning despite near-term integration-related execution risks.

Rating and Target Price: Given the sustained growth momentum supported by industry-leading revenue growth, record deal wins, accelerating AI-led opportunities and the strategic long term benefits from the Nagarro acquisition, **we maintain our BUY rating, with a TP of ₹6,450; valuing it at 37x FY28E EPS.**

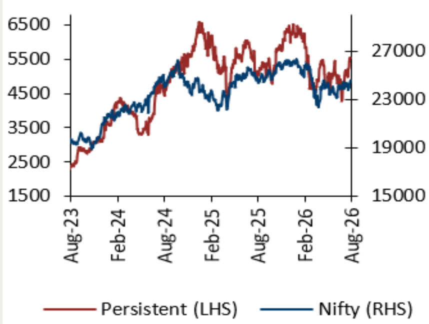
Particulars

Particulars	₹ crore
Market Cap (₹ Crore)	86,873
Total Debt (₹ Crore)	300
Cash & Invests (₹ Crore)	2,133
EV (₹ Crore)	85,040
52 week H/L	6599/4244
Equity capital (₹ Crore)	78.9
Face value (₹)	5.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	31	30	30	30
FII	21	23	22	21
DII	31	30	30	30
Public	18	17	17	19

Price Chart



Key risks

- Slower conversion of TCV to ACV to revenue
- Lower than expected margin expansion

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	9,822	11,939	14,748	28.6%	18,212	32,191	47.7%
EBITDA	1,724	2,058	2,706	31.7%	3,403	5,537	43.0%
EBITDA Margins (%)	17.6	17.2	18.4		18.7	17.2	
Net Profit	1,093	1,400	1,865	32.9%	2,251	2,758	21.6%
EPS (₹)	69.3	88.8	118.2		142.7	174.9	
P/E (x)	76.1	62.0	46.6		38.6	31.5	
RoCE (%)	28.8	27.6	28.5		28.9	31.8	
RoE (%)	22.1	22.2	23.8		23.7	23.9	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Persistent reported Q1FY27 revenues of US$452.4 mn (₹4,303.2 crore), up 3.8% QoQ/16.1% YoY (4.1% QoQ/16.5% YoY in CC terms), marking its 25th consecutive quarter of sequential revenue growth driven by continued market share gains, healthy AI-led demand and the initial ramp-up of its recently won large strategic deal.
- **Margin performance**: Reported EBIT margin stood at 16.0%, down ~30 bps QoQ but up ~45 bps YoY. Sequentially margin dip saw headwinds from lower utilisation due to proactive hiring ahead of the large-deal ramp (-60bps), higher direct costs from higher AI-tool/purchase costs, partly offset by personnel efficiencies (net -20bps) offset by benefit from favourable currency (+30bps) and lower doubtful-debt provisioning (+20bps). **Management expects ~180 bps headwinds from wage hikes in Q2.** Reported PAT stood at ₹483 crore, down 8.7% QoQ (largely due to forex losses) but up 13.7% YoY.
- **Segment Performance:** Segment-wise on a QoQ basis, Software, Hi-tech & Emerging (39.2% of the mix) and BFSI (34.5% of the mix) grew 7.7% and 2.3%, while Healthcare & Lifesciences (26.3% of the mix) declined 0.2%. Management expects BFSI and Healthcare & Lifesciences to lead growth in FY27, followed by Hi-tech, supported by continued AI-led transformation spending and enterprise modernization.
- **Geography Performance:** Geography-wise on a QoQ basis, RoW (2.6% of the mix), India (9.8%), Europe (8.5%) and North America (79.1%) grew 22.6%, 22.5%, 8.9% and 0.8%, respectively. India continued to benefit from increasing procurement through GCCs in India by global clients, while management expects growth in North America and Europe to strengthen as the large strategic deal ramps up and the proposed Nagarro combination enhances regional capabilities.
- **TCV/ACV performance:** Persistent reported its highest-ever quarterly TCV of US$1.15 billion, up 91% QoQ/120% YoY, including US$952 million of new bookings. ACV stood at US$536.8 million, up 21% QoQ/39% YoY, driven by a landmark US$650+ million strategic services contract spanning 6.5 years which has already started contributing to revenues and is expected to reach 75-80% of peak run-rate in Q2FY27 before attaining full run-rate in Q3FY27, providing strong multi-year revenue visibility.
- **Outlook:** Management reiterated its focus on sustaining industry-leading growth, supported by robust deal momentum, AI-led transformation programs and large-deal ramp-ups. The company continues to target a US$2 billion annualised revenue run-rate by FY27, while maintaining EBIT margins in the 16–17% range, with reinvestments in AI and delivery capabilities expected to continue.
- **AI/ Gen AI:** Persistent continues to strengthen its AI-led differentiation through its 3C framework (Core, Context & Coordination), with AI increasingly embedded across large transformation engagements. During the quarter, the company expanded capabilities across SASVA, GenAI Hub and iAURA, increased its AI intellectual property portfolio to 239 patent filings (including 18 filed during Q1) and highlighted that AI now influences nearly every large deal, reinforcing its positioning as an enterprise AI engineering partner as it continues to deepen partnerships with OpenAI, Anthropic, Nvidia, Microsoft, Google, Databricks and Snowflake, enabling AI-led engineering and business hyper-productivity.
- **Employee Addition & Attrition:** Total employee base increased by 791 QoQ to 27,502, while LTM attrition declined ~30 bps QoQ to 12.7%, reflecting stable talent retention.
- **Cash flow:** Quarterly cash conversion remained weak, with OCF/PAT at 24.2%, primarily due to delayed customer collections (~US$23 million; collections made in first week of July'26) and pending tax refunds (~US$10

million; US$7 mn received in July'26). Excluding these timing-related one-offs, cash conversion would have been approximately 83%, with management reiterating its long-term objective of maintaining OCF/PAT around 100% and expecting normalization over the coming quarters.

- **Update on Nagarro Acquisition:** The proposed Nagarro acquisition continues to progress as planned, with regulatory approvals and financing processes underway. Management expects the transaction to close by Q4CY26/Q1CY27, strengthening Persistent's European footprint, nearshore delivery capabilities, vertical diversification and AI-led digital engineering offerings.

Exhibit 1: Quarter Performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue (USD mn)	452.4	389.7	16.1	436.0	3.8	Revenue grew 4.1% QoQ/ 16.5% YoY in CC terms
Revenue	4,303.2	3,333.6	29.1	4,055.9	6.1	
Employee expenses	2,791.5	2,157.6	29.4	2,624.7	6.4	
Gross Margin	1,511.7	1,176.0	28.5	1,431.2	5.6	
Gross margin (%)	35.1	35.3	-15bps	35.3	-16bps	
Other expenses	709.5	564.4	25.7	663.5	6.9	
EBITDA	802.2	611.6	31.2	767.7	4.5	
EBITDA Margin (%)	18.6	18.3	29bps	18.9	-29bps	
Depreciation & amortisation	115.3	93.8	22.9	108.5	6.2	
EBIT	686.9	517.8	32.7	659.2	4.2	
EBIT Margin (%)	16.0	15.5	43bps	16.3	-29bps	- Sequentially margin dip saw headwinds from lower utilisation due to proactive hiring ahead of the large-deal ramp (-60bps), higher direct costs from higher AI-tool/purchase costs, partly offset by personnel efficiencies (net -20bps) offset by benefit from favourable currency (+30bps) and lower doubtful-debt provisioning (+20bps). - Management expects ~180 bps headwinds from wage hikes in Q2.
Other income	-63.8	37.6	-269.6	14.8	-530.4	
PBT	623.1	555.4	12.2	674.0	-7.6	
Tax paid	140.1	130.5	7.4	144.7	-3.2	
PAT	483.0	424.9	13.7	529.3	-8.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	1,916	1,940	1.2	3,421.2	3,443	0.6
Revenue	17630	18212	3.3	31,475	32191	2.3
EBIT	2821	2912	3.2	4,007	4162	3.9
EBIT Margin (%)	16.0	16.0	-1 bps	12.7	12.9	20 bps
PAT	2237	2251	0.6	2,635	2758	4.7
Diluted EPS (₹)	141.8	142.7	0.6	167	174.9	4.7

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Total Revenues	**14,748**	**18,212**	**32,191**
Growth (%)	23.5	23.5	76.8
Employee & Subcon costs	9,576	11,804	21,117
Total Operating Expenditure	12,042	14,809	26,654
EBITDA	**2,706**	**3,403**	**5,537**
Growth (%)	31.5	25.7	62.7
Depreciation & Amortization	403	491	1,375
Other Income	108	32	118
Interest	-	-	659
PBT before Excp Items	2,411	2,944	3,622
Growth (%)	32.3	22.1	23.0
Tax	546	693	869
PAT before Excp Items	1,865	2,251	2,752
Exceptional items	-	-	-
PAT before MI	1,865	2,251	2,752
Minority Int & Pft. frm asso	-	-	-
PAT	**1,865**	**2,251**	**2,752**
Growth (%)	33.2	20.7	22.3
Diluted EPS	118	143	174
EPS (Growth %)	33.2	20.7	22.3

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
PBT	2,411	2,944	3,622
Depreciation & Amortization	403	491	1,375
WC changes	(579)	(900)	(940)
Other non cash adju.	157	(32)	(118)
CF from operations	**1,767**	**1,809**	**3,068**
Capital expenditure	(302)	(1,457)	(2,575)
Δ in investments	(358)	-	-
Other investing cash flow	50	32	118
CF from investing Activities	**(610)**	**(1,425)**	**(2,457)**
Issue of equity	-	-	-
Δ in debt funds	-	-	-
Dividends paid	(579)	(587)	(718)
Other financing cash flow	(169)	-	(659)
CF from Financial Activities	**(748)**	**(587)**	**(1,377)**
Δ in cash and cash bank balance	409	(203)	(766)
Effect of exchange rate changes	(9)	-	-
Opening cash	1,025	1,218	1,015
Cash c/f to balance sheet	**1,218**	**1,015**	**249**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Liabilities			
Equity	79	79	79
Reserves & Surplus	7,759	9,422	11,456
Networth	7,838	9,501	11,535
Minority Interest	-	-	-
Long term Liabilties & provisions	614	676	1,926
Source of funds	**8,452**	**10,177**	**13,461**
Assets			
Net fixed assets	955	1,502	3,340
Net intangible assets	579	997	1,319
Goodwill	1,360	1,360	2,060
Other non current assets	686	686	686
Investments	700	700	700
Debtors	2,133	2,744	4,851
Current Investments	915	915	915
Cash & Cash equivalents	1,218	1,015	249
Other current assets	2,831	3,113	4,252
Trade payables	1,134	1,148	2,028
Current liabilities	1,790	1,708	2,882
Application of funds	**8,452**	**10,177**	**13,461**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios			
(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	118.2	142.7	174.9
Cash Per Share	77.2	64.3	16.1
BV	496.9	602.3	731.5
DPS	26.8	30.9	37.9
Operating Ratios (%)			
EBITDA Margin	18.4	18.7	17.2
PBT Margin	16.3	16.2	11.3
PAT Margin	12.6	12.4	8.6
Turnover Ratios			
Debtor days	53	55	55
Creditor days	28	23	23
Return Ratios (%)			
RoE	23.8	23.7	23.9
RoCE	28.5	28.9	31.8
RoIC	36.5	35.3	33.8
Valuation Ratios (x)			
P/E	46.6	38.6	31.5
EV / EBITDA	31.4	25.0	15.7
Market Cap / Sales	5.9	4.8	2.7
Solvency Ratios			
Current Ratio	1.7	2.1	1.9
Quick Ratio	1.7	2.1	1.9

Source: Company, ICICI Direct Research

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