

Company Name: Persistent System Ltd

BSE CODE: 533179

NSE CODE: PERSISTENT

Sector: IT

Industry: IT Software

CMP (Rs): 3375 | Buy Range: 3360-3390 | Target Price: 4233 | Potential Upside: 25%
Duration of Recommendation: 8 - 12 months

Company Data

Market Cap (Rs Cr)	52,901
Enterprise value (Rs Cr)	52,329
52-Week High/Low (Rs)	4490/2222
EPS (TTM) (Rs)	71.00
P/E Ratio (x) TTM	48.7
Industry PE (x)	29.9
EV/EBITDA (x) TTM	29.2
P/PB (x) TTM	10.7

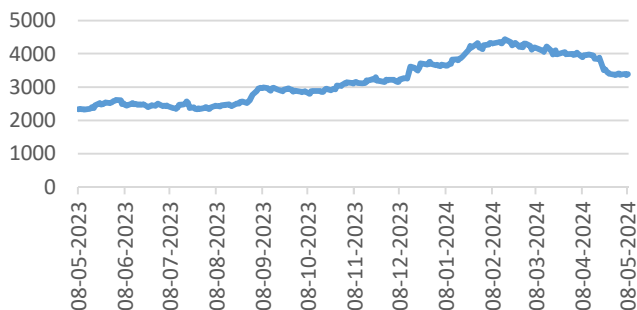
Shareholding %	Q2FY24	Q3FY24	Q4FY24
Promoters	31.06	31.06	31.02
FII's	21.34	24.55	24.96
DII's	28.67	26.13	25.88
Public	16.96	16.91	17.03
Others	1.97	1.34	1.12
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Consolidated)

INR (Cr)	FY23	FY24	FY25E	FY26E
Revenue	8,351	9,822	12,278	15,470
Growth (%)	46.0%	17.6%	25.0%	26.0%
EBITDA	1,519	1,676	2,044	2,583
EBITDA growth	0.0%	10.3%	22.0%	26.4%
EBITDA margin	18.2%	17.1%	16.7%	16.7%
Net Profit	921	1,093	1,351	1,733
Profit growth	10.4%	10.4%	23.5%	28.3%
Profit margins	11.0%	11.1%	11.0%	11.2%
EPS	60.2	71.5	88.3	113.3
BVPS	259.3	321.9	378.0	446.0
P/E (x)	38.3	47.9	38.8	30.3
P/BV(x)	8.9	10.7	9.1	7.7
ROE (%)	25.1%	24.5%	25.0%	26.5%
RoCE	27.0%	25.2%	26.0%	27.0%
EV/EBITDA(x)	22.83	36.28	29.74	23.54

Source: Company, Share India Securities

Price Performance



Our Recommendation: Persistent has consistently shown top-notch performance over the past few quarters and is poised to lead growth in fiscal year 2025/2026 due its strong order book, steady acquisition of new clients, growth in all business verticals & strong capabilities. At CMP, the stock is trading at 30x of its FY26EPS. We value the stock at P/E of 37x of FY26 EPS. 12% correction in the stock price after Q4 results makes risk reward favorable. **We recommend BUY in price range of 3360-3390 with target price of 4233 (based on 37x FY26EPS) with potential upside 25%.**

About Company: Persistent Systems provides software engineering and strategy services to help companies implement and modernize their businesses. It has its own software and frameworks with pre-built integration and acceleration. It also has partnership with providers such as Salesforce and AWS.

Investment Rationale:

Strong Order Book: Total Contract Value (TCV) stood strongly at \$447 million with \$302 million new deal wins that give revenue visibility for near term. Net headcount additions increased 514, taking the overall headcount to 23,850.

Strong Q3FY24 Results:

- ❖ Consolidated Revenue/EBITDA/PAT up by 15%/9%/25% YoY to Rs. 2591/454/315 crores respectively.
- ❖ EBITDA margins fell marginally by 13 bps to 17.5% YoY from 18.5%.
- ❖ On QoQ basis, Revenue/EBITDA/PAT increased by 3.7%/2.8%/10%. respectively. EBITDA margins remains flat QoQ.
- ❖ Total contract value in Q4FY24 with deal wins at \$447 million, out of which \$302 million are new deal wins.

Consistent Financial Performance: Revenue has grown at a CAGR of 24% over FY19-24 period from Rs. 3366 crores in FY19 to Rs. 9822 crores in FY24. EBITDA has grown at a CAGR of 24.6% during FY19-24 from Rs. 556 to Rs. 1676 crores. Operating margins have stable around 17% consistently. PAT has grown at a CAGR of 27% from Rs. 352 crores in FY19 to Rs. 1093 crores in FY24. Company's ROE/ROCE have been 21%/20.5% respectively during this period. Company is almost debt free with with D/E at 0.09%.

Growth Across Business Verticals: Banking, Financial Services, and Insurance (BFSI), as well as Pharmaceuticals, showed promising quarter-over-quarter increases of 2% and 11% respectively. Technology & other sectors noted 4% decline compared to the previous quarter. Most sectors experienced robust growth and are expected to continue growing due to a solid pipeline of deals. The management also mentioned increased engagement with clients across sectors and expects no reduction in

Key Risks: Macro headwinds and recession in the U.S. can slow the pace of technology spending

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