

SELL**TP: Rs 4,490 | ▼ 29%****PERSISTENT SYSTEMS**

| IT Services

| 21 January 2026

Software license led margin surprise. Sustainability key.

- **Inline revenue. Margin surprise on sale of AI Software licenses. The US\$2bn FY27 goal may require an acquisition**
- **While PSYS was an IP + Services player in the past which it abandoned, this new shift seems more AI related. Commercial models evolving**
- **Raise FY26/FY27 margins/EPS but maintain FY28. Retain Target PE at 27.1x (25% premium to TCS'). Believe 43x FY27 EPS is excessive**

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Revenue in line but margin a positive surprise: 4.1% QoQ CC revenue growth was in line but the adjusted EBIT margin of 16.7% against estimated 15.9% was a big surprise. Revenue was driven by BFSI and Healthcare verticals. A big driver on the positive side on margins (as there was a 180bps hit from wages QoQ) was +150bps from sales of AI platform and tools.

Sustainability of this new margin element is up in the air: Most Indian players have been saying that new commercial models are evolving in the post AI/Gen AI world, from a largely human labor based one. We are not sure what we saw with PSYS in 3QFY26 in terms of margin uplift from software sales is going to be a sustainable one. As PSYS itself indicated, the software license sales will be blended into services (which is probably how its peers are doing already or will likely do). We believe big margin upsides from here on due to this are suspect as competitive intensity will ensure that gains are passed back to clients. This has been the norm over the decades in the industry. In the short term, there could be an uplift.

PSYS has struggled to maintain/push up margins: With market largely driven by cost take out and vendor consolidation deals and clients wanting to work with vendors who can provide multi-tower services at the lowest cost, PSYS has been forced to bid aggressively and work to protect/improve margins. This is visible in the form of delayed salary hike in FY26, keeping utilization (including trainees) high at ~88-89%, reversing some earn out provisions (FY25), changing depreciation policy (FY25), etc. The currency has also come to the rescue in both 2QFY26 (60bps QoQ) and 3QFY26 (30bps).

At 43x FY27, valuation is not appealing: We raise margin estimates for FY26/FY27 but retain that on FY28. We attach a 27.1x (25% premium to that given to TCS) on Dec '27 EPS to arrive at TP of Rs4490. At 43x 12 forward multiple believe the current valuation is excessive and the street is being over optimistic about its earnings prospects in the medium to long term. PSYS has been executing well and is a very good company. But current valuations, in a highly competitive industry with modest growth prospects (industry's), could entail mediocre returns.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	PSYS IN/Rs 6,343
Market cap	US\$ 10.9bn
Free float	69%
3M ADV	US\$ 25.1mn
52wk high/low	Rs 6,599/Rs 4,149
Promoter/FPI/DII	30%/23%/30%

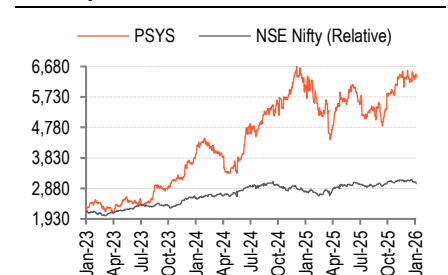
Source: NSE | Price as of 20 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	119,387	146,482	172,566
EBITDA (Rs mn)	20,581	28,002	33,171
Adj. net profit (Rs mn)	14,001	19,592	23,214
Adj. EPS (Rs)	90.2	119.3	147.6
Adj. ROAE (%)	24.8	27.1	26.3
Adj. P/E (x)	70.3	53.2	43.0
EV/EBITDA (x)	48.6	35.8	30.5
Adj. EPS growth (%)	26.7	32.2	23.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



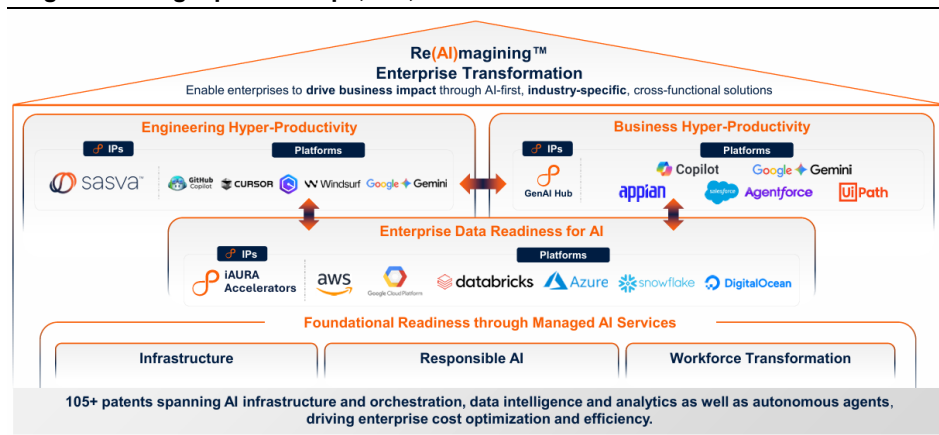
Key Points from the quarter and the earnings call

- Revenue stood at US\$422.5mn, growing 4.1% QoQ (in line with our estimates of 4%) and 17.3% YoY in CC terms
 - Geographical revenue growth (YoY USD): North America grew by 18.6%, Europe grew by 22%, India declined by 2.5%, and rest of the world grew by 37.9% on a smaller base
 - Vertical revenue growth (YoY USD): Led by BFSI at 29.3%, followed by Software & Hi-Tech and Emerging Industries at 14.7%, and Healthcare & Life Sciences at 7.4%
- EBIT Margin (excluding one-time impact of new labour codes) stood at 16.7% (beating our estimate of 15.9%), growing 42 bps QoQ and 184 bps YoY
- EBIT margin (including one-time impact of New Labour Codes) was 14.4%, representing a QoQ decline of 190 bps and YoY decline of 50 bps
 - QoQ tailwinds: 30 bps driven by favorable currency movement; Lower subcontractor costs contributed a 20 bps; Higher utilization, onsite pyramid rationalization, and SG&A optimization together delivered a 40 bps margin benefit; Increased share of services engagements driven by AI platforms and tools, along with evolving pricing models combining people and tool-based pricing, contributed 150 bps from scaling engagements signed in the previous quarter
 - QoQ Headwinds: Furloughs impacted EBIT margin by 20 bps; Wage hikes effective Oct 1, 2025 resulted in headwind of 180 bps; One-time impact of 230 bps on due to higher provisioning for gratuity and leave encashment under the new Labor Code announced by the Government of India
- TTM TCV: US\$2,322.0mn (4% growth QoQ and 14% growth YoY); TTM TCV (New): US\$1,385.9mn (3% growth QoQ and 4% growth YoY)
- TTM ACV: US\$1,685.3mn (5% growth QoQ and 18% growth YoY); TTM ACV (New): US\$920.1mn (7% growth QoQ and 16% growth YoY)
- **Client concentration has been inching up:** While PSYS did an admirable job of bringing down top 10 exposure which was at ~55% in 3QFY18 to ~35% in FY23, the number has inched up to ~44% in 3QFY26 making it more vulnerable to client level disruptions.
- Total headcount was 26,711, net addition of 487 employees QoQ; Attrition was 13.5% which has inched up from 11.5% in 4QFY24 levels.
- PSYS stated that it is on track towards the aspiration of reaching US\$2 bn in revenue by March 2027 and US\$5 bn by March 2031. For the FY27 goal we probably need to see material pick up in TCV in the upcoming quarters or a decent acquisition.
- Demand environment over the last three to four months showed increased discussions around application and data modernization across Healthcare & Life Sciences and BFSI

- Healthcare & Life Sciences also experienced strong interest in large-scale transformation programs among mid to large firms
 - Healthcare vertical is performing well, driven by both market demand and the team's targeted efforts to engage the right clients
 - Wins span the payer, provider, tech, and pharma segments, including both new logos and expansions with existing clients
 - The outlook for healthcare vertical is positive
- Hi-tech vertical saw growing adoption of AI to drive productivity improvements in product development. Hi-tech vertical outperformance is driven by focusing on core product development and related services rather than just traditional IT
- Private equity segment witnessed deeper adoption of AI
- Early investments in trusted AI platforms and deep partnerships with hyperscalers including Microsoft, AWS, Google, Oracle, and Salesforce enabled transition of AI initiatives from pilots to production, supported by strong data foundations
 - Development of Agentic AI platform, AssistX, embedding domain specific AI agents across the enterprise within System of Record, System of Intelligence, and System of Action
 - AssistX transforming enterprise work execution by eliminating manual bottlenecks and enabling autonomous fulfillment, driving enterprise hyper productivity and allowing employees to focus on higher value decision making
- AI execution strategy anchored around three pillars: AI for Technology focused on Engineering Hyper Productivity, AI for Business focused on Business Hyper Productivity, and Enterprise Data Readiness with responsible AI
- Intangible assets on the balance sheet increasing due to heavy investments in developing AI tools, productivity platforms, SASVA, iAURA, and related technologies. According to PSYS these assets have reached a reasonable level of maturity, and growth in intangibles is expected to moderate. PSYS also says that it has been generating revenue from these investments, supporting the capitalization.
- Capital Allocation:
 - Consistent and healthy dividend payout; Investments in talent support market share gains and long-term growth
 - Balanced approach ensures both shareholder returns and value creation for customers and employees
- The 150 bps margin improvement this quarter is driven by multiple deals leveraging tools like SASVA, iAURA, and GenAI, not a single large project. The margin benefit comes from a mix of upfront monetization of IP/tools and productivity gains from deploying fewer people
- Competition in AI tools and accelerators is expected but Persistent has a head start, and ongoing investment will maintain differentiation

- Management does not see a further large upside from this lever. Focus remains on reinvesting in technology to stay ahead of competition and sustain long-term growth
- Persistent's AI engagements are increasingly beyond POCs because the focus is on deeper engagement with clients by understanding their specific business challenges and applying technology to address those challenges. The company works closely with its top clients (top 100 contributing ~82% of revenue) to understand their challenges and deploy the right mix of internal tools and partner solutions
- Mainframe and application modernization delivers productivity benefits well beyond simple effort reduction, enabling 60–70% of business logic to be reverse-engineered and converted into understandable documentation for business users
 - Modernization helps migrate from legacy platforms to modern platforms
- Customers adopt multiple platforms like Cursor, Windsurf, and Copilot, with some large clients using two or three tools simultaneously, often integrated with Persistent's teams in the ecosystem
- From coding alone, these tools deliver 20–25% productivity gains
- Declared an interim dividend of INR22 per share. Dividend policy focused on maintaining a consistent payout ratio while supporting growth through capability led acquisitions

Fig 1 – Strategic partnerships, IPs, accelerators and solutions in the realm of AI



Source: Company, BOBCAPS Research

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). Another report (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and (**A fourth slow year?**) talks about our continued cautious stance on the sector.

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be lower vs ~7% CAGR seen during FY15-FY20; possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: Tariffs, a wider fiscal deficit from the 'one big, beautiful bill' (OBBB), and tighter immigration rules (including the new hurdles in H1-B visas), etc., may lead to delay in decision making in the near term.

While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

The Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase that are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This

is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Reason for raising Target PE multiple: With Nifty IT underperforming by ~23ppt vs the Nifty in 2025, we believe much of the downside is factored in. With a modest uptick in growth rates in FY27, we believe the stocks will trade a bit higher.

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

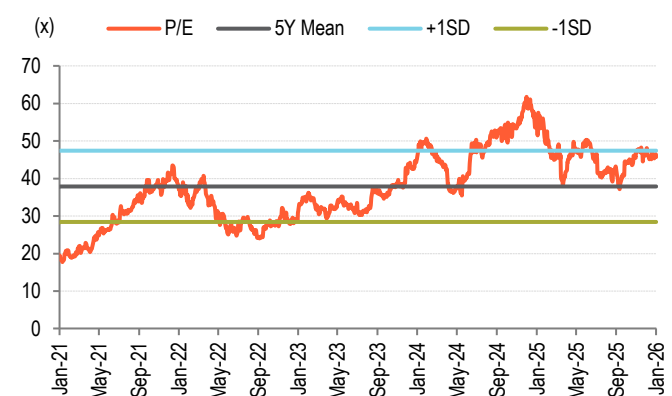
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

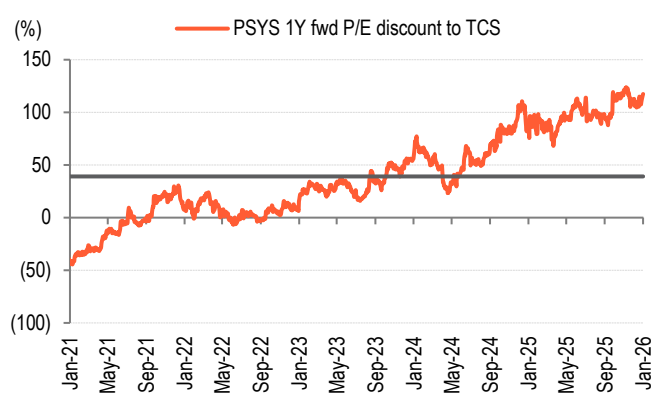
Fig 2 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	Dev (%)
Net Sales (USD mn)	360.3	406.0	422.6	17.3	4.1	421.2	0.3
Net Sales	30,623	35,807	37,782	23.4	5.5	37,525	0.7
Direct Cost	20,000	22,924	24,128	20.6	5.3	24,268	(0.6)
% of Sales	65.3	64.0	63.9			64.7	
Gross Margin	10,622	12,883	13,655	28.5	6.0	13,258	3.0
% of Sales	34.7	36.0	36.1			35.3	
SG&A	5,244	6,046	6,331	20.7	4.7	6,265	1.1
% of Sales	17.1	16.9	16.8			16.7	
EBITDA	5,378	6,838	7,324	36.2	7.1	6,993	4.7
EBITDA Margin (%)	17.6	19.1	19.4			18.6	
Depreciation and Amortisation	821	1,001	1,006			1,031	(2.4)
EBIT	4,557	5,837	6,318	38.6	8.2	5,962	6.0
EBIT Margin (%)	14.9	16.3	16.7			15.9	
Other Income, Net	118	59	301	153.9	410.4	178	69.0
Forex Gain/(Losses)	145	272	(78)	(154.0)	(128.8)	100	
PBT	4,820	6,168	6,540	35.7	6.0	6,240	4.8
Provision for Tax	1,091	1,454	1,453	33.2	(0.0)	1,470	(1.2)
Effective Tax Rate	22.6	23.6	22.2			23.6	
Adjusted PAT	3,730	4,715	5,087	36.4	7.9	4,769	
Margin (%)	12.2	13.2	13.5			12.7	
Less: Exceptional Item	-	-	693			-	
PAT	3,730	4,715	4,395	17.8	(6.8)	4,769	(7.9)
NPM (%)	12.2	13.2	11.6			12.7	

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

Fig 5 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	88.3	90.0	91.1	88.0	89.4	91.1	0.4	0.7	-
USD Revenue (USD mn)	1,658	1,917	2,200	1,657	1,916	2,198	0.0	0.1	0.1
USD Revenue Growth (%)	17.7	15.6	14.8	17.6	15.6	14.8			
Revenue (Rsmn)	146,482	172,566	200,382	145,749	171,234	200,191	0.5	0.8	0.1
EBIT (Rsmn)	24,032	28,862	33,380	23,118	27,801	32,845	4.0	3.8	1.6
EBIT Margin (%)	16.4	16.7	16.7	15.9	16.2	16.4			
PAT (Rsmn)	19,592	23,214	26,979	18,661	22,307	26,410	5.0	4.1	2.2
FDEPS (Rs)	119.3	147.6	171.5	119.4	142.7	168.9	(0.1)	3.5	1.6
Adjusted PAT	19,394	23,214	26,979	18,661	22,307	26,410	3.9	4.1	2.2
Adjusted EPS	123.7	147.6	171.5	119	143	169	3.6	3.5	1.6

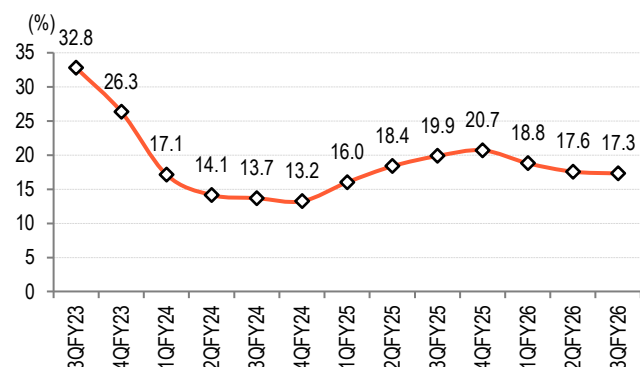
Source: BOBCAPS Research

Fig 6 – P&L at a glance

(YE March) (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	57.4	60.8	61.3	65.6	67.1	64.5	70.0	71.1	74.0	74.5	80.5	82.8	84.7	88.3	90.0	91.1
Net Sales (USD mn)	238	274	308	352	429	471	481	502	566	766	1,036	1,186	1,409	1,658	1,917	2,200
YoY Growth (%)		15.2	12.4	14.2	22.0	9.7	2.2	4.3	12.9	35.2	35.3	14.5	18.8	17.7	15.6	14.8
Net Sales	12,945	16,692	18,913	23,123	28,784	30,337	33,659	35,658	41,879	57,107	83,506	98,217	119,387	146,482	172,566	200,382
YoY Growth (%)	29.4	28.9	13.3	22.3	24.5	5.4	11.0	5.9	17.4	36.4	46.2	17.6	21.6	22.7	17.8	16.1
Cost of Sales & Services	7,311	9,517	11,317	14,305	18,518	19,704	21,378	23,494	27,650	37,895	55,315	65,231	78,740	94,129	108,797	125,124
% of sales	56.5	57.0	59.8	61.9	64.3	65.0	63.5	65.9	66.0	66.4	66.2	66.4	66.0	64.3	63.0	62.4
Gross Margin	5,634	7,174	7,596	8,819	10,266	10,633	12,281	12,164	14,229	19,213	28,191	32,986	40,647	52,353	63,770	75,258
% of sales	43.5	43.0	40.2	38.1	35.7	35.0	36.5	34.1	34.0	33.6	33.8	33.6	34.0	35.7	37.0	37.6
SG&A	2,283	2,872	3,690	4,647	5,727	5,946	6,476	7,234	7,398	9,631	12,999	15,729	20,066	24,351	30,599	37,242
% of sales	17.6	17.2	19.5	20.1	19.9	19.6	19.2	20.3	17.7	16.9	15.6	16.0	16.8	16.6	17.7	18.6
EBITDA	3,352	4,303	3,906	4,171	4,539	4,687	5,805	4,930	6,830	9,582	15,191	17,257	20,581	28,002	33,171	38,016
% of sales	25.9	25.8	20.7	18.0	15.8	15.4	17.2	13.8	16.3	16.8	18.2	17.6	17.2	19.1	19.2	19.0
Depreciation and Amortization	783	1,026	939	965	1,490	1,585	1,573	1,660	1,756	1,660	2,719	3,094	3,069	3,971	4,309	4,636
EBIT	2,569	3,277	2,967	3,206	3,049	3,102	4,233	3,270	5,075	7,922	12,472	14,163	17,512	24,032	28,862	33,380
% of sales	19.8	19.6	15.7	13.9	10.6	10.2	12.6	9.2	12.1	13.9	14.9	14.4	14.7	16.4	16.7	16.7
Other income (net)	61	150	932	750	958	1,190	631	1,254	1,020	1,321	(64)	327	710	1,215	1,483	1,887
PBT	2,630	3,427	3,900	3,956	4,007	4,292	4,863	4,524	6,094	9,243	12,409	14,490	18,223	25,247	30,345	35,267
-PBT margin (%)	20.3	20.5	20.6	17.1	13.9	14.1	14.4	12.7	14.6	16.2	14.9	14.8	15.3	17.2	17.6	17.6
Provision for tax	754	934	993	983	992	1,062	1,347	1,121	1,588	2,339	3,198	3,541	4,222	5,655	7,131	8,288
Effective tax rate (%)	28.7	27.3	25.5	24.8	24.8	24.7	27.7	24.8	26.1	25.3	25.8	24.4	23.2	22.4	23.5	23.5
Net profit	1,876	2,493	2,906	2,974	3,015	3,231	3,517	3,403	4,507	6,904	9,211	10,949	14,001	19,592	23,214	26,979
-Growth (%)	32.3	32.9	16.6	2.3	1.4	7.2	8.9	-3.2	32.4	53.2	33.4	18.9	27.9	33.6	24.1	16.2
-Net profit margin (%)	14.5	14.9	15.4	12.9	10.5	10.6	10.4	9.5	10.8	12.1	11.0	11.1	11.7	13.4	13.5	13.5
Adjusted Net Profit	1,876.0	2,492.8	2,906.3	2,973.6	3,014.7	3,230.6	3,516.8	3,403.1	4,506.8	6,903.9	9,210.9	10,948.9	14,001.0	19,394.0	23,213.8	26,979.0
Adjusted Net Profit (%)	14.5	14.9	15.4	12.9	10.5	10.6	10.4	9.5	10.8	12.1	11.0	11.1	11.7	13.2	13.5	13.5

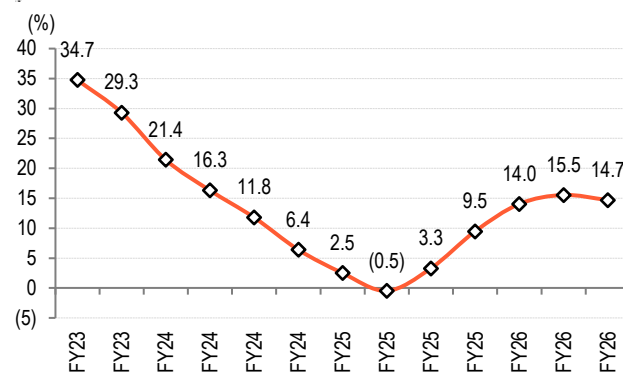
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue growth (YoY)



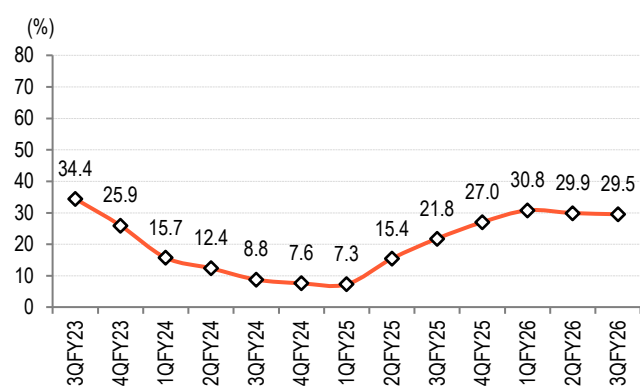
Source: Company, BOBCAPS Research

Fig 8 – USD Revenue growth of Hi-Tech vertical (YoY)



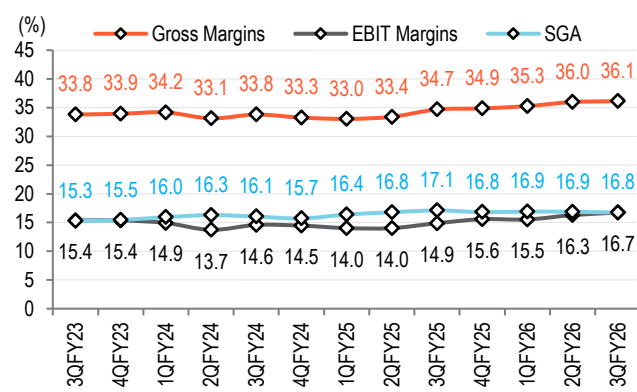
Source: Company, BOBCAPS Research

Fig 9 – USD Revenue growth of BFSI vertical (YoY)



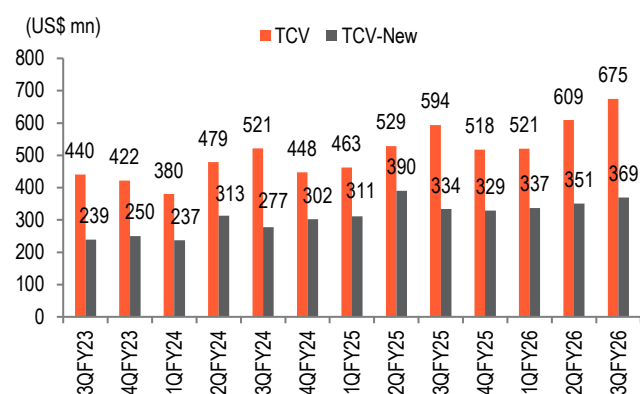
Source: Company, BOBCAPS Research

Fig 10 – Gross Margin, SG&A and EBIT Margin



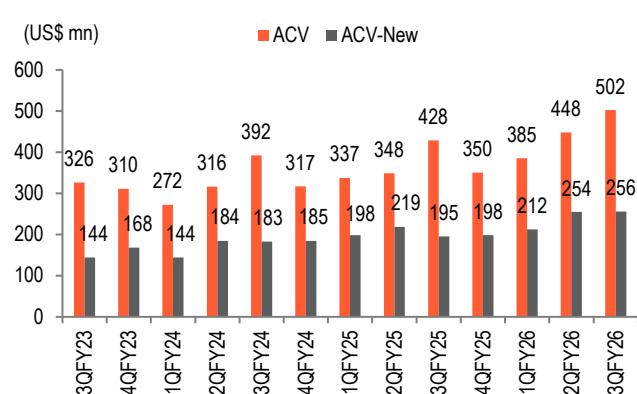
Source: Company, BOBCAPS Research

Fig 11 – The TCV trend



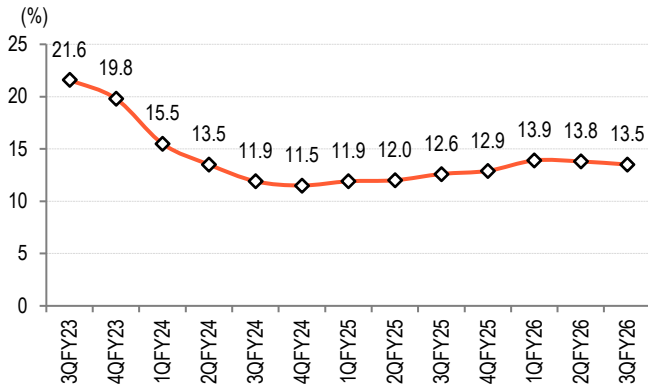
Source: Company, BOBCAPS Research

Fig 12 – The ACV trend



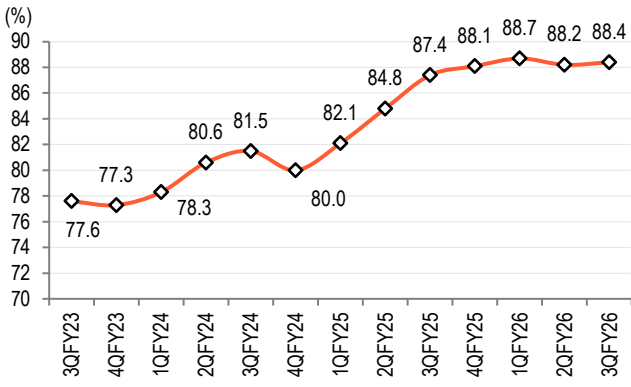
Source: Company, BOBCAPS Research

Fig 13 – TTM Attrition Rate (%)



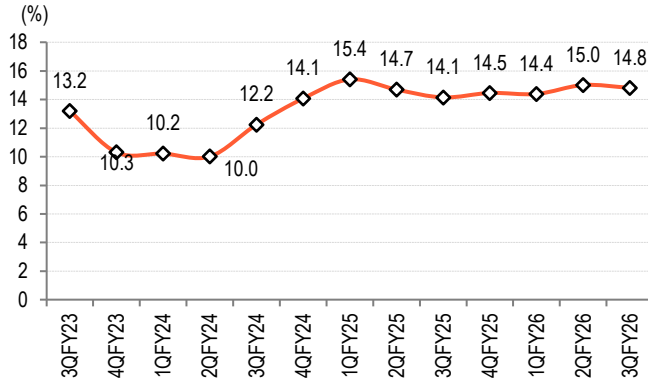
Source: Company, BOBCAPS Research

Fig 14 – Employee Utilization (including trainees)



Source: Company, BOBCAPS Research

Fig 15 – Subcontractor Cost (Professional Cost) as % of Revenue



Source: Company, BOBCAPS Research

Fig 16 – Quarterly Snapshot

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Rs mn													
INR/USD	82.1	82.1	82.1	82.7	83.1	83.3	83.4	83.9	85.0	86.4	85.5	88.2	89.4
USD Revenue (USD mn)	264	275	283	292	301	311	328	345	360	375	390	406	423
INR Revenue	21,694	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421	33,336	35,807	37,782
Gross Margin	7,334	7,651	7,933	7,990	8,443	8,620	9,043	9,678	10,622	11,304	11,760	12,883	13,655
SGA	3,318	3,488	3,704	3,938	4,012	4,075	4,491	4,870	5,244	5,460	5,644	6,046	6,331
EBITDA	4,016	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844	6,116	6,838	7,324
Dep & Amortization	684	697	763	744	787	799	712	745	821	791	938	1,001	1,006
EBIT	3,332	3,466	3,466	3,308	3,644	3,745	3,840	4,062	4,557	5,053	5,178	5,837	6,318
Other income (net)	(104)	(60)	90	250	262	210	165	283	263	(1)	376	331	222
PBT	3,228	3,406	3,070	3,558	3,906	3,956	4,005	4,345	4,820	5,052	5,554	6,168	5,650
Tax	848	891	783	925	1,032	802	941	1,095	1,091	1,095	1,305	1,454	1,255
PAT	2,380	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958	4,249	4,715	4,395
YoY Growth (%)													
USD Revenue	32.8	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7	18.8	17.6	17.3
INR Revenue	45.4	37.6	23.6	17.7	15.2	14.9	17.9	20.1	22.6	25.1	21.8	23.6	23.4
Gross Profit	45.6	38.6	25.0	16.5	15.1	12.7	14.0	21.1	25.8	31.1	30.0	33.1	28.5
EBIT	60.0	50.7	29.0	10.8	9.4	8.1	10.8	22.8	25.1	34.9	34.8	43.7	38.6
Net Profit	34.9	25.1	8.1	19.7	20.8	25.4	33.9	23.4	29.8	25.5	38.7	45.1	17.8
QoQ Growth (%)													
USD Revenue	3.4	3.85	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2	3.9	4.1	4.1
INR Revenue	5.9	3.9	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.9	2.8	7.4	5.5
EBIT	11.6	4.0	0.0	(4.6)	10.2	2.8	2.5	5.8	12.2	10.9	2.5	12.7	8.2
Net Profit	8.2	5.7	(9.0)	15.1	9.2	9.7	(2.9)	6.1	14.8	6.1	7.4	10.9	(6.8)
Margins (%)													
Gross Margin	33.8	33.9	34.2	33.1	33.8	33.3	33.0	33.4	34.7	34.9	35.3	36.0	36.1
SGA	15.3	15.5	16.0	16.3	16.1	15.7	16.4	16.8	17.1	16.8	16.9	16.9	16.8
EBITDA	18.5	18.5	18.2	16.8	17.7	17.5	16.6	16.6	17.6	18.0	18.3	19.1	19.4
EBIT	15.4	15.4	14.9	13.7	14.6	14.5	14.0	14.0	14.9	15.6	15.5	16.3	16.7
PBT	14.9	15.1	13.2	14.8	15.6	15.3	14.6	15.0	15.7	15.6	16.7	17.2	15.0
PAT	11.0	11.2	9.9	10.9	11.5	12.2	11.2	11.2	12.2	12.2	12.7	13.2	11.6

Source: Company, BOBCAPS Research

Fig 17 – Segmental Information

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Revenues													
Banking, Financial Services and Insurance	6,960.4	7,290.5	7,736.9	7,791.2	7,786.3	7,958.7	8,431.6	9,117.4	9,692.3	10,468.4	11,301.4	12,455.6	13,213.2
Healthcare & Life Sciences	4,139.7	4,438.2	4,309.2	4,657.4	5,448.0	6,278.1	7,311.0	8,065.3	8,483.4	8,691.8	8,426.9	9,027.3	9,604.7
Software, Hi-Tech and Emerging Industries	10,593.6	10,816.0	11,165.6	11,668.1	11,747.9	11,668.5	11,629.1	11,788.9	12,447.1	13,260.9	13,607.5	14,324.3	14,964.2
Total	21,693.7	22,544.7	23,211.8	24,116.7	24,982.2	25,905.3	27,371.7	28,971.5	30,622.8	32,421.1	33,335.9	35,807.2	37,782.1
QoQ Revenue Growth %													
Banking, Financial Services and Insurance	4.9	4.7	6.1	0.7	(0.1)	2.2	5.9	8.1	6.3	8.0	8.0	10.2	6.1
Healthcare & Life Sciences	7.2	7.2	(2.9)	8.1	17.0	15.2	16.5	10.3	5.2	2.5	(3.0)	7.1	6.4
Software, Hi-Tech and Emerging Industries	6.1	2.1	3.2	4.5	0.7	(0.7)	(0.3)	1.4	5.6	6.5	2.6	5.3	4.5
Total	5.9	3.9	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.9	2.8	7.4	5.5
YoY Revenue Growth %													
Banking, Financial Services and Insurance	44.8	37.0	21.9	17.4	11.9	9.2	9.0	17.0	24.5	31.5	34.0	36.6	36.3
Healthcare & Life Sciences	34.1	31.6	15.8	20.6	31.6	41.5	69.7	73.2	55.7	38.4	15.3	11.9	13.2
Software, Hi-Tech and Emerging Industries	50.9	40.7	28.1	16.8	10.9	7.9	4.2	1.0	6.0	13.6	17.0	21.5	20.2
Total	45.4	37.6	23.6	17.7	15.2	14.9	17.9	20.1	22.6	25.2	21.8	23.6	23.4
Segment Profit													
Banking, Financial Services and Insurance	2,594.7	2,812.9	2,994.9	2,990.3	2,657.8	2,768.3	2,780.8	3,387.6	3,622.8	3,695.3	3,885.2	4,348.3	4,483.4
Healthcare & Life Sciences	2,080.3	2,172.2	2,067.7	2,178.1	1,979.3	2,268.8	2,698.6	3,108.7	3,607.6	3,353.5	3,041.5	3,460.1	3,532.1
Software, Hi-Tech and Emerging Industries	3,566.1	3,050.1	2,583.5	2,939.3	3,497.8	3,016.3	2,788.7	3,234.0	3,920.1	4,377.8	4,900.4	5,244.3	4,957.5
Total	8,241.1	8,035.1	7,646.1	8,107.7	8,134.9	8,053.4	8,268.1	9,730.2	11,150.5	11,426.6	11,827.1	13,052.7	12,973.0
Segment Profit Margin													
Banking, Financial Services and Insurance	37.3	38.6	38.7	38.4	34.1	34.8	33.0	37.2	37.4	35.3	34.4	34.9	33.9
Healthcare & Life Sciences	50.3	48.9	48.0	46.8	36.3	36.1	36.9	38.5	42.5	38.6	36.1	38.3	36.8
Software, Hi-Tech and Emerging Industries	33.7	28.2	23.1	25.2	29.8	25.9	24.0	27.4	31.5	33.0	36.0	36.6	33.1
Total	38.0	35.6	32.9	33.6	32.6	31.1	30.2	33.6	36.4	35.2	35.5	36.5	34.3

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
P and L (USD mn)													
Revenue	264	275	283	292	301	311	328	345	360	375	390	406	423
EBIT	41	42	42	40	44	45	46	48	54	58	61	66	71
PAT	29	31	28	32	35	38	37	39	44	46	50	53	49
P and L (Rs mn)													
Revenue	21,694	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421	33,336	35,807	37,782
EBITDA	4,016	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844	6,116	6,838	7,324
PAT	2,380	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958	4,249	4,715	4,395
Geographical Mix (%)													
North Americas	77.1	77.9	79.2	79.2	79.7	80.1	80.7	81.3	80.5	80.5	79.8	79.8	81.5
Europe	9	10.3	9.7	9.5	8.9	7.8	7.8	7.9	8.2	8.4	9	9.3	8.5
India	12.3	10.0	9.9	9.7	10.0	10.1	9.8	9.2	9.4	9.3	9.8	9.2	7.8
ROW	1.6	1.8	1.2	1.6	1.4	2	1.7	1.6	1.9	1.8	1.4	1.7	2.2
Utilization (%) (including Trainees)	77.6	77.3	78.3	80.6	81.5	80.0	82.1	84.8	87.4	88.1	88.7	88.2	88.4
Revenue Mix (Delivery of IT services)													
Revenue mix-Onsite	14.3	13.1	13.1	12.7	13.8	14.8	15.2	15.8	15.1	14.8	14.5	14.1	14.2
Revenue mix-Offshore	85.7	86.9	86.9	87.3	86.2	85.2	84.8	84.2	84.9	85.2	85.5	85.9	85.8
Clients Concentration (%)													
Top 5 clients	24.7	26.5	27.9	28.3	28.0	29.2	30.7	31.4	30.8	32.7	31.8	32.9	32.9
Top 10 clients	35.0	37.4	39.6	39.5	39.3	40.0	41.5	41.5	40.0	42.2	42.0	43.2	43.7
Top 20 clients	47.8	47.9	50.4	50.6	51.4	51.1	51.9	52.1	50.9	53.0	53.8	54.4	54.8
Top 50 clients	63.9	64.4	66.1	66.5	66.7	67.3	67.8	67.9	67.4	68.7	70.0	70.1	70.5
Business Mix (%)													
BFSI	32.6	32.3	33.3	32.3	31.2	30.7	30.8	31.5	31.7	32.3	33.9	34.8	35.0
Healthcare & Life Science	19.6	19.7	18.6	19.3	21.8	24.2	26.7	27.8	27.8	26.8	25.3	25.2	25.4
Tech. Cos. & Emerging Verticals	47.8	48.0	48.1	48.4	47.0	45.1	42.5	40.7	40.5	40.9	40.8	40.0	39.6
Employee Metrics													
Employees	22,598	22,889	23,130	22,842	23,336	23,850	23,519	23,237	23,941	24,594	25,340	26,224	26,711
Net addition of employees (QoQ)	122	291	241	(288)	494	514	(331)	(282)	704	653	746	884	487
Attrition LTM (%)	21.6	19.8	15.5	13.5	11.9	11.5	11.9	12.0	12.6	12.9	13.9	13.8	13.5
Productivity Metrics													
Per Capita (Annualised) - (USD)													
Revenue	46,794	47,977	48,923	51,085	51,518	52,140	55,818	59,441	60,193	61,030	61,546	61,925	63,288
EBIT	7,187	7,376	7,306	7,006	7,515	7,538	7,831	8,334	8,958	9,512	9,560	10,095	10,583
PAT	5,133	5,352	4,822	5,577	5,927	6,348	6,248	6,668	7,331	7,450	7,845	8,154	7,361
Direct and opex cost per capita	39,607	40,601	41,617	44,079	44,003	44,602	47,988	51,107	51,235	51,519	51,986	51,829	52,705

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

(in USD terms)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth (%)													
Company	3.4	3.8	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2	3.9	4.1	4.1
Geography													
North Americas	1.5	4.9	4.8	3.1	3.7	4.0	6.4	6.0	3.3	4.2	3.0	4.1	6.3
Europe	12.2	18.8	(3.0)	1.0	(3.5)	(9.3)	5.6	6.6	8.3	6.7	11.3	7.6	(4.9)
India	10.6	(15.6)	2.0	1.0	6.2	4.5	2.4	(1.2)	6.6	3.0	9.5	(2.2)	(11.7)
ROW	3.4	16.8	(31.3)	37.5	(9.9)	47.8	(10.3)	(1.0)	23.9	(1.3)	(19.2)	26.4	34.7
Client Concentration													
Top 1	(12.0)	30.5	13.0	3.1	(6.1)	(11.0)							
Top 5	(5.0)	11.4	8.5	4.6	1.9	7.9	11.0	7.6	2.3	10.6	1.0	7.7	4.1
Top 10	(1.4)	11.0	9.1	2.9	2.5	5.3	9.5	5.2	0.6	9.9	3.4	7.1	5.3
Top 20	2.2	4.1	8.4	3.5	4.7	2.8	7.2	5.6	1.9	8.5	5.5	5.3	4.9
Top 50	3.3	4.7	5.8	3.7	3.3	4.4	6.4	5.4	3.6	6.2	5.9	4.3	4.7
Vertical Mix													
BFSI	2.8	2.9	6.2	0.0	(0.5)	1.8	5.9	7.6	5.0	6.1	9.1	6.9	4.7
Healthcare & Life Science	2.9	4.4	(2.7)	7.0	16.4	14.8	16.5	9.5	4.3	0.4	(1.9)	3.7	4.9
Tech. Cos. & Emerging Verticals	4.1	4.3	3.3	3.8	0.0	(0.7)	(0.5)	0.8	3.8	5.2	3.6	2.1	3.1
YoY Growth (%)													
Company	32.8	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7	18.8	17.6	17.3
Geography													
North Americas	29.3	25.2	18.3	15.0	17.5	16.4	18.2	21.5	21.1	21.3	17.5	15.4	18.8
Europe	44.0	54.9	33.7	30.6	12.4	(14.2)	(6.7)	(1.6)	10.4	30.0	37.1	38.4	21.6
India	49.8	14.8	2.6	(3.7)	(7.6)	14.4	14.8	12.3	12.7	11.1	18.8	17.6	(2.7)
ROW	32.8	13.7	(21.9)	14.1	(0.5)	25.8	64.4	18.4	62.7	8.6	(2.2)	24.9	35.8
Client Concentration													
Top 1	(43.9)	(16.1)	2.1	33.8	42.9	(2.6)							
Top 5	(9.2)	3.0	6.1	20.1	28.9	24.8	27.7	31.3	31.9	35.2	23.1	23.2	25.3
Top 10	3.3	12.2	14.0	22.9	27.7	21.1	21.6	24.4	22.0	27.3	20.2	22.4	28.2
Top 20		16.1	15.3	19.3	22.3	20.8	19.5	21.9	18.7	25.2	23.1	22.8	26.3
Top 50			17.1	18.6	18.7	18.3	19.0	20.9	21.1	23.2	22.7	21.4	22.7
Vertical Mix													
BFSI	34.4	25.9	15.7	12.4	8.8	7.6	7.3	15.4	21.8	27.0	30.8	29.9	29.5
Healthcare & Life Science	25.7	20.2	9.5	11.8	26.5	39.1	66.5	70.5	52.9	33.7	12.6	6.6	7.2
Tech. Cos. & Emerging Verticals	34.7	29.3	21.4	16.3	11.8	6.4	2.5	(0.5)	3.3	9.5	14.0	15.5	14.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	98,217	119,387	146,482	172,566	200,382
EBITDA	17,257	20,581	28,002	33,171	38,016
Depreciation	3,094	3,069	3,971	4,309	4,636
EBIT	14,163	17,512	24,032	28,862	33,380
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	327	710	1,215	1,483	1,887
Exceptional items	0	0	0	0	0
EBT	14,490	18,223	25,247	30,345	35,267
Income taxes	3,541	4,222	5,655	7,131	8,288
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	10,949	14,001	19,592	23,214	26,979
Adjustments	0	0	0	0	0
Adjusted net profit	10,949	14,001	19,592	23,214	26,979

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	18,511	17,299	26,183	30,045	35,167
Provisions	3,331	4,029	1,187	1,362	1,594
Debt funds	99	0	0	0	0
Other liabilities	2,218	2,848	5,251	5,251	5,251
Equity capital	770	779	789	789	789
Reserves & surplus	48,807	62,411	80,359	94,288	110,475
Shareholders' fund	49,577	63,191	81,148	95,077	111,264
Total liab. and equities	73,736	87,366	113,768	131,734	153,276
Cash and cash eq.	10,229	10,255	15,275	25,101	36,382
Accounts receivables	17,491	19,142	25,715	29,509	34,539
Inventories	0	0	0	0	0
Other current assets	11,902	18,926	25,158	28,869	33,790
Investments	8,266	9,803	16,907	18,907	20,907
Net fixed assets	11,302	13,805	13,829	12,464	10,772
CWIP	335	42	568	568	568
Intangible assets	10,913	12,338	12,931	12,931	12,931
Deferred tax assets, net	1,360	2,024	2,874	2,874	2,874
Other assets	1,938	1,031	512	512	512
Total assets	73,736	87,366	113,768	131,734	153,276

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	8,911	8,433	17,579	24,056	27,017
Capital expenditures	1,769	(3,787)	(3,752)	(2,944)	(2,944)
Change in investments	(2,179)	(1,367)	(5,910)	(2,000)	(2,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(410)	(5,154)	(9,662)	(4,944)	(4,944)
Equities issued/Others	6	9	10	0	0
Debt raised/repaid	(1,958)	51	99	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(3,933)	(5,387)	(7,628)	(9,286)	(10,792)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(5,886)	(5,327)	(7,520)	(9,286)	(10,792)
Chg in cash & cash eq.	1,196	26	5,020	9,826	11,281
Closing cash & cash eq.	10,229	10,255	15,275	25,101	36,382

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	72.6	91.2	120.1	148.7	172.8
Adjusted EPS	71.2	90.2	119.3	147.6	171.5
Dividend per share	26.0	34.9	48.9	59.5	69.1
Book value per share	322.3	405.4	515.9	604.5	707.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	10.2	8.4	6.8	5.9	5.1
EV/EBITDA	57.9	48.6	35.8	30.5	26.9
Adjusted P/E	89.1	70.3	53.2	43.0	37.0
P/BV	19.7	15.6	12.3	10.5	9.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.6	76.8	76.8	76.5	76.5
Interest burden (PBT/EBIT)	102.3	104.1	101.4	105.1	105.7
EBIT margin (EBIT/Revenue)	14.4	14.7	16.4	16.7	16.7
Asset turnover (Rev./Avg TA)	215.0	211.3	202.4	195.3	193.8
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	24.5	24.8	25.9	26.3	26.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	17.6	21.6	22.7	17.8	16.1
EBITDA	13.6	19.3	36.1	18.5	14.6
Adjusted EPS	18.1	26.7	32.2	23.7	16.2
Profitability & Return ratios (%)					
EBITDA margin	17.6	17.2	19.1	19.2	19.0
EBIT margin	14.4	14.7	16.4	16.7	16.7
Adjusted profit margin	11.1	11.7	13.4	13.5	13.5
Adjusted ROAE	24.5	24.8	27.1	26.3	26.2
ROCE	23.4	23.8	25.5	25.0	24.7

Working capital days (days)

Receivables	65	59	64	62	63
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	8.7	8.6	10.6	13.8	18.6
Current ratio	1.8	2.3	2.4	2.7	2.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

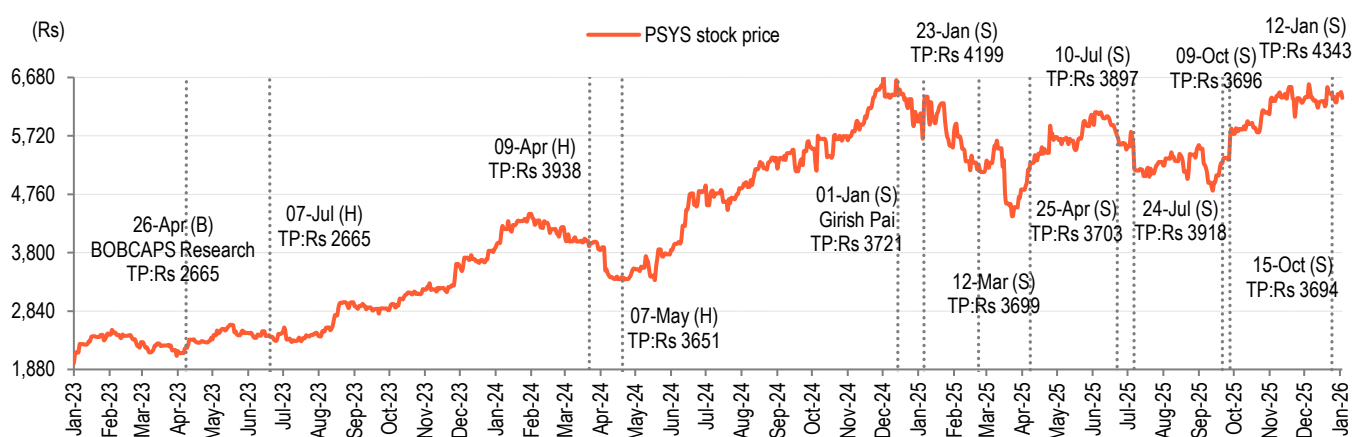
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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