

SELL

TP: Rs 3,703 | ▼ 28%

PERSISTENT SYSTEMS

| IT Services

| 25 April 2025

Delivers strong growth but pricey at 47x

- Delivers industry leading growth in FY25 and in 4QFY25 and maintains its aspiration of US\$2bn revenue by FY27 (20% CAGR)
- Will grow EPS at among fastest rates between FY25-27 not only due to fast revenue growth but also due to margin expansion
- We maintain estimates for FY26/27 and maintain our target PE multiple which is at a premium to that of TCS by 25%. Retain SELL on valuation

4QFY25 CC revenue QoQ growth of 4.5% was a tad lower than our estimate of 5%. But we believe it was ahead of consensus estimates. It been among the strongest numbers reported in the quarter thus far in the Indian IT services industry.

EBIT margin at 15.6% was ahead of our estimate of 15.3%. This has been achieved by significant tightening of utilization which has gone to a historic high of 88% (including trainees) and forex gains. The utilization number for the quarter is up 800 basis points on a YY basis and that has largely driven the 160bps gross margin improvement in the quarter YoY. EBIT margin was up 110bps YoY in 4QFY25.

The 19% constant currency growth for FY25 has been achieved by only an increase of ~4% in the technical workforce and tells you the extent of tightening in utilization that has been done. There is also productivity improvement due to AI/Gen AI.

Persistent systems reiterated its aspiration to achieve USD2 billion in revenue by FY27. This implies a ~20% CAGR over FY25-FY27. This possibly includes some inorganic elements. However, it does represent an ambitious goal in the current stressed macro environment.

Macroeconomic uncertainty has increased over the past 4–6 weeks, leading to a more cautious behavior among clients. No cancellations have been observed; however, there is a visible delay in decision-making and deal closures. After driving growth in FY25 the healthcare and life sciences division is going to take a back seat. The BFSI and high-tech verticals are going to drive growth in FY26.

For FY26 the company hinted at revenue growth which would be in the top quartile of the industry and EBIT margin expansion of ~100bps over the FY25 number (14.7%).

Post 4QFY25 we have broadly maintained our future estimates. However, revenue for FY27 will fall short of US\$2bn that Persistent is aspiring for. We find the stock pricey at 47x FY26E and find no margin of safety. Hence reiterate SELL

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	PSYS IN/Rs 5,157
Market cap	US\$ 9.3bn
Free float	68%
3M ADV	US\$ 40.1mn
52wk high/low	Rs 6,789/Rs 3,232
Promoter/FPI/DII	31%/25%/26%

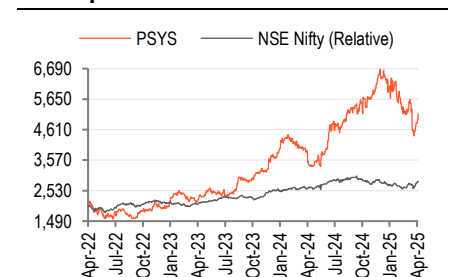
Source: NSE | Price as of 24 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	119,387	142,422	171,691
EBITDA (Rs mn)	20,581	25,232	31,571
Adj. net profit (Rs mn)	14,001	17,004	21,678
Adj. EPS (Rs)	90.2	109.1	139.1
Consensus EPS (Rs)	89.9	113.5	139.6
Adj. ROAE (%)	24.8	24.9	27.1
Adj. P/E (x)	57.2	47.3	37.1
EV/EBITDA (x)	38.3	31.1	24.8
Adj. EPS growth (%)	26.7	21.0	27.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- FY25 revenue was US\$1,409.1mn, growing 18.8% YoY
- FY25 EBIT margin was 14.7%, compared to 14.4% in FY24
- 4Q FY25 revenue stood at US\$375.2mn, registering 4.2% QoQ and 20.7% YoY growth. CC revenue growth was 4.5% QoQ
- EBIT margin for 4QFY25 was 15.6%, a QoQ growth of 70bps and YoY growth of 110bps
 - QoQ EBIT margin tailwinds included: Improved utilization (+20bps), reduced SG&A cost (+30bps), higher earnout credit (+20bps), an favorable currency movement (+40bps). Headwinds included: increased lab set up costs for a multi-year-managed services deal (40bps)
- TTM attrition was 12.9% in 4Q FY25 vs 11.5% in 4Q FY24
- 4QFY25 TCV was US\$517.5mn; new bookings TCV was US\$329mn
- 4Q FY25 ACV was US\$350.2mn, with ACV from new bookings at US\$198.1mn
- Sequential decline in bookings during 4Q FY25 attributed to seasonality, as December quarter (80% of the revenues come from the US and this period is the end of financial year for the North American customers) typically sees higher volume of renewals
- FY25 full year TCV stood at US\$2.1bn, and ACV was US\$1.5bn
- Total FY25 dividend was INR35/share
- Reaffirmed aspiration to reach US\$2 bn revenue target by end of FY27, with progress on track. The timeline has eight quarters left to achieve this target, and the trajectory is visible, though exact splits between FY26 and FY27 are not being provided due to macroeconomic uncertainties
- Healthcare providers and payers are facing financial pressure due to unexpected Medicare costs and lower US Federal payments. Despite these challenges, healthcare vertical has continued to grow well. Cost-cutting initiatives by DOGE and USAID are impacting some customers, but also creating opportunities for cost optimization support. Overall outlook on the healthcare sector remains positive with confidence in maintaining a decent growth trajectory
- Several levers exist to support margin improvement, including pricing improvements and efficient SG&A investments that are tied to revenue growth outcomes.
- Utilization is currently high (88% including trainees) and expected to remain in a narrow band for the near term due to prevailing uncertainty. The company is operationally comfortable operating at current levels
- Offshoring in the healthcare vertical is ongoing across multiple deals within the largest customer and others in the ecosystem, contributing positively to margins

- Overall, the company remains confident of growth and margin expansion targets, supported by deal pipeline, ongoing offshoring, and productivity-led platforms like SASVA
- Current company verticals offer sufficient addressable market to support growth through FY31 and potentially achieve the US\$5 bn revenue aspiration. The company remains focused on deepening its presence within existing verticals through a sub-vertical strategy, with leadership already appointed to drive execution in several areas. A strategic decision to add new verticals will be made based on opportunity and market conditions
- Entry into new verticals is being considered primarily through acquisitions rather than organic incubation, with the intent to enter as a stronger player. Acquisition-led expansion would be executed based on strategic fit
- Acquisition strategy:
 - Revenue diversification through scaled acquisitions, potentially in Europe
 - Capability-led acquisitions in the US, particularly in AI, BFSI sub-verticals, or Healthcare sub-verticals
 - Horizontal use case acquisitions in Gen AI, such as prior moves in the contact center space and the ARCA acquisition, aimed at strengthening Gen AI offerings

View on the Indian IT Services sector: 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 that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**)

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty. The tariffs, the conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit (due to economic slowdown concerns, not enough gains from DOGE,etc) US 10-year yields rose. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, will lead to slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

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

Gen AI – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen

limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

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.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in 9MFY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a limited set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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

Fig 1 – Quarterly results: Comparison of actuals with estimates

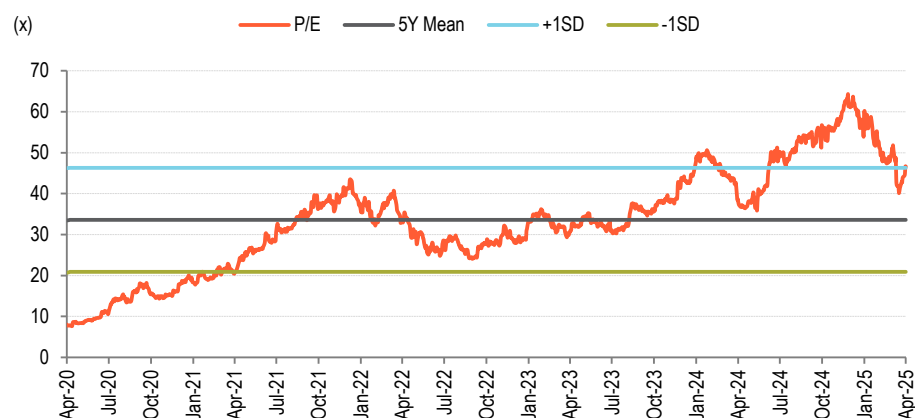
Y/E March (Rsmn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25E	Dev (%)
Net Sales (USD mn)	310.9	360.3	375.2	20.7	4.2	376.4	-0.3%
Net Sales	25,906	30,623	32,421	25.1	5.9	32,558	-0.4%
Direct Cost	17,286	20,000	21,117	22.2	5.6	21,373	-1.2%
% of Sales	66.7	65.3	65.1			65.6	
Gross Margin	8,620	10,622	11,304	31.1	6.4	11,184	1.1%
% of Sales	33.3%	34.7%	34.9%			34.4%	
SG&A	4,075	5,244	5,460	34.0	4.1	5,355	2.0%
% of Sales	15.7	17.1	16.8			16.4	
EBITDA	4,545	5,378	5,844	28.6	8.7	5,830	0.2%
EBITDA Margin (%)	17.5	17.6	18.0			17.9	
Depreciation and Amortisation	799	821	791			832	-4.9%
EBIT	3,745	4,557	5,053	34.9	10.9	4,997	1.1%
EBIT Margin (%)	14.5	14.9	15.6			15.3	
Other Income, Net	226	118	154	(32.1)	29.6	130	18.2%
Forex Gain/(Losses)	(16)	145	(154)	892.9	(206.6)	-	
PBT	3,956	4,820	5,052	27.7	4.8	5,127	-1.5%
Provision for Tax	802	1,091	1,095	36.5	0.4	1,359	-19.4%
Effective Tax Rate	20.3	22.6	21.7			26.5	
PAT	3,154	3,730	3,958	25.5	6.1	3,769	5.0%
NPM (%)	12.2	12.2	12.2			11.6	

Source: Company, BOBCAPS Research

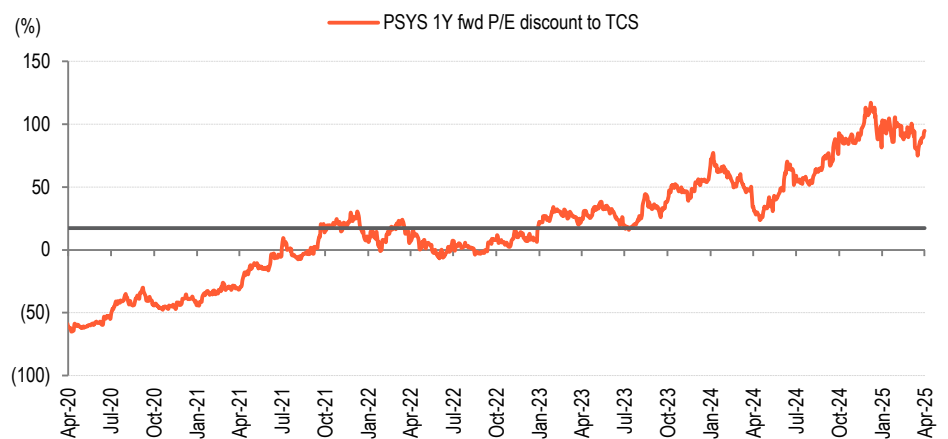
Fig 2 – Revised Estimates

Change in Estimates	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	87.3	89.3	87.3	89.3	-	-
USD Revenue (USD mn)	1,632	1,923	1,632	1,923	(0.0)	0.0
USD Revenue Growth (%)	15.8	17.8	15.6	17.8		
Revenue (Rsmn)	142,422	171,691	142,471	171,634	(0.0)	0.0
EBIT (Rsmn)	21,829	27,787	21,339	27,749	2.3	0.1
EBIT Margin (%)	15.3	16.2	15.0	16.2		
PAT (Rsmn)	17,004	21,678	16,638	21,656	2.2	0.1
FDEPS (Rs)	109.1	139.1	106.7	138.9	2.2	0.1

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend

Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS

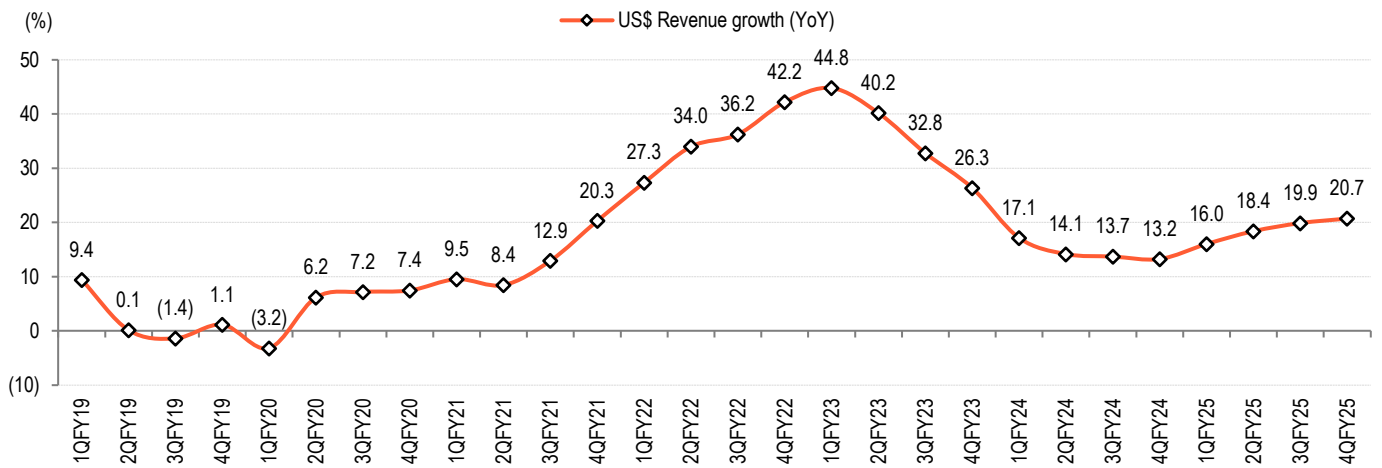
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

Rs mn	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
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	87.3	89.3
Net Sales (USD mn)	238	274	308	352	429	471	481	502	566	766	1,036	1,186	1,409	1,632	1,923
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	15.8	17.8
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	142,422	171,691
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	19.3	20.6
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	98,999	120,152
% 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	69.5	70.0
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	43,424	51,538
% 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	30.5	30.0
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	18,192	19,967
% 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	12.8	11.6
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	25,232	31,571
% 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	17.7	18.4
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	3,403	3,784
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	21,829	27,787
% 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%	15.3%	16.2%
Other income (net)	61	150	932	750	958	1,190	631	1,254	1,020	1,321	(64)	813	710	995	1,311
PBT	2,630	3,427	3,900	3,956	4,007	4,292	4,863	4,524	6,094	9,243	12,409	14,976	18,223	22,824	29,098
-PBT margin (%)	20.3	20.5	20.6	17.1	13.9	14.1	14.4	12.7	14.6	16.2	14.9	15.2	15.3	16.0	16.9
Provision for tax	754	934	993	983	992	1,062	1,347	1,121	1,588	2,339	3,198	3,541	4,222	5,820	7,420
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	23.6	23.2	25.5	25.5
Net profit	1,876	2,493	2,906	2,974	3,015	3,231	3,517	3,403	4,507	6,904	9,211	11,435	14,001	17,004	21,678
-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	21.4	27.5
-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	11.6	11.7	11.9	12.6

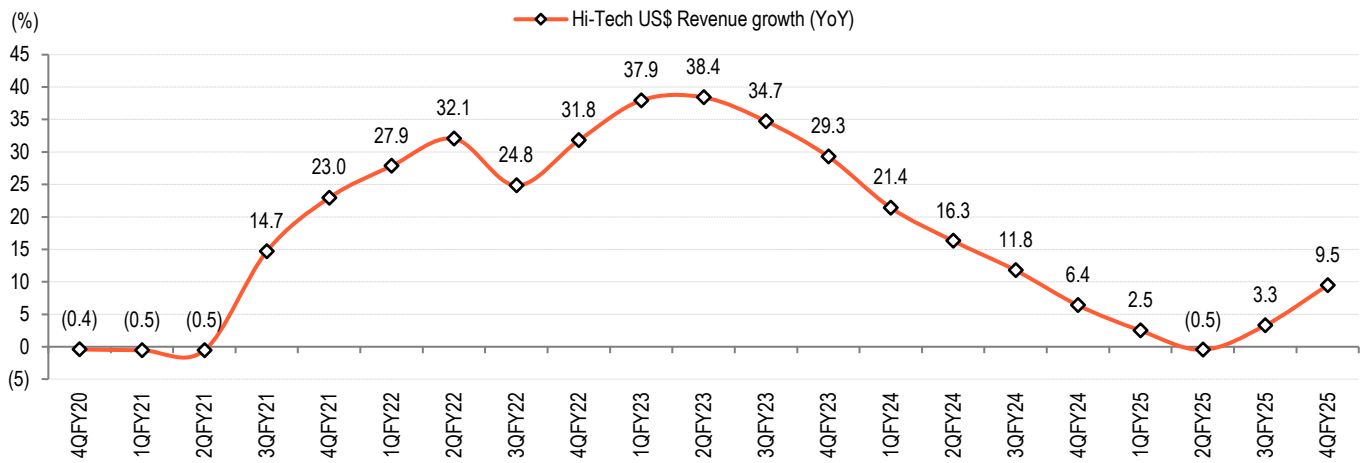
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth (YoY)



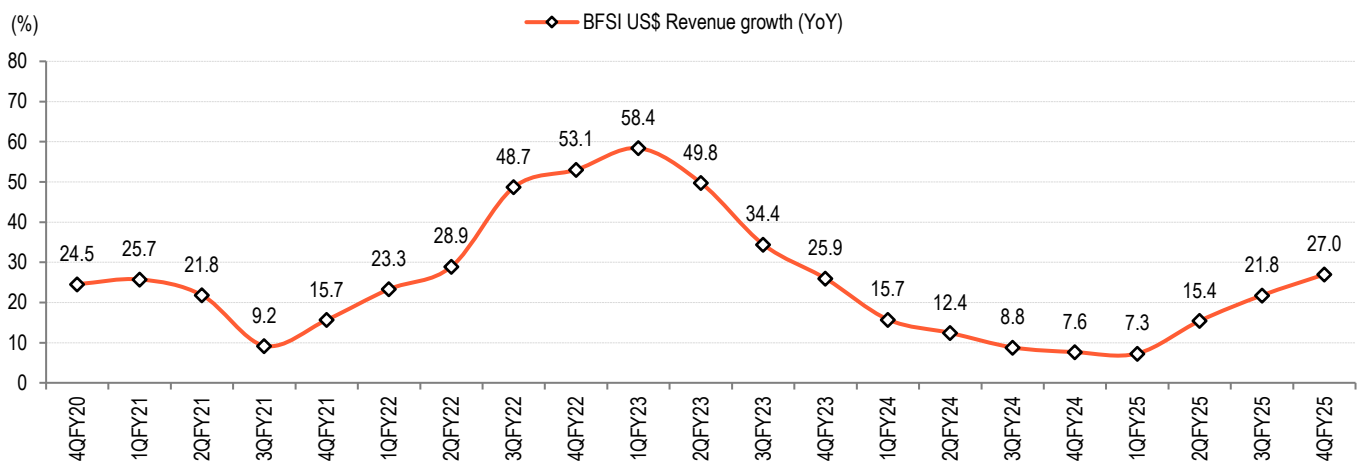
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue growth of Hi-Tech vertical (YoY)

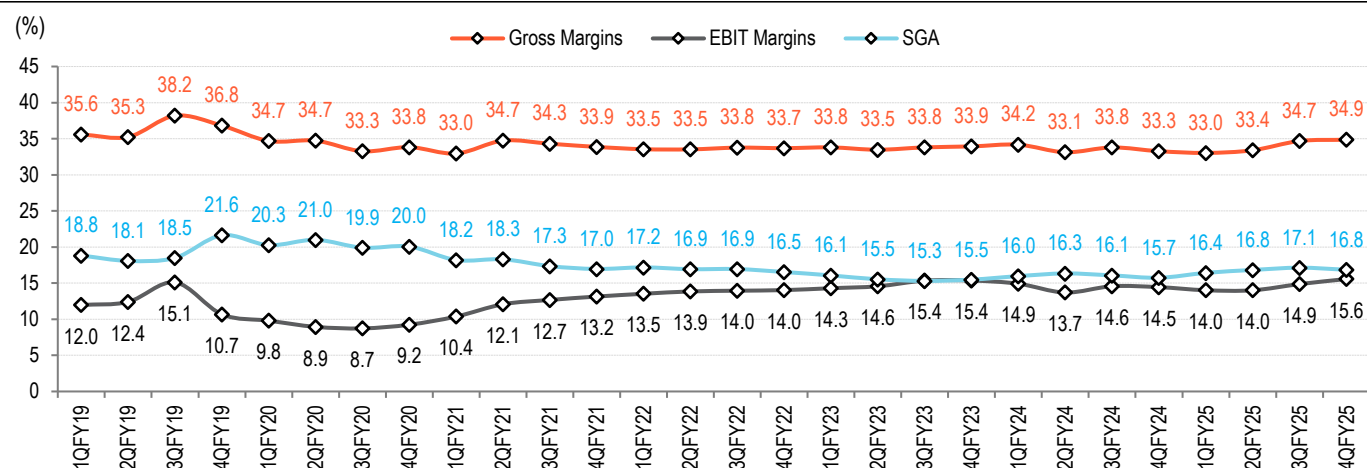


Source: Company, BOBCAPS Research

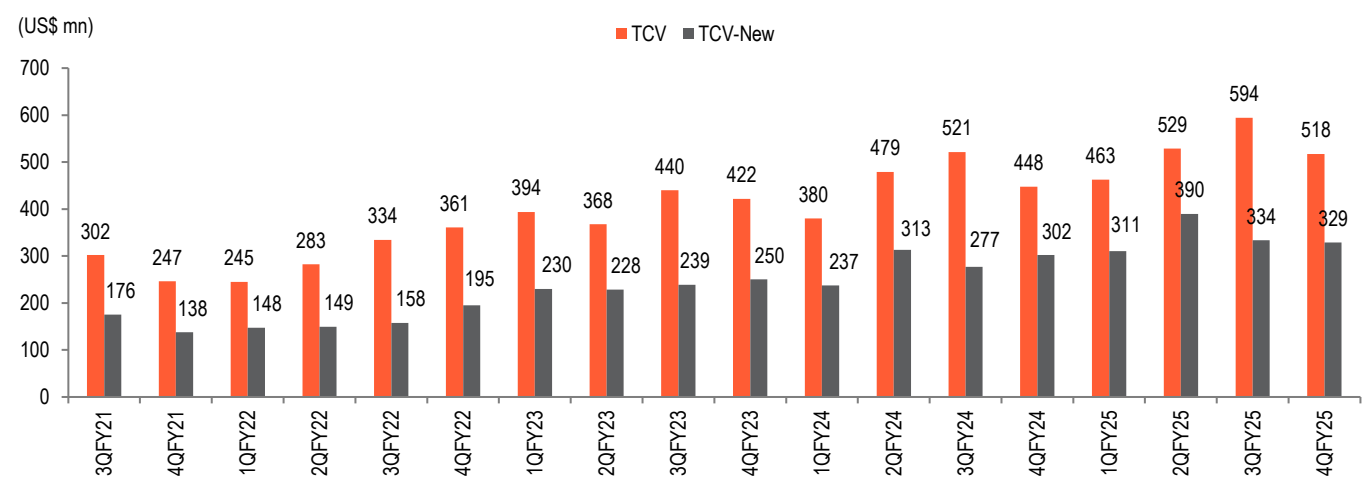
Fig 8 – USD Revenue growth of BFSI vertical (YoY)



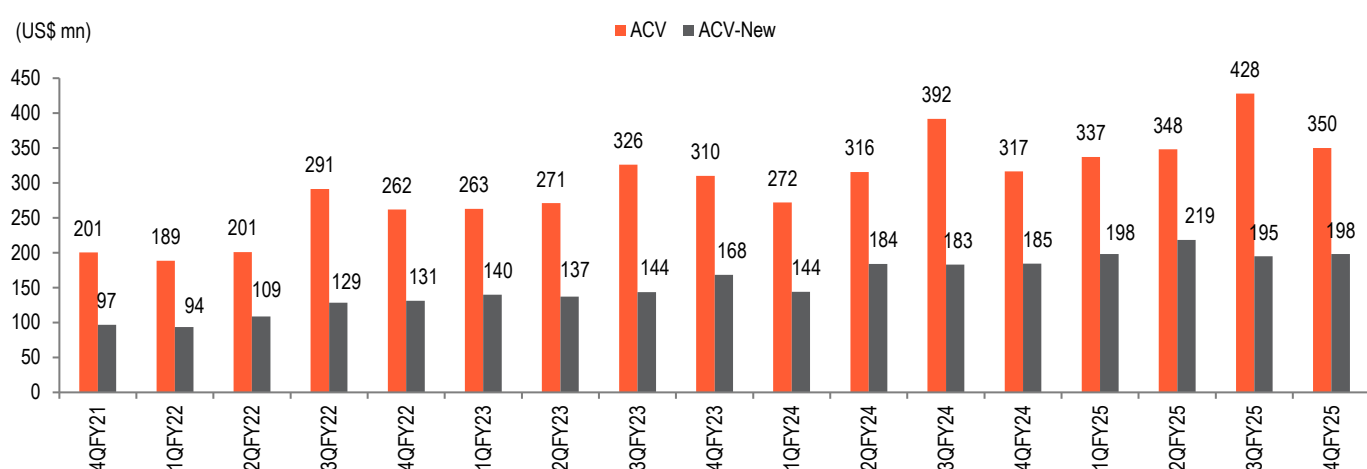
Source: Company, BOBCAPS Research

Fig 9 – Gross Margin, SG&A and EBIT Margin

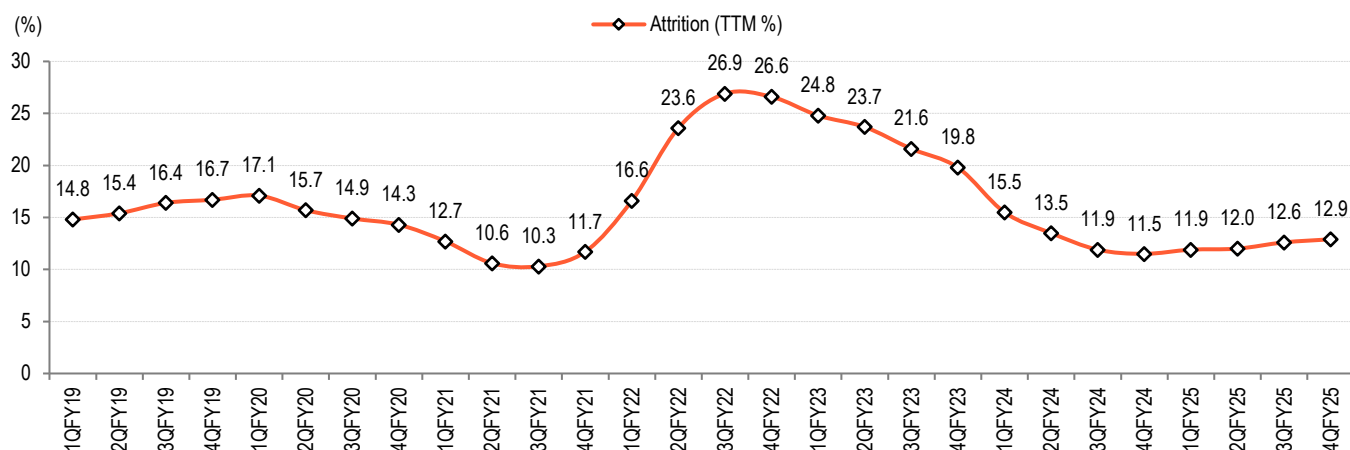
Source: Company, BOBCAPS Research

Fig 10 – The TCV trend

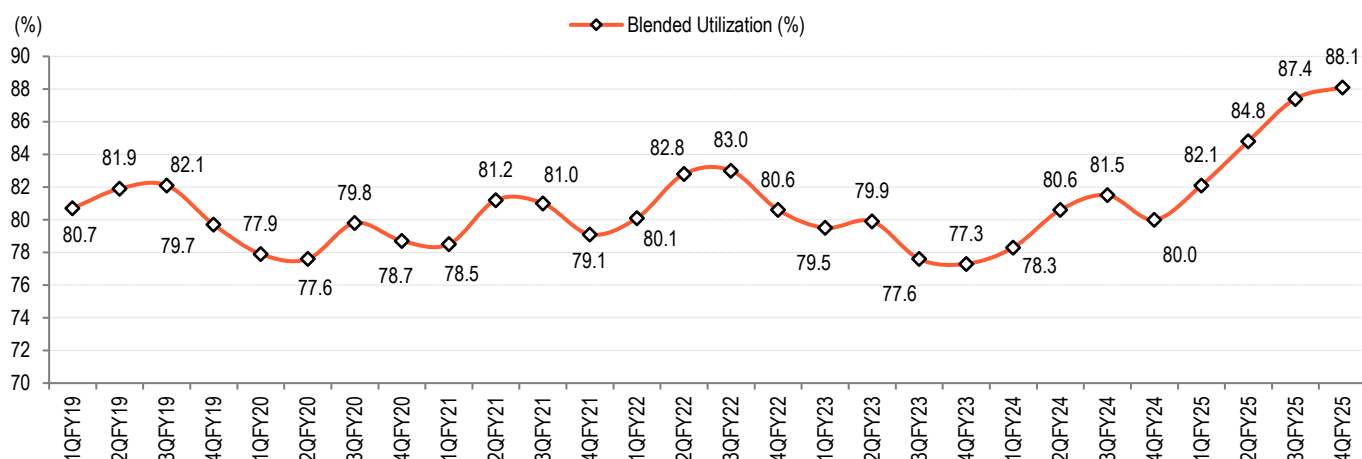
Source: Company, BOBCAPS Research

Fig 11 – The ACV trend

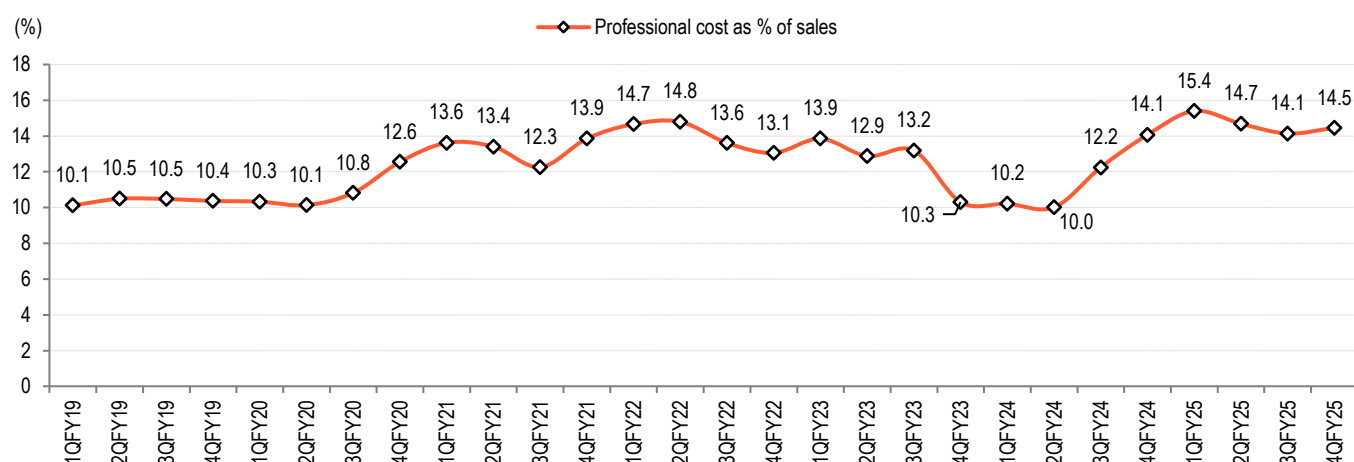
Source: Company, BOBCAPS Research

Fig 12 – LTM Attrition Rate

Source: Company, BOBCAPS Research

Fig 13 – Employee Utilization (including trainees)

Source: Company, BOBCAPS Research

Fig 14 – Subcontractor Cost as % of Revenue

Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

YE 31 Mar (Rsmn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
INR/USD	77.8	80.2	82.1	82.1	82.1	82.7	83.1	83.3	83.4	83.9	85.0	86.4
USD Revenue (USD mn)	242	256	264	275	283	292	301	311	328	345	360	375
INR Revenue	18,781	20,486	21,694	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421
Gross Margin	6,348	6,858	7,334	7,651	7,933	7,990	8,443	8,620	9,043	9,678	10,622	11,304
SGA	3,015	3,178	3,318	3,488	3,704	3,938	4,012	4,075	4,491	4,870	5,244	5,460
EBITDA	3,333	3,680	4,016	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844
Dep & Amortization	645	693	684	697	763	744	787	799	712	745	821	791
EBIT	2,688	2,987	3,332	3,466	3,466	3,308	3,644	3,745	3,840	4,062	4,557	5,053
Other income (net)	131	(31)	(104)	(60)	90	250	262	210	165	283	263	(1)
PBT	2,819	2,956	3,228	3,406	3,070	3,558	3,906	3,956	4,005	4,345	4,820	5,052
Tax	703	756	848	891	783	925	1,032	802	941	1,095	1,091	1,095
PAT	2,116	2,200	2,380	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958
YoY Growth (%)												
USD Revenue	44.8	40.2	32.8	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7
INR Revenue	52.7	51.6	45.4	37.6	23.6	17.7	15.2	14.9	17.9	20.1	22.6	25.1
Gross Profit	53.8	51.4	45.6	38.6	25.0	16.5	15.1	12.7	14.0	21.1	25.8	31.1
EBIT	61.4	59.4	60.0	50.7	29.0	10.8	9.4	8.1	10.8	22.8	25.1	34.9
Net Profit	39.9	36.0	34.9	25.1	8.1	19.7	20.8	25.4	33.9	23.4	29.8	25.5
QoQ Growth (%)												
USD Revenue	11.1	5.8	3.4	3.85	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2
INR Revenue	14.7	9.1	5.9	3.9	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.9
EBIT	16.8	11.1	11.6	4.0	0.0	(4.6)	10.2	2.8	2.5	5.8	12.2	10.9
Net Profit	5.3	4.0	8.2	5.7	(9.0)	15.1	9.2	9.7	(2.9)	6.1	14.8	6.1
Margins (%)												
Gross Margin	33.8	33.5	33.8	33.9	34.2	33.1	33.8	33.3	33.0	33.4	34.7	34.9
SGA	16.1	15.5	15.3	15.5	16.0	16.3	16.1	15.7	16.4	16.8	17.1	16.8
EBITDA	17.7	18.0	18.5	18.5	18.2	16.8	17.7	17.5	16.6	16.6	17.6	18.0
EBIT	14.3	14.6	15.4	15.4	14.9	13.7	14.6	14.5	14.0	14.0	14.9	15.6
PBT	15.0	14.4	14.9	15.1	13.2	14.8	15.6	15.3	14.6	15.0	15.7	15.6
PAT	11.3	10.7	11.0	11.2	9.9	10.9	11.5	12.2	11.2	11.2	12.2	12.2

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
P and L (USD mn)												
Revenue	242	256	264	275	283	292	301	311	328	345	360	375
EBIT	35	37	41	42	42	40	44	45	46	48	54	58
PAT	27	27	29	31	28	32	35	38	37	39	44	46
P and L (Rs mn)												
Revenue	18,781	20,486	21,694	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421
EBITDA	3,333	3,680	4,016	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844
PAT	2,116	2,200	2,380	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958
Geographical Mix (%)												
North Americas	78.4	78.6	77.1	77.9	79.2	79.2	79.7	80.1	80.7	81.3	80.5	80.5
Europe	8.5	8.3	9	10.3	9.7	9.5	8.9	7.8	7.8	7.9	8.2	8.4
India	11.3	11.5	12.3	10.0	9.9	9.7	10.0	10.1	9.8	9.2	9.4	9.3
ROW	1.8	1.6	1.6	1.8	1.2	1.6	1.4	2	1.7	1.6	1.9	1.8
Utilization (%) (including Trainees)	79.5	79.9	77.6	77.3	78.3	80.6	81.5	80.0	82.1	84.8	87.4	88.1
Revenue Mix (Delivery of IT services)												
Revenue mix-Onsite	14.7	14.4	14.3	13.1	13.1	12.7	13.8	14.8	15.2	15.8	15.1	14.8
Revenue mix-Offshore	85.3	85.6	85.7	86.9	86.9	87.3	86.2	85.2	84.8	84.2	84.9	85.2
Clients Concentration (%)												
Top 5 clients	30.8	26.9	24.7	26.5	27.9	28.3	28.0	29.2	30.7	31.4	30.8	32.7
Top 10 clients	40.7	36.7	35.0	37.4	39.6	39.5	39.3	40.0	41.5	41.5	40.0	42.2
Top 20 clients	51.2	48.4	47.8	47.9	50.4	50.6	51.4	51.1	51.9	52.1	50.9	53.0
Top 50 clients	66.1	64.0	63.9	64.4	66.1	66.5	66.7	67.3	67.8	67.9	67.4	68.7
Business Mix (%)												
BFSI	33.7	32.8	32.6	32.3	33.3	32.3	31.2	30.7	30.8	31.5	31.7	32.3
Healthcare & Life Science	19.9	19.7	19.6	19.7	18.6	19.3	21.8	24.2	26.7	27.8	27.8	26.8
Tech. Cos. & Emerging Verticals	46.4	47.5	47.8	48.0	48.1	48.4	47.0	45.1	42.5	40.7	40.5	40.9
Employee Metrics												
Employees	21,638	22,476	22,598	22,889	23,130	22,842	23,336	23,850	23,519	23,237	23,941	24,594
Net addition of employees (QoQ)	3,039	838	122	291	241	-288	494	514	-331	-282	704	653
Attrition LTM (%)	24.8	23.7	21.6	19.8	15.5	13.5	11.9	11.5	11.9	12.0	12.6	12.9
Productivity Metrics												
Per Capita (Annualised) - (USD)												
Revenue	44,649	45,483	46,794	47,977	48,923	51,085	51,518	52,140	55,818	59,441	60,193	61,030
EBIT	6,390	6,631	7,187	7,376	7,306	7,006	7,515	7,538	7,831	8,334	8,958	9,512
PAT	5,031	4,885	5,133	5,352	4,822	5,577	5,927	6,348	6,248	6,668	7,331	7,450
Direct and opex cost per capita	38,259	38,852	39,607	40,601	41,617	44,079	44,003	44,602	47,988	51,107	51,235	51,519

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

(in USD terms)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
QoQ Growth (%)												
Company	11.1	5.8	3.4	3.8	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2
Geography												
North Americas	10.9	6.1	1.5	4.9	4.8	3.1	3.7	4.0	6.4	6.0	3.3	4.2
Europe	12.5	3.3	12.2	18.8	(3.0)	1.0	(3.5)	(9.3)	5.6	6.6	8.3	6.7
India	14.2	7.7	10.6	(15.6)	2.0	1.0	6.2	4.5	2.4	(1.2)	6.6	3.0
ROW	0.0	(5.9)	3.4	16.8	(31.3)	37.5	(9.9)	47.8	(10.3)	(1.0)	23.9	(1.3)
Client Concentration												
Top 1	(7.1)	(21.3)	(12.0)	30.5	13.0	3.1	(6.1)	(11.0)				
Top 5	5.3	(7.6)	(5.0)	11.4	8.5	4.6	1.9	7.9	11.0	7.6	2.3	10.6
Top 10	7.4	(4.6)	(1.4)	11.0	9.1	2.9	2.5	5.3	9.5	5.2	0.6	9.9
Top 20	9.2	0.0	2.2	4.1	8.4	3.5	4.7	2.8	7.2	5.6	1.9	8.5
Top 50		2.5	3.3	4.7	5.8	3.7	3.3	4.4	6.4	5.4	3.6	6.2
Vertical Mix												
BFSI	15.6	3.0	2.8	2.9	6.2	0.0	(0.5)	1.8	5.9	7.6	5.0	6.1
Healthcare & Life Science	6.8	4.8	2.9	4.4	(2.7)	7.0	16.4	14.8	16.5	9.5	4.3	0.4
Tech. Cos. & Emerging Verticals	10.0	8.3	4.1	4.3	3.3	3.8	0.0	(0.7)	(0.5)	0.8	3.8	5.2
YoY Growth (%)												
Company	44.8	40.2	32.8	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7
Geography												
North Americas	43.9	40.0	29.3	25.2	18.3	15.0	17.5	16.4	18.2	21.5	21.1	21.3
Europe	29.5	32.2	44.0	54.9	33.7	30.6	12.4	(14.2)	(6.7)	(1.6)	10.4	30.0
India	66.9	53.5	49.8	14.8	2.6	(3.7)	(7.6)	14.4	14.8	12.3	12.7	11.1
ROW	44.8	12.1	32.8	13.7	(21.9)	14.1	(0.5)	25.8	64.4	18.4	62.7	8.6
Client Concentration												
Top 1	(0.4)	(27.8)	(43.9)	(16.1)	2.1	33.8	42.9	(2.6)				
Top 5	22.2	5.3	(9.2)	3.0	6.1	20.1	28.9	24.8	27.7	31.3	31.9	35.2
Top 10	26.2	13.3	3.3	12.2	14.0	22.9	27.7	21.1	21.6	24.4	22.0	27.3
Top 20				16.1	15.3	19.3	22.3	20.8	19.5	21.9	18.7	25.2
Top 50					17.1	18.6	18.7	18.3	19.0	20.9	21.1	23.2
Vertical Mix												
BFSI	58.4	49.8	34.4	25.9	15.7	12.4	8.8	7.6	7.3	15.4	21.8	27.0
Healthcare & Life Science	40.5	30.3	25.7	20.2	9.5	11.8	26.5	39.1	66.5	70.5	52.9	33.7
Tech. Cos. & Emerging Verticals	37.9	38.4	34.7	29.3	21.4	16.3	11.8	6.4	2.5	(0.5)	3.3	9.5

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	83,506	98,217	119,387	142,422	171,691
EBITDA	15,191	17,257	20,581	25,232	31,571
Depreciation	2,719	3,094	3,069	3,403	3,784
EBIT	12,472	14,163	17,512	21,829	27,787
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(64)	813	710	995	1,311
Exceptional items	0	0	0	0	0
EBT	12,409	14,976	18,223	22,824	29,098
Income taxes	3,198	3,541	4,222	5,820	7,420
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	9,211	11,435	14,001	17,004	21,678
Adjustments	0	0	0	0	0
Adjusted net profit	9,211	11,435	14,001	17,004	21,678

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	0	0	0	0	0
Other current liabilities	14,932	18,511	17,299	20,170	24,469
Provisions	4,649	3,331	4,029	4,697	5,698
Debt funds	2,058	99	0	0	0
Other liabilities	4,902	2,218	2,848	2,848	2,848
Equity capital	764	770	779	779	779
Reserves & surplus	38,887	48,807	62,411	72,614	85,621
Shareholders' fund	39,651	49,577	63,191	73,393	86,400
Total liab. and equities	66,191	73,736	87,366	101,107	119,414
Cash and cash eq.	9,033	10,229	10,255	15,028	21,605
Accounts receivables	15,830	17,491	19,142	22,319	27,076
Inventories	0	0	0	0	0
Other current assets	8,562	11,902	18,926	22,067	26,770
Investments	6,396	8,266	9,803	11,803	13,803
Net fixed assets	16,230	11,302	13,805	14,456	14,726
CWIP	161	335	42	42	42
Intangible assets	7,184	10,913	12,338	12,338	12,338
Deferred tax assets, net	1,129	1,360	2,024	2,024	2,024
Other assets	1,667	1,938	1,031	1,031	1,031
Total assets	66,191	73,736	87,366	101,107	119,414

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	12,605	8,911	8,433	17,629	21,301
Capital expenditures	(4,653)	1,769	(3,787)	(4,054)	(4,054)
Change in investments	1,155	(2,179)	(1,367)	(2,000)	(2,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(3,498)	(410)	(5,154)	(6,054)	(6,054)
Equities issued/Others	0	6	9	0	0
Debt raised/repaid	(743)	(1,958)	51	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(3,821)	(3,933)	(5,387)	(6,802)	(8,671)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,564)	(5,886)	(5,327)	(6,802)	(8,671)
Chg in cash & cash eq.	(112)	1,196	26	4,774	6,576
Closing cash & cash eq.	9,033	10,229	10,255	15,028	21,605

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	60.3	72.6	91.2	110.2	140.4
Adjusted EPS	60.3	71.2	90.2	109.1	139.1
Dividend per share	25.0	26.0	34.9	44.1	56.2
Book value per share	259.4	322.3	405.4	470.9	554.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	9.4	8.0	6.6	5.5	4.6
EV/EBITDA	51.9	45.7	38.3	31.1	24.8
Adjusted P/E	85.6	72.5	57.2	47.3	37.1
P/BV	19.9	16.0	12.7	11.0	9.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.2	75.6	76.8	74.5	74.5
Interest burden (PBT/EBIT)	99.5	102.3	104.1	104.6	104.7
EBIT margin (EBIT/Revenue)	14.9	14.4	14.7	15.3	16.2
Asset turnover (Rev./Avg TA)	213.6	215.0	211.3	208.1	214.5
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
Adjusted ROAE	25.1	24.5	24.8	24.9	27.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	46.2	17.6	21.6	19.3	20.6
EBITDA	58.5	13.6	19.3	22.6	25.1
Adjusted EPS	33.6	18.1	26.7	21.0	27.5

Profitability & Return ratios (%)

EBITDA margin	18.2	17.6	17.2	17.7	18.4
EBIT margin	14.9	14.4	14.7	15.3	16.2
Adjusted profit margin	11.0	11.6	11.7	11.9	12.6
Adjusted ROAE	25.1	25.6	24.8	24.9	27.1
ROCE	23.7	23.4	23.8	23.8	25.9

Working capital days (days)

Receivables	69	65	59	57	58
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	5.1	8.7	8.6	9.9	11.7
Current ratio	1.7	1.8	2.3	2.4	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)

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

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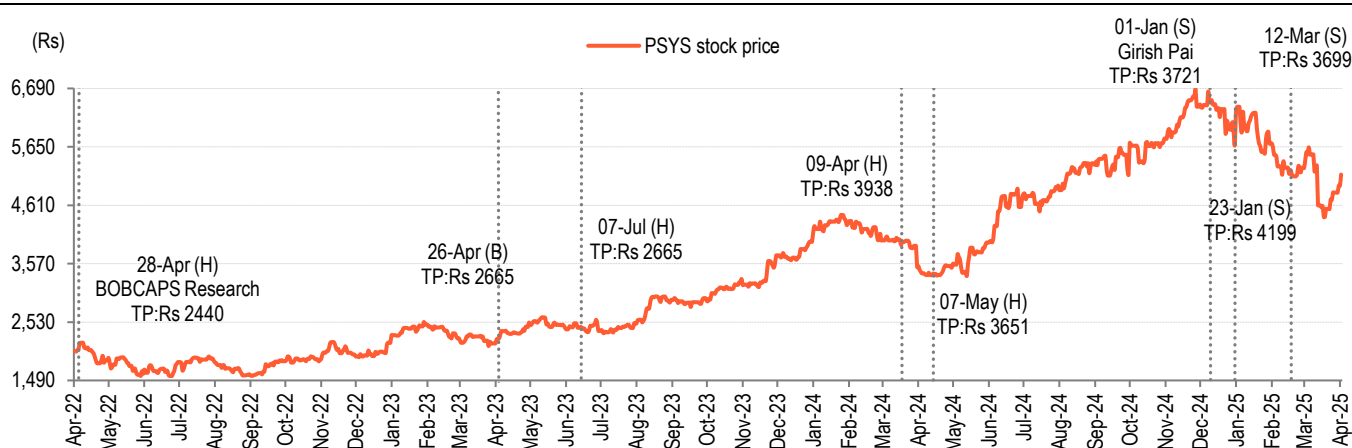
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