15 October 2026
2QFY27 Results Update | Sector: Technology

# Persistent Systems

| | |
|---|---|
| Estimate change | ⟷ |
| TP change | ↑ |
| Rating change | ⟷ |

| | |
|---|---|
| Bloomberg | PSYS IN |
| Equity Shares (m) | 158 |
| M.Cap.(INRb)/(USDb) | 923.6 / 9.7 |
| 52-Week Range (INR) | 6599 / 4243 |
| 1, 6, 12 Rel. Per (%) | 7/11/11 |
| 12M Avg Val (INR M) | 3639 |

**Financials & Valuations (INR b)**

| Y/E Mar | FY26 | FY27E | FY28E |
|---|---|---|---|
| Sales | 147.5 | 188.8 | 226.3 |
| EBIT Margin (%) | 16.2 | 15.9 | 16.3 |
| Adj. PAT | 19.3 | 22.7 | 30.0 |
| Adj. EPS (INR) | 123.3 | 143.4 | 189.2 |
| EPS Gr.(%) | 36.7 | 16.2 | 32.0 |
| BV/Sh.(INR) | 503.6 | 603.6 | 748.6 |
| **Ratios** | | | |
| RoE (%) | 27.3 | 26.3 | 28.3 |
| RoCE (%) | 24.6 | 24.7 | 24.7 |
| Payout (%) | 32.4 | 29.3 | 24.3 |
| **Valuations** | | | |
| P/E (x) | 47.4 | 40.7 | 30.9 |
| P/BV (x) | 11.6 | 9.7 | 7.8 |
| EV/EBITDA (x) | 31.3 | 24.0 | 19.4 |
| Div. Yield (%) | 0.7 | 0.7 | 0.8 |

**Shareholding pattern (%)**

| As On | Sep-26 | Jun-26 | Sep-25 |
|---|---|---|---|
| Promoter | 30.3 | 30.3 | 30.6 |
| DII | 32.0 | 30.2 | 30.6 |
| FII | 21.4 | 21.5 | 21.7 |
| Others | 16.4 | 18.0 | 17.2 |

FII Includes depository receipts

**CMP: INR5,840** **TP: INR6,700 (+15%)** **Buy**

## Growth accelerates owing to large deals

### Margin recovery and TCV growth remain the key monitorables

- Persistent Systems (PSYS) reported a 2QFY27 revenue of USD488m (vs. est. USD475m), up 7.8% QoQ in USD terms and 7.8% in CC terms (est. +5%). EBIT margin stood at 15% (vs. our est. of 15.6%).
- EBIT grew 1.6%/19.5% QoQ/YoY to INR6.9b. Adj. PAT came in at INR4.9b (vs. our est. of INR5.7b), up 2.2%/4.7% QoQ/YoY. This excludes the Nagarro acquisition-related expenses of INR1.9b (post-tax INR1.4b).
- For 1HFY27, revenue/adj. EBIT/adj. PAT grew 29.7%/25.7%/9.0% YoY in INR terms. We expect revenue/adj. EBIT/adj. PAT to grow 26.5%/25.1%/24.8% YoY in 2HFY27. TCV stood at USD634m, down 44.7% QoQ/ up 4.4% YoY (1.3x book-to-bill). We value PSYS at 35x FY28E EPS. **We reiterate our BUY rating on the stock with a TP of INR6,700.**

### Our view: Healthy growth; we await clarity on the Nagarro synergies

- PSYS's revenue grew **7.8% QoQ** in CC terms, ahead of our estimates, supported by the **ramp-up of the large technology** deal, of which over 75–80% had been ramped by 2QFY27. Growth was led by Software, Hi-Tech & Emerging **(+13.3% QoQ)** and BFSI **(+6.8% QoQ).** We model **19.8% organic** YoY CC growth for FY27 after a healthy 1H performance.
- **Margin recovery remains gradual:** EBIT margin **contracted 100bp QoQ** to 15%, below our estimate, as **wage hikes (140bp net impact),** lower utilization (20bp) and **third-party software licenses (~90bp)** offset benefits from lower engineering expenses and favorable currency (~150bp). While management retained its **aspiration of returning to the 16–17%** margin band, recovery will depend on deal-related cost optimization and revenue scaling. We build in **15.9% margin for FY27** at the bottom of the aspirational band.
- **Nagarro acquisition remains a key monitorable:** PSYS secured 94.04% of Nagarro's share capital, with **closure likely in 4QCY26/1QCY27**, subject to regulatory approvals. The proposed funding **comprises USD450m of equity and ~USD800m of debt**, with an expected **debt cost of 5-6%.** The synergies have not been quantified. Growth and margin benefits, integration costs and incremental interest expenses will be the key monitorables.
- **Bookings reflect slower decision-making:** 2QFY27 TCV stood at USD634m, **up ~4% YoY** as the management cited slower client decision-making and macro uncertainty, with **some deals pushed into 3Q**.
- **Client-specific issues and growth outlook:** Europe revenue **declined 10% QoQ due to ramp-downs at two clients**, while Healthcare & Life Sciences (flat QoQ) is expected to grow as **issues at two clients are largely behind** the business. While growth across segments should remain healthy, supported by the pipeline and large-deal ramp-ups, macro uncertainty and geopolitical developments could delay conversion.

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## Valuation and revisions to our estimates

- **We now model ~19% USD revenue CAGR over FY26-28E for PSYS,** reflecting growth acceleration driven by the ramp-up of large deals. **We are not factoring in margin expansion in FY27 over FY26,** as additional hiring leading to lower utilization, transition costs related to large deals, and AI investments/tool purchases are expected to keep margins under pressure.
- We cut our **EPS estimates** for FY27 by 2.5% to factor in the INR1,853m Nagarro-related acquisition expenses, which had ~3.1% impact on PAT in 2Q. We value PSYS at **35x FY28E EPS.** We reiterate our **BUY rating** with a revised TP of **INR6,700.**

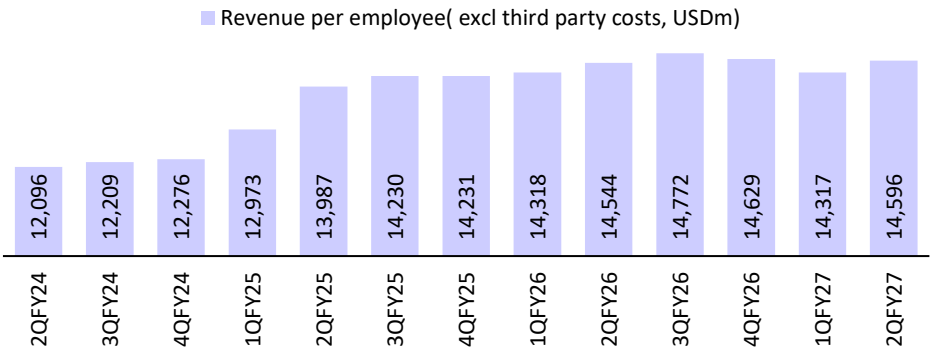
## Beat on revenue but miss on margins; deal TCV down 44% QoQ/up 4% YoY

- PSYS's 2QFY27 revenue stood at USD488m, up 7.8% QoQ in USD terms (above our estimate of 5% QoQ). The company reported a CC revenue growth of 7.8% QoQ, above our estimate of 5% QoQ CC growth.
- Growth was fueled by Hi-Tech (up 11.3% QoQ) and BFSI (up 6.8% QoQ).
- EBIT margin at 15% was down by 100bp QoQ, below our estimate of 15.6%.
- TCV was USD634m, down 44.7% QoQ but up 4.4% YoY (1.3x book-to-bill).
- Net new TCV was down 61.4% QoQ at USD367m. TTM ACV stood at USD481m.
- Net headcount increased by 3.3% QoQ. Utilization declined 70bp QoQ to 85.8%. TTM attrition was down 40bp QoQ to 11.9%.
- Adj. PAT stood at INR4.9b (up 2.2% QoQ/4.7% YoY), below our estimate of INR5.7b. This excludes the Nagarro acquisition-related expenses of INR1.9b (post-tax INR1.4b).

## Key highlights from the management commentary

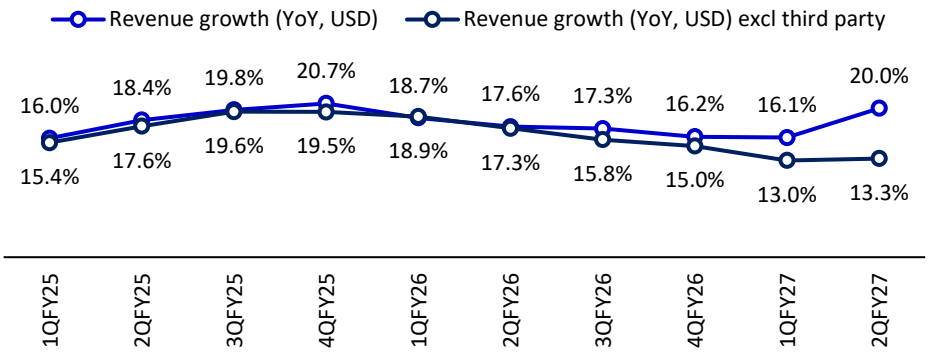
- Management described the pipeline as healthy across verticals, though decision-making slowed in the last few weeks as the Middle East and macroeconomic volatility delayed some closures.
- Key demand themes are vendor consolidation, data modernization, and AI-readiness, with AI unlocking legacy and mainframe modernization that was earlier seen as too hard to attempt.
- Rising token costs are pushing clients toward services partners for model routing, small purpose-built models and token FinOps.
- Growth was broad-based, with the top 5 clients up ~38.9% YoY, the top 10 ~29.9% and the top 100 ~21.6%, while USD 10m+ clients rose to 34 (from 25) and USD 1m+ clients to 218 (from 191).
- Management attributed the dip to a few deal slippages and slower decision-making, and pointed to TTM TCV growth of ~36.3% and ACV growth of ~21.9% YoY as the fairer comparison.
- The Nagarro open offer secured ~94.04% of its share capital, with a squeeze-out planned, while Austria and Spain FDI and RBI approvals are pending and closure is expected by 4QCY26 or 1QCY27.
- The new software reinvention services offering targets both growth and cost challenges faced by software companies, differing from the pre-2019 model through AI-led product diagnostics and outcome-based commercials.

**Exhibit 1: Revenue per employee increased 13.3% YoY**




Source: Company, MOFSL

**Exhibit 2: Excluding software licenses, revenue growth accelerated 13.3%/20% YoY**




Source: Company, MOFSL

**Quarterly performance (IFRS)**

| Y/E March | FY26 | | | | FY27E | | | | FY26 | FY27E | Est. | Var. (% / |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (Consolidated) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QFY27 | bp) |
| **Revenue (USD m)** | **390** | **406** | **423** | **436** | **452** | **488** | **510** | **527** | **1,654** | **1,977** | **475.0** | **2.7** |
| QoQ (%) | 3.9 | 4.2 | 4.0 | 3.2 | 3.8 | 7.8 | 4.5 | 3.5 | 17.4 | 19.5 | 5.0 | 280bp |
| **Revenue (INR m)** | **33,336** | **35,807** | **37,782** | **40,559** | **43,032** | **46,639** | **48,691** | **50,395** | **1,47,485** | **1,88,757** | **45,385** | **2.8** |
| QoQ (%) | 2.8 | 7.4 | 5.5 | 7.4 | 6.1 | 8.4 | 4.4 | 3.5 | | | 5.5 | 291bp |
| YoY (%) | 21.8 | 23.6 | 23.4 | 25.1 | 29.1 | 30.3 | 28.9 | 24.2 | 23.5 | 28.0 | 26.7 | 350bp |
| **GPM (%)** | **35.3** | **36.0** | **36.1** | **35.3** | **35.1** | **33.7** | **35.0** | **35.0** | **35.7** | **34.7** | **34.6** | **-85bp** |
| SGA (%) | **16.9** | **16.9** | **16.8** | **16.4** | **16.5** | **15.2** | **15.4** | **15.4** | 16.7 | 15.6 | **16.3** | -108bp |
| **EBITDA** | **6,116** | **6,838** | **7,324** | **7,677** | **8,022** | **8,644** | **9,543** | **9,877** | **27,955** | **36,086** | **8,305** | **4.1** |
| **EBITDA Margin (%)** | **18.3** | **19.1** | **19.4** | **18.9** | **18.6** | **18.5** | **19.6** | **19.6** | **19.0** | **19.1** | **18.3** | **23bp** |
| **EBIT** | **5,178** | **5,837** | **6,318** | **6,592** | **6,869** | **6,977** | **7,888** | **8,265** | **23,925** | **29,999** | **7,080** | **-1.5** |
| **EBIT Margin (%)** | **15.5** | **16.3** | **16.7** | **16.3** | **16.0** | **15.0** | **16.2** | **16.4** | **16.2** | **15.9** | **15.6** | **-64bp** |
| Other income | 376 | 331 | 222 | 148 | -638 | -587 | 341 | 353 | 1,078 | -531 | 318 | NA |
| ETR (%) | 23.5 | 23.6 | 22.6 | 21.5 | 22.5 | 22.7 | 23.0 | 23.5 | 22.7 | 23.0 | 23.0 | |
| **Adj. PAT** | **4,249** | **4,715** | **5,063** | **5,293** | **4,830** | **4,937** | **6,336** | **6,592** | **19,320** | **22,696** | **5,696** | **-13.3** |
| QoQ (%) | 7.4 | 10.9 | 7.4 | 4.5 | -8.7 | 2.2 | 28.3 | 4.0 | | | 17.9 | -1573bp |
| YoY (%) | 38.7 | 45.1 | 35.8 | 33.7 | 13.7 | 4.7 | 25.2 | 24.6 | 38.0 | 17.5 | 20.8 | -1611bp |
| Exceptional Items | 0.0 | 0.0 | 668.3 | 0.0 | 0.0 | 1,421.6 | 0.0 | 0.0 | 668.3 | 1,421.6 | 0.0 | |
| **PAT** | **4,249** | **4,715** | **4,395** | **5,293** | **4,830** | **3,515** | **6,336** | **6,592** | **18,651** | **21,274** | **5,696** | **-38.3** |
| **Adj. EPS (INR)** | **27.2** | **30.2** | **32.4** | **33.6** | **30.5** | **31.2** | **40.0** | **41.6** | **123.3** | **143.4** | 36.0 | -13.3 |

**Key performance indicators**

| Y/E March | FY26 | | | | FY27 | | FY26 |
|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | |
| Revenue (QoQ CC %) | 3.3 | 4.4 | 4.1 | 3.4 | 4.1 | 7.8 | |
| **Margins** | | | | | | | |
| Gross Margin | 35.3 | 36.0 | 36.1 | 35.3 | 35.1 | 33.7 | 35.7 |
| EBIT Margin | 15.5 | 16.3 | 16.7 | 16.3 | 16.0 | 15.0 | 16.2 |
| Net Margin | 12.7 | 13.2 | 13.4 | 13.0 | 11.2 | 10.6 | 13.1 |
| **Operating metrics** | | | | | | | |
| Headcount | 25,340 | 26,224 | 26,711 | 27,502 | 28,640 | 29,598 | 25,340 |
| Voluntary Attrition (%) | 13.9 | 13.8 | 13.5 | 13.0 | 12.3 | 13.8 | 13.9 |
| Utilization (%) | 88.7 | 88.2 | 88.4 | 88.0 | 86.5 | 85.8 | 88.7 |
| **Effort Mix (%)** | | | | | | | |
| Global Delivery Centers | 14.5 | 14.1 | 14.2 | 14.6 | 15.2 | 15.7 | 15.2 |
| India | 85.5 | 85.9 | 85.8 | 85.4 | 84.8 | 84.3 | 84.8 |




## Highlights from the management commentary

### Growth and demand outlook

- Management described the pipeline as healthy across verticals, though decision-making slowed in the last few weeks as the Middle East and macroeconomic volatility delayed some closures.
- Key demand themes are vendor consolidation, data modernization, and AI-readiness, with AI unlocking legacy and mainframe modernization that was earlier seen as too hard to attempt.
- Rising token costs are pushing clients toward services partners for model routing, small purpose-built models and token FinOps.
- Growth was broad-based, with the top 5 clients up ~38.9% YoY, the top 10 ~29.9% and the top 100 ~21.6%, while USD 10m+ clients rose to 34 (from 25) and USD 1m+ clients to 218 (from 191).
- Management attributed the dip to a few deal slippages and slower decision-making, and pointed to TTM TCV growth of ~36.3% and ACV growth of ~21.9% YoY as the fairer comparison.
- The Nagarro open offer secured ~94.04% of its share capital, with a squeeze-out planned, while Austria and Spain FDI and RBI approvals are pending and closure is expected by 4QCY26 or 1QCY27.
- The new software reinvention services offering targets both growth and cost challenges faced by software companies, differing from the pre-2019 model through AI-led product diagnostics and outcome-based commercials.
- Productivity gains were not cited as a drag on deal sizes, and while management gives no guidance, it is confident all segments will grow well.
- Revenue grew ~7.8% QoQ and ~20% YoY to USD 487.6m, the 26th consecutive quarter of sequential growth, with CC growth at ~7.8% QoQ and ~20.8% YoY.
- Bookings look soft against the prior quarter's record TCV of ~USD 1.15b and ACV of ~USD 537m, which included the USD 650m+ large deal.
- The large deal is a 6.5-year, USD 650m+ engagement across 20 products, with ~75-80% ramped up by Q2, and USD 650m is the floor with no performance-linked contingency.
- Software reinvention commercials are outcome-based, with committed customer cost savings and a revenue-share element backed by a floor, while partner-channel upside from AI vendors is not in the numbers.
- **BFSI:** It grew ~16.2% YoY, supported by a vendor consolidation win at a large financial services client (the Estonia-based acquisition effective 1 July). Key themes are data modernization for AI-readiness and legacy modernization unlocked by AI.

- **Hi-tech:** Software, hi-tech and emerging verticals grew ~28.5% YoY, led by the large deal and the new software reinvention offering. Product engineering is a historical strength, and management expects the offering to create a multi-year moat.
- **Healthcare and Life Sciences:** Healthcare and life sciences grew ~12% YoY, below the other verticals due to dynamics at a couple of clients, which management said are largely baked in.
- **Europe:** It declined ~8.5% YoY due to two client-specific events, a ramp-down after a key client's acquisition and the planned end of a fixed-price engagement.
- Management expects the large-deal drag to ease gradually as FinOps, AI-led engineering and revenue scale optimize costs, though license costs should stay at current levels.
- The combination creates a ~USD 2.9b revenue run rate with 46,000+ professionals, and Nagarro's 200+ USD 1m+ clients overlap with only ~10 of PSYS's, with integration expected to take ~5-6 months post-closing.
- PSYS plans to refinance the EUR 1.4b bridge loan by raising ~USD 1.25b, including ~USD 450m through QIP or equity-linked instruments, approved at the EGM on 5 October.
- One-time transaction costs are guided at ~USD 50m over 3-4 quarters, with ~USD 19-20m booked in Q2 and ~USD 25-30m expected over the next two quarters.
- Intangibles rose sharply QoQ on third-party licenses and tools from the large deal, while the ESG score improved to ~83.3 from ~81.7.
- AI strategy rests on engineering hyper productivity, business hyper productivity, and enterprise data readiness, with a 3C architecture (context, core, coordination) to help clients combine models with their own data and governance.
- On growth, the SASVA platform has cut time to market by ~50% in recent programs, while co-sale and go-to-market tie-ups improve it by more than 25%.
- ESOP vesting requires 12% revenue and 12% EPS growth, and the board may seek approval to exclude Nagarro one-offs from this test.

## Margin performance and outlook

- EBIT margin dipped ~100bp QoQ to 15.0%, as ~190bp of headwinds outweighed ~150bp of tailwinds.
- The annual wage hike had a ~180bp impact, cut to a net ~140bp by lower stock compensation cost, while lower utilization cost another ~20bp.
- Higher amortization of ~USD 4m on third-party licenses and tools from the large deal had a ~90bp impact, while lower engineering expenses and currency added ~150bp.
- Management reiterated an aspirational EBIT margin range of ~16-17%.
- High-tech margins are lower on incremental revenue due to this deal and productivity pass-throughs, and management asked investors to view margins on a portfolio basis.
- Adj PAT rose ~5% YoY to ~INR 5.0b (~10.6% margin), but reported PAT fell ~25.4% YoY to ~INR 3.5b as Nagarro one-offs of ~INR 1.85b weighed ~3.1% on PAT and EPS.
- Cash improved to ~INR 30.0b (~USD 315m) on record collections, with billed DSO down to 50 days from 61, TTM OCF to PAT at ~96.6% (from ~76.2%) and ROCE at ~45.6%.

**Exhibit 3: BFSI and Hi-tech led growth**

| Verticals (QoQ USD, %) | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | 4Q26 | 1Q27 | 2Q27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BFSI | 0.0 | -0.5 | 1.8 | 5.9 | 7.7 | 4.9 | 6.1 | 9.0 | 7.0 | 4.6 | 1.7 | 2.3 | 6.8 |
| Healthcare and Lifesciences | 7.0 | 16.4 | 14.8 | 16.5 | 9.6 | 4.3 | 0.4 | -1.9 | 3.8 | 4.8 | 6.9 | -0.2 | 0.1 |
| Software and Hi-tech and Emerging verticals | 3.8 | 0.1 | -0.8 | -0.5 | 0.8 | 3.7 | 5.2 | 3.6 | 2.2 | 3.0 | 2.2 | 7.7 | 13.3 |

Source: Company, MOFSL

**Exhibit 4: North America runs the growth show**

| Geographies (QoQ USD, %) | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | 4Q26 | 1Q27 | 2Q27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| North America | 3.1 | 3.7 | 3.9 | 6.4 | 6.1 | 3.2 | 4.2 | 3.0 | 4.2 | 6.2 | 3.1 | 0.8 | 10.9 |
| Europe | 1.0 | -3.5 | -9.4 | 5.6 | 6.6 | 8.2 | 6.7 | 11.3 | 7.7 | -4.9 | -1.7 | 8.9 | -10.0 |
| RoW | 5.0 | 4.0 | 9.8 | 0.3 | -1.1 | 9.1 | 2.3 | 4.8 | 1.4 | -4.6 | 8.4 | 22.5 | 0.0 |

Source: Company, MOFSL

## Valuation and view

- **We now model ~19% USD revenue CAGR over FY26-28E for PSYS,** reflecting growth acceleration driven by the ramp-up of large deals. **We are not factoring in margin expansion in FY27 over FY26,** as additional hiring leading to lower utilization, transition costs related to large deals, and AI investments/tool purchases are expected to keep margins under pressure.
- We cut our **EPS estimates** for FY27 by 2.5% to factor in the INR1,853m Nagarro-related acquisition expenses, which had ~3.1% impact on PAT in 2Q. We value PSYS at **35x FY28E EPS.** We reiterate our **BUY rating** with a revised TP of **INR6,700**.

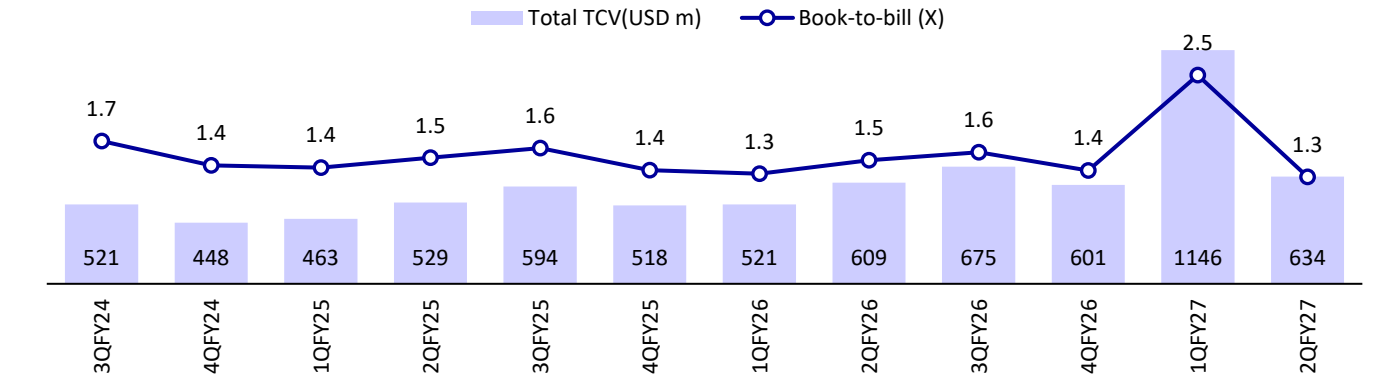
**Exhibit 5: Changes to our estimates**

| | Revised | | Earlier | | Change | |
|---|---|---|---|---|---|---|
| | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| INR/USD | 95.4 | 96.0 | 95.4 | 96.0 | 0.0% | 0.0% |
| USD Revenue (m) | 1,977 | 2,358 | 1,933 | 2,258 | 2.3% | 4.4% |
| Growth (%) | 19.5 | 19.3 | 16.8 | 16.8 | 270bp | 240bp |
| EBIT margin (%) | 15.9 | 16.3 | 16.2 | 16.6 | -30bp | -30bp |
| PAT (INR m) | 22,696 | 29,955 | 23,279 | 29,111 | -2.5% | 2.9% |
| EPS | 143.4 | 189.2 | 147.0 | 183.9 | -2.5% | 2.9% |

Source: MOFSL, Company

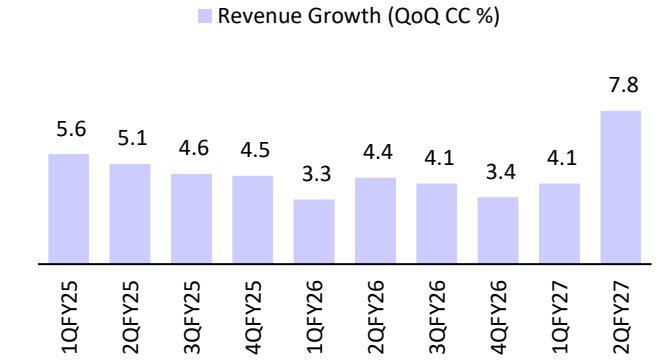
## Story in charts

**Exhibit 4: BTB was 1.3x; TCV stood at USD634m**



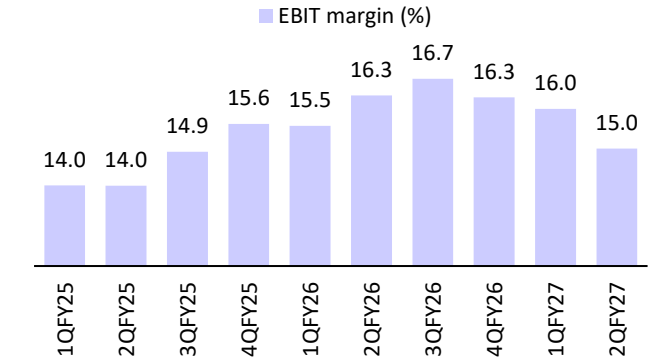

Source: Company, MOFSL

**Exhibit 5: Revenue grew 7.8% QoQ CC in 2QFY27**



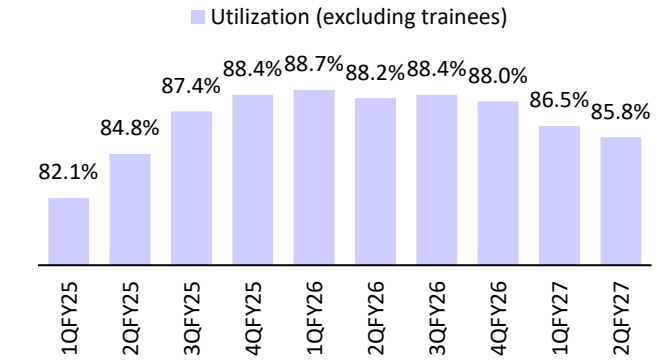

Source: Company, MOFSL

**Exhibit 6: Margin contracted 100bp QoQ**



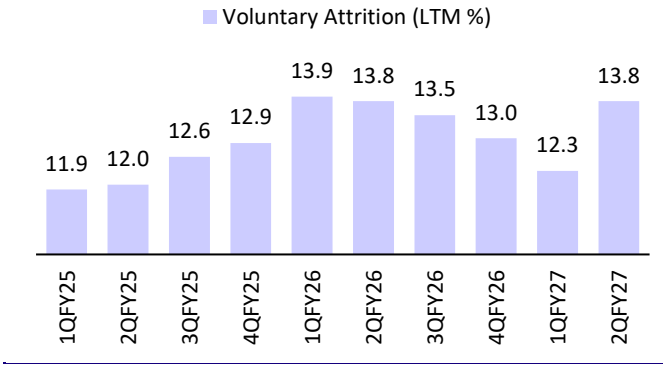

Source: Company, MOFSL

**Exhibit 7: Utilization declined 70bp to 85.8% in 2QFY27**




Source: Company, MOFSL

**Exhibit 8: Attrition rate increased 150bp QoQ**




Source: Company, MOFSL

**Exhibit 9: Operating metrics**

| | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | 3QFY26 | 4QFY26 | 1QFY27 | 2QFY27 |
|---|---|---|---|---|---|---|---|---|---|
| **Geography (%)** | | | | | | | | | |
| North America | 81.3 | 80.5 | 80.5 | 79.8 | 79.8 | 81.5 | 81.4 | 79.1 | 81.4 |
| Europe | 7.9 | 8.2 | 8.4 | 9 | 9.3 | 8.5 | 8.1 | 8.5 | 7.1 |
| India | 9.2 | 9.4 | 9.3 | 9.8 | 9.2 | 7.8 | 8.3 | 9.8 | 9.2 |
| RoW | 1.6 | 1.9 | 1.8 | 1.4 | 1.7 | 2.2 | 2.2 | 2.6 | 2.3 |
| **Vertical Mix (%)** | | | | | | | | | |
| BFSI | 31.5 | 31.7 | 32.3 | 33.9 | 34.8 | 35 | 34.5 | 34 | 33.7 |
| Healthcare & Life Science | 27.8 | 27.8 | 26.8 | 25.3 | 25.2 | 25.4 | 26.3 | 25.3 | 23.5 |
| Tech. Cos. & Emerging Verticals | 40.7 | 40.5 | 40.9 | 40.8 | 40 | 39.6 | 39.2 | 40.7 | 42.8 |
| **Client Metrics (%)** | | | | | | | | | |
| Top 5 Clients | 31.4 | 30.8 | 32.7 | 31.8 | 32.9 | 32.9 | 31.5 | 33.2 | 38.1 |
| Top 10 Clients | 41.5 | 40 | 42.2 | 42 | 43.2 | 43.7 | 42.1 | 43 | 46.8 |
| **Employee Metrics** | | | | | | | | | |
| Technical People | 21,675 | 22,407 | 23,072 | 23,787 | 24,608 | 25,077 | 25,849 | 26,905 | 27,814 |
| Sales & BD | 492 | 489 | 485 | 496 | 510 | 520 | 543 | 579 | 603 |
| Others | 1,070 | 1,046 | 1,037 | 1,057 | 1,106 | 1,114 | 1,110 | 1,156 | 1,181 |
| **Total** | **23,237** | **23,942** | **24,594** | **25,340** | **26,224** | **26,711** | **27,502** | **28,640** | **29,598** |
| **Effort Mix** | | | | | | | | | |
| - Global Delivery Centers | 15.80 | 15.10 | 14.80 | 14.50 | 14.10 | 14.20 | 14.60 | 15.20 | 15.70 |
| - India | 84.20 | 84.90 | 85.20 | 85.50 | 85.90 | 85.80 | 85.40 | 84.80 | 84.30 |
| Attrition (%) | 84.8 | 87.4 | 88.4 | 88.7 | 88.2 | 88.4 | 88 | 86.5 | 85.8 |
| Linear Utilization % | 12.0 | 12.6 | 12.9 | 13.9 | 13.8 | 13.5 | 13.0 | 12.3 | 13.8 |

Source: Company, MOFSL

# Financials and valuations

| Income Statement | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027E** | **2028E** |
| **Sales** | **57,107** | **83,506** | **98,216** | **1,19,387** | **1,47,485** | **1,88,757** | **2,26,344** |
| Change (%) | 36.4 | 46.2 | 17.6 | 21.6 | 23.5 | 28.0 | 19.9 |
| Cost of Goods Sold | 37,895 | 55,315 | 65,231 | 78,740 | 94,874 | 1,23,220 | 1,47,123 |
| **Gross Profit** | **19,212** | **28,191** | **32,985** | **40,647** | **52,610** | **65,537** | **79,220** |
| Selling Expenses | 9,556 | 12,999 | 15,742 | 20,066 | 24,656 | 29,451 | 35,536 |
| **EBITDA** | **9,656** | **15,191** | **17,243** | **20,581** | **27,955** | **36,086** | **43,684** |
| % of Net Sales | 16.9 | 18.2 | 17.6 | 17.2 | 19.0 | 19.1 | 19.3 |
| Depreciation | 1,660 | 2,719 | 3,094 | 3,069 | 4,030 | 6,088 | 6,790 |
| **EBIT** | **7,996** | **12,472** | **14,149** | **17,512** | **23,925** | **29,999** | **36,894** |
| % of Net Sales | 14.0 | 14.9 | 14.4 | 14.7 | 16.2 | 15.9 | 16.3 |
| Other Income | 1,321 | 233 | 813 | 710 | 1,078 | -531 | 2,263 |
| **PBT** | **9,317** | **12,705** | **14,962** | **18,222** | **25,002** | **29,467** | **39,157** |
| Tax | 2,339 | 3,198 | 3,541 | 4,222 | 5,683 | 6,772 | 9,202 |
| Rate (%) | 25.1 | 25.2 | 23.7 | 23.2 | 22.7 | 23.0 | 23.5 |
| Extraordinary Item | 75 | 297 | 486 | 0 | 668 | 1,422 | 0 |
| **Adjusted PAT** | **6,904** | **9,211** | **10,935** | **14,001** | **18,651** | **21,274** | **29,955** |
| Change (%) | 53.2 | 33.4 | 18.7 | 28.0 | 33.2 | 14.1 | 40.8 |

| Balance Sheet | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027E** | **2028E** |
| Share Capital | 764 | 764 | 770 | 779 | 789 | 789 | 789 |
| Other Reserves | 32,918 | 38,887 | 48,807 | 62,411 | 77,590 | 93,636 | 1,16,308 |
| **Net Worth** | **33,682** | **39,651** | **49,577** | **63,191** | **78,379** | **94,425** | **1,17,097** |
| Loans | 4,889 | 4,947 | 99 | - | - | - | - |
| Other liabilities | 1,360 | 2,013 | 2,218 | 2,848 | 6,144 | 7,864 | 9,430 |
| **Capital Employed** | **39,931** | **46,610** | **51,894** | **66,038** | **84,523** | **1,02,288** | **1,26,526** |
| Gross Block | 27,391 | 33,914 | 32,079 | 36,920 | 42,839 | 48,339 | 53,839 |
| Less : Depreciation | 14,965 | 17,684 | 20,777 | 23,847 | 27,876 | 33,964 | 40,754 |
| **Net Block** | **4,276** | **7,058** | **6,727** | **8,150** | **9,441** | **8,853** | **7,563** |
| CWIP | 1,071 | 161 | 335 | 42 | 107 | 107 | 107 |
| Intangibles | 11,060 | 16,355 | 15,488 | 17,261 | 19,119 | 19,119 | 19,119 |
| Investments | 3,878 | 4,516 | 5,539 | 6,415 | 7,001 | 7,001 | 7,001 |
| Deferred Tax Assets | 1,123 | 1,129 | 1,360 | 2,024 | 3,460 | 4,428 | 5,310 |
| Other | 4,394 | 1,792 | 3,056 | 3,215 | 3,665 | 4,690 | 5,624 |
| **Current Assets** | **28,339** | **35,179** | **41,232** | **50,260** | **70,973** | **93,594** | **1,22,668** |
| Debtors | 9,484 | 15,705 | 16,761 | 18,478 | 21,332 | 26,891 | 32,246 |
| Investments | 10,514 | 6,242 | 6,330 | 6,899 | 22,665 | 13,153 | 15,653 |
| Cash & BB | 2,978 | 4,670 | 6,625 | 6,744 | 10,749 | 32,782 | 49,866 |
| Loans & Advances | 16 | - | - | - | - | - | - |
| Other Current Assets | 5,347 | 8,562 | 11,515 | 18,139 | 16,227 | 20,768 | 24,903 |
| **Current Liab. & Prov** | **14,210** | **19,581** | **21,842** | **21,328** | **29,243** | **35,505** | **40,866** |
| Trade payables | 4,299 | 5,689 | 8,139 | 8,886 | 11,342 | 14,997 | 17,983 |
| Other Liabilities | 5,961 | 9,243 | 10,372 | 8,413 | 9,058 | 9,191 | 9,312 |
| Provisions | 3,950 | 4,649 | 3,331 | 4,029 | 8,843 | 11,318 | 13,571 |
| **Net Current Assets** | **14,130** | **15,598** | **19,390** | **28,932** | **41,730** | **58,089** | **81,802** |
| **Application of Funds** | **39,931** | **46,610** | **51,894** | **66,038** | **84,523** | **1,02,288** | **1,26,526** |

# Financials and valuations

| Ratios | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027E** | **2028E** |
| **EPS** | **45.7** | **62.5** | **75.1** | **90.2** | **123.3** | **143.4** | **189.2** |
| Cash EPS | 56.5 | 80.4 | 95.4 | 110.0 | 149.0 | 181.8 | 232.1 |
| Book Value | 220.4 | 260.7 | 325.9 | 411.9 | 503.6 | 603.6 | 748.6 |
| DPS | 15.5 | 25.0 | 26.0 | 35.0 | 40.0 | 42.0 | 46.0 |
| Payout % | 33.9 | 40.0 | 34.6 | 38.8 | 32.4 | 29.3 | 24.3 |
| **Valuation (x)** | | | | | | | |
| P/E | 127.9 | 93.4 | 77.8 | 64.7 | 47.4 | 40.7 | 30.9 |
| Cash P/E | 103.3 | 72.7 | 61.2 | 53.1 | 39.2 | 32.1 | 25.2 |
| EV/EBITDA | 91.5 | 58.1 | 50.8 | 42.9 | 31.3 | 24.0 | 19.4 |
| EV/Sales | 15.5 | 10.6 | 8.9 | 7.4 | 5.9 | 4.6 | 3.7 |
| Price/Book Value | 26.5 | 22.4 | 17.9 | 14.2 | 11.6 | 9.7 | 7.8 |
| Dividend Yield (%) | 0.3 | 0.4 | 0.4 | 0.6 | 0.7 | 0.7 | 0.8 |
| **Profitability Ratios (%)** | | | | | | | |
| RoE | 22.6 | 25.9 | 25.6 | 24.8 | 27.3 | 26.3 | 28.3 |
| RoCE | 17.4 | 21.6 | 21.9 | 22.8 | 24.6 | 24.7 | 24.7 |
| **Turnover Ratios** | | | | | | | |
| Debtors (Days) | 61 | 69 | 62 | 56 | 53 | 52 | 52 |
| Asset Turnover (x) | 15.2 | 14.7 | 14.2 | 16.1 | 16.8 | 20.6 | 27.6 |

| Cash Flow Statement | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|
| **Y/E March** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027E** | **2028E** |
| CF from Operations | 8,857 | 13,935 | 14,265 | 17,803 | 23,458 | 28,783 | 36,746 |
| Chg. in Working Capital | -407 | -4,377 | -2,052 | -6,233 | -5,788 | 7,900 | -4,379 |
| **Net Operating CF** | **8,450** | **9,558** | **12,213** | **11,569** | **17,670** | **36,683** | **32,367** |
| Net Purchase of FA | -3,808 | -4,290 | -2,710 | -1,931 | -1,952 | -5,500 | -5,500 |
| **Free Cash Flow** | **4,642** | **5,268** | **9,503** | **9,638** | **15,718** | **31,183** | **26,867** |
| Net Purchase of Invest. | -5,965 | 76 | -1,985 | -2,414 | -4,147 | -2,500 | -2,500 |
| **Net Cash from Inv.** | **-9,773** | **-4,213** | **-4,695** | **-4,344** | **-6,099** | **-8,000** | **-8,000** |
| Issue of shares | 0 | 0 | 1,608 | 0 | 499 | 0 | 0 |
| Proceeds from LTB/STB | 3,810 | -1,059 | -3,461 | -1,309 | -1,798 | 0 | 0 |
| Dividend Payments | -1,987 | -2,981 | -4,084 | -4,973 | -6,183 | -6,650 | -7,283 |
| **Net CF from Finan.** | **1,823** | **-4,039** | **-5,937** | **-6,282** | **-7,482** | **-6,650** | **-7,283** |
| **Net Cash Flow** | **499** | **1,305** | **1,581** | **943** | **4,090** | **22,034** | **17,084** |
| Exchange difference | 59 | 387 | 374 | -824 | -85 | 0 | 0 |
| Opening Cash Balance | **2,420** | **2,979** | **4,671** | **6,626** | **6,745** | **10,749** | **32,783** |
| **Closing Cash Balance** | **2,979** | **4,671** | **6,626** | **6,745** | **10,749** | **32,783** | **49,867** |

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|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN .: 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.