

Feb 28, 2014

Persistent Systems Ltd.

BSE Code: 533179 NSE Code: PERSISTENT Reuters Code: PERS.NS Bloomberg Code: PSYS:IN

Persistent Systems Ltd. (PSL) is a global company specializing in software product and technology services. For over two decades, Persistent has consistently been selected as the trusted innovation partner for the world's largest technology brands, leading enterprises and pioneering start-ups. Persistent has a global team of more than 7,500 employees worldwide including offices and delivery centers in North America, Europe, and Asia-Pacific. Persistent develops best-in-class solutions in key next-generation technology areas including Analytics, Big Data, Cloud Computing, Mobile and Social, for the telecommunications, life sciences, healthcare and banking & financial services verticals.

Investor's Rationale

Better performance in service sector boosted the topline by 30% YoY – PSL recorded a decent growth of ~30% YoY in its consolidated topline during Q3FY'14 at ₹4,327.60 mn. The company has registered continued growth in service sector mainly due to the increase in billing rates. Onsite & offshore services billing revenue for the quarter increased by 1.6% & 4.6% respectively. The revenue from Infrastructure systems segment grew by about 41% at ₹2,982.15 mn and Life science & healthcare grew by 62% at ₹567.63 mn

Strong net profit growth of 29.7%YoY – PSL reported a healthy growth of 29.70% YoY in its bottomline at ₹642.00 mn mainly due to the better resource utilization. However, sharp rise in interest cost by 77.8% YoY to ₹0.16 mn and depreciation by 32.5% YoY to ₹262.0 mn restricted the growth in the bottomline, Consequently, NPM expanded merely by ~5ps YoY to 14.6% from 14.5%.

EBITDA margin contracted by 64bps on higher employee and other expenses – In line with the healthy net sales growth, the EBITDA grew by 26.6% YoY to ₹1,043.4 mn against the ₹824.1 mn year earlier. However, the OPM contracted by 64bps YoY to 24.1% from 24.7% due to higher employee and other expenses. Accordingly, employee cost grew by 22% at ₹2,341.53 mn and other expenses grew by 53.8% at ₹720.58 mn.

Focused to invest in new technologies and trends to maintain leadership position - In order to maintain and strengthen its leadership position in the Social, Mobile, Analytics, Cloud space, PSL continue to focus on products and IP-led revenue, tracking new industry trends, and encouraging innovative ideas that solve real-world problems. Persistent Venture Fund invested in two US companies: Ustyme, a free, video-call app for iPad and DxNow, a life sciences company that leverages advanced microfluidic and imaging technologies for point-of-care diagnostic solutions.

Market Data

Rating	BUY	
CMP (₹)	1,120	
Target Price	1,350	
Stop Loss	1,000	
Duration	Short-term	
52-week High-Low (₹)	1160/475	
Rise from 52WL (%)	136	
Correction from 52WH (%)	3.4	
Beta	0.53	
1 year Average Volume (mn)	0.04	
	3M-	30.2
Stock Return (%)	6M-	91.8
	1Y-	106.0
Market Cap (₹bn)	45.2	
Book Value (₹)	254.6	

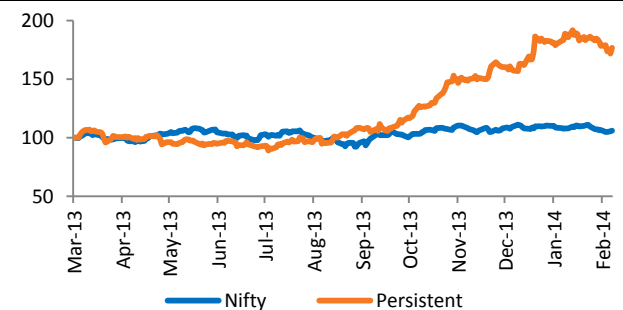
Shareholding Pattern

	Dec'13	Sep'13	Chg
Promoters (%)	38.96	38.96	0.00
FII (%)	18.26	15.28	2.98
DII (%)	18.78	21.23	(2.45)
Public & Others (%)	24	24.53	(0.53)

Quarterly Performance (Consolidated)

(₹Mn)	Q3 FY'14	Q3 FY'13	Q2 FY'14	YoY Change(%)	QoQ Change (%)
Sales	4,327.6	3,329.9	4,323.7	30.0	0.1
Op. exp	3,284.2	2,505.8	3,316.2	31.1	(1.0)
EBITDA	1,043.4	824.1	1,007.6	26.6	3.6
OPM (%)	24.1	24.7	23.3	(64bps)	81bps
Net profit	642.0	495.1	607.9	29.7	5.6
NPM (%)	14.6	14.5	13.8	4.9bps	78bps
EPS (₹)	16.1	12.4	15.2	29.6	5.6

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.