



PERSISTENT SYSTEMS: ADDING DEPTH TO ITS CAPABILITIES

Persistent Systems got a new CEO in Sandeep Kalra right in the middle of the Covid pandemic. Founder Anand Deshpande seems to have got it right the second time after his previous attempt at handing over the CEO role to a professional CEO was relatively short-lived.

Christopher O'Connor, an IBM executive, who was named Deshpande's successor in February 2019, left in August 2020. Kalra, an HCL Tech veteran who later worked at Samsung (via HARMAN), took over in October 2020. Analysts tracking the company have observed that the company, on Kalra's watch, has acquitted itself very well, so far.

In fact, when the influential analysts

Persistent Systems

FOUNDED: 1990

FOUNDER: Anand Deshpande

HEADQUARTERS: Pune

LISTED: NSE, BSE

REVENUE: ₹2,169.4 crore (Q3 FY23)



PROFIT: ₹238 crore

WORKFORCE: 22,598 (December 2022)

TOP VERTICALS: BFS, Insurance, Health-care and Life Sciences

CUSTOMERS INCLUDE: Ellie Mae, LPHI, IBM, Microsoft, Wells Fargo, Salesforce, IDFC First Bank, Operative, Renalytix AI



RECENT ACQUISITIONS: MediaAgility, Data Glove, Sureline Systems, Software Corporation International (SCI), Shree Partners

STOCK PRICE: ₹4,529.4 (April 3, 2023)

MARKET CAP: ₹34,615.94 crore

PLANS FOR 2023: Invest in expanding nearshore presence, strengthening partner ecosystem and vertical-specific capabilities

SOURCE: Company, media reports, analysts reports

at Australia's Macquarie group released a new framework to track mid-cap IT services companies, they chose Persistent as their top pick, in a report in January. They chose Persistent ahead of even LTIMindtree on that list of seven mid-cap companies they analysed.

"Persistent Systems has improved its client mining significantly under Sandeep Kalra," Macquarie's analysts wrote in the report. The company "has continued to grow its average account size very well" over multiple years, and its growth ahead will likely be "broad-based and sustainable", they wrote.

For the quarter ended December

31, Persistent reported revenues of \$264.35 million, a 3.4 percent increase over the previous quarter, and a 32.8 percent increase from the year-ago period. Profits rose 35 percent year-on-year to ₹238 crore (India's IT services companies earn their revenue mostly in dollars, and profits are reported in India in rupee terms).

"We are a fast-growing digital engineering company that has hit \$1 billion in annualised revenue run rate," Kalra says. "We have focussed on going up the value chain, strengthening our talent base, and ultimately unlocking shareholder value." Over the last three years, the company has delivered a 474 percent increase in the value of its stock.

An October 2021 report by Mumbai brokerage Nirmal Bang holds out an important clue to one aspect of Persistent's strong growth under Kalra. The company made some strategic acquisitions that helped it add depth to its capabilities in banking, financial services, and insurance, or BFSI—the biggest revenue contributor to India's IT sector.

Persistent's acquisition of Software Corporation International (SCI) and its affiliate, Fusion360, for about \$53 million bought it relationships with 10 of the top 20 banks in the US, and many of those relationships were well-established, being more than five years old, Nirmal Bang analyst and head of research Girish Pai wrote in that report.

The report named Wells Fargo, one of America's biggest banks, as a top 10 customer of Persistent.

"In the past 10 quarters, we've spent more than \$200 million on multiple tuck-in acquisitions to reinforce our capabilities."

SANDEEP KALRA
CEO and ED, Persistent Systems

He had an "accumulate" rating on the stock at the time.

"In the past 10 quarters, we've spent more than \$200 million on multiple tuck-in acquisitions to reinforce our capabilities," Kalra says. Areas of investments include hyper-scaler clouds (Amazon Web Services, Microsoft Azure, Google Cloud Platform), Salesforce, payments, and integration services. The company has also expanded its geographical footprint, he says.

The SCI acquisition strengthened capabilities around an IBM payments software product called FTM (Financial Transaction Manager) for which Persistent was providing product engineering. The acquisition gave Persistent the opportunity to "significantly expand" the payments business (in the US)—not only in FTM but also on other software platforms like Zelle, Pai noted in his report.

Persistent has hired several strategic leaders, and launched an employee stock option plan covering 80 percent of its more than 22,500 staff.

"Looking ahead, we're focusing on laying the foundation for our journey to \$2 billion in annual revenue and beyond," Kalra says.

While the near-term imperative is to help clients save money, during the economic slowdown, software innovation is the differentiating ingredient for most enterprise brands today, he says. Persistent will offer its software engineering prowess in hi-tech, banking, financial services and insurance, health care and life sciences, and telecom.

The company will also expand into consumer, retail and consumer packaged goods, and media, and expand and deepen its partnerships. Over the next three years, "we aim to become the partner of choice for our customers in our areas of focus", he says. **F**