"PERSISTENT SYSTEMS EARNINGS CONFERENCE CALL, FOURTH QUARTER, FY25 ENDED MARCH 31, 2025"

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MANAGEMENT:

Mr. Anand Deshpande
Chairman and Managing Director

Mr. Sandeep Kalra
Executive Director and Chief Executive Officer

Mr. Vinit Teredesai
Additional Director (Executive Member) and Chief Financial Officer

Mr. Saurabh Dwivedi
Head, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to Persistent Systems Earnings Conference call for the fourth quarter of FY25, ended March 31st, 2025. We have with us on the call today, Dr. Anand Deshpande, Chairman and Managing Director, Mr. Sandeep Kalra, Executive Director and Chief Executive Officer, Mr. Vinit Teredesai, Chief Financial Officer and Mr. Saurabh Dwivedi, Head of Investor Relations. Please note that all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after Management's opening remarks.

Should you need assistance during the conference call, please raise your hand from the participant tab on the screen. While asking questions, request you to please identify yourself and your company. Please note this conference is being recorded. I now hand over the conference to Mr. Saurabh Dwivedi. Thank you and over to you Sir.

Saurabh Dwivedi: Thank you, Vandit. Let me quickly outline the agenda for today's call. Anand will open the call with his opening remarks. Sandeep will then share an overview of our results and commentary on business.

Vinit will take you through the financial details and key operational metrics for this quarter. I will then provide an overview of our key deal wins and awards and recognition for this quarter. Sandeep will come back for a quick summary of the prepared remarks, post which we will open the conference for questions.

Let me also remind you that as part of our prepared remarks and during Q&A, we may make certain statements which are forward-looking and may involve significant uncertainty. Persistent does not take any responsibility to update such forward-looking statements and your discretion is warranted while making any investment decision. With this, let me hand over to Anand for his remarks.

Anand Deshpande: Thank you, Saurabh. This year marks the 35th anniversary of Persistent Systems, a journey that we began in 1990 with a simple but ambitious vision to build a technology company from India that delivers global impact. Over the past three and a half decades, we have stayed true to that vision, growing steadily and shaping ourselves into a digital engineering leader trusted by customers worldwide.

Within that larger journey, this month we celebrate a special milestone, 15th year since our listing on the National Stock Exchange on April 6, 2010. This is a moment to pause, reflect and to express deep gratitude. This journey has been about building with purpose, combining technology, talent and trust to solve real-world problems.

It has been about staying resilient and future focused. I want to take this opportunity to thank all those who have walked alongside us, our passionate employees, committed leadership, forward-looking customers and dedicated partners. A special word of appreciation to our investors and the analyst community.

Your confidence, insights and support have been invaluable in shaping our growth story and fueling our ambition. To give you a sense of what we have collectively achieved, Rs. 1 lakh invested in Persistent shares at the time of IPO would be worth over 70 lakhs today, excluding dividends. I consider myself to be incredibly fortunate to have been part of this journey.

With that, let me now hand over to Sandeep for the quarterly and annual updates. Thank you.

Sandeep Kalra: Thank you, Anand. Before I start with the update on the quarter, I am pleased to share with you that our CFO, Vinit, has been inducted as an additional director on the Persistent board. I look forward to working with him for the continued success of our company.

Let me now start with a quick financial summary.

Coming to Q4 FY25 first, we delivered revenues of USD 375.2 million. This translates to a growth of 4.2% quarter-on-quarter and 20.7% year-on-year. In rupee terms, the growth for the quarter came in at 5.9% quarter-on-quarter and 25.2% year-on-year.

In constant currency terms, this translates into a quarterly growth of 4.5% quarter-on-quarter. This quarter marks our 20th sequential quarter of revenue growth. The EBIT margin for the quarter came in at 15.6%, translating into an EBIT growth of 10.9% quarter-on-quarter and 34.9% year-on-year.

The profit after tax for the quarter came in at 12.2%.

Coming to the full year financial year 25:

We achieved revenues of USD 1,409.1 million, giving us 18.8% year-on-year growth. In rupee terms, this translates to year-on-year growth of 21.6%. The EBIT margin for FY25 came in at 14.7%, compared to 14.4% for FY24. The profit after tax for the full year came in at 11.7%.

Vinit will go over the detailed color on the financials and margin movement later in this call.

Now coming to the order book for the quarter:

The total contract value for Q4 came in at USD 517.5 million, with TCV of new bookings coming in at USD 329 million. The annual contract value of this TCV is USD 350.2 million, out of which the ACV from new bookings contributed to USD 198.1 million.

The total contract value for full financial year came in at USD 2.1 billion, while the corresponding ACV was USD 1.5 billion. Most of you are aware that we typically see higher quantum of renewals and hence booking in the

December quarter, given the fact that 80% of our revenues emanate from the US. And this period corresponds to the end of financial year for our North American customers.

The sequential decline of bookings in the quarter reflects this seasonality that we have observed in previous years as well. Also, please note that our revenue conversion on a quarterly basis is a function of annual contract value bookings done in previous quarters, as well as the conversion from multi-year deals booked in previous years, which are included in our TCV bookings that we announce on a quarterly basis.

Coming to the client engagement size:

Now let me give you some color on our client movement across various reported categories. This quarter, we witnessed healthy year-on-year growth among our client buckets, with our top five customer revenue growing by 35.3%, top 10 by 27.3%, top 20 by 25.1%, and top 50 by 23.3%. The contribution from top 10 customers is 42.2% in this quarter, compared to 40% in Q4 FY24. All our top client buckets have shown good growth in this quarter compared to the same quarter last year. Customers with annual revenues more than 75 million plus increased from 2 to 4 on a year-on-year basis. Those with 50 million-plus annual revenue increased from 3 to 4. In 10 million-plus, the bucket increased from 17 to 21. And I'm also very pleased to highlight that we saw a significant jump in customers with annual revenues more than $5 million, with the number of customers in this category increasing from 40 to 55 over the last one year.

Finally, the number of customers with annual revenue more than $1 million increased from 178 to 191. These numbers demonstrate our ability to scale customer relationships significantly over time.

Coming to the details of our geographic performance.

In terms of year-on-year growth this quarter, in USD terms, North America revenue grew 21.3%, Europe grew 30.6%, India grew 10.6% and the rest of the world grew 8.6%. For the full year FY25, North America grew 20.6%, Europe grew 7.4%, India 12.5%, and the rest of the world grew by 34.5%.

Now let me give you this quarter's performance from an industry segment perspective.

Compared to the same quarter last year, healthcare, life sciences and banking financial services industry verticals grew by 33.6% and 26.6% respectively on a year-on-year basis. Our software, high-tech and emerging vertical registered a growth of 9.7% year-on-year.

For the full year FY25, healthcare and life sciences vertical grew 54%, banking & financial services grew 17.8%, while software and high-tech vertical grew 3.7%.

Coming to an update on the dividend side.

Our board of directors recommended a final dividend of Rs. 15 per share. This is in addition to the interim dividend of Rs. 20 per share that was declared in January 2025. It's our endeavor to maintain a consistent dividend payout ratio while we augment our growth through capability-led acquisitions.

Coming to an update on our customer events.

In keeping with our tradition, we mark the end of each financial year by organizing customer events in major cities, connecting with our customers and expressing our gratitude towards the strong partnerships that they have with us. Our New York event this year was hosted in the iconic Nasdaq Tower, which was well-attended by our key customers, partners, and employees. On this occasion, we also mark the US launch of the Persistent Foundation with a million-dollar commitment towards the same. We will also be having similar events in the Bay Area as well as Seattle over the next one week.

Coming to the progress we have made on our AI roadmap across the two key pillars, AI for technology and AI for business.

As previously discussed, our AI strategy is anchored around four pillars:

- First, coming to AI for technology. Here we are pivoting on two sides. On one hand, we are working with leading technology companies and hyperscalers in helping them engineer their platforms, leveraging our core expertise in product development as well as creating robust backend connectors, enabling seamless integration and scalability for our enterprise customers. Our work with these companies is foundational to the ability to enable agentic AI in enterprises over time. Another paradigm of this AI for tech pivot includes building our GenAI-enabled platform, SASVA, to accelerate software development for technology companies as well as application development for our enterprise customers. SASVA has end-to-end capabilities natively built into the platform and also integrates with third-party ecosystem partners across the software development lifecycle, helping our customers leverage their existing investments.

- Our second anchor is with respect to AI for business, as a part of which we are incorporating an Agentic Reasoning Layer to transform traditional backend business logic into dynamic agent-driven workflows. Our investments in Gen AI Hub and iAURA platforms are accelerating our agentic AI roadmap with our enterprise customers. Our solutions span across industry verticals, delivering agentic experiences such as fraud detection and loan origination in banking and drug discovery, patient engagement and prescription refills in healthcare, just to give you some examples. Building these agentic workflows is also spawning off a significant amount of data plumbing and engineering engagement for us with our enterprise customers. A testament to this is the 50% plus growth of our data and AI practice in each of the last two years on the back of significant wins across Fortune 1000 customers on such programs.

- The third pillar of our AI strategy is undertaking inorganic investments to enhance our capabilities. The acquisition of Starfish has given us the ability to disrupt the contact center domain from a horizontal solution perspective and is very relevant to our customers in the tech domain or banking financial services or healthcare life sciences. Adding on to that was our acquisition of Arrka that enables us to add important capabilities with respect to data privacy and governance, whether it comes to our platforms and offerings or our offerings based on third party platforms.

- Finally, the fourth pillar is to use all our AI-related investments and capabilities to transform business models in which we engage with our customers. Our endeavor is to get into more outcome-driven and other differentiated commercial models so that while we create significant value for our customers, we are also able to retain a relevant part of this benefit for ourselves and invest in increased R&D as we go along. This should reflect in revenue and margin per employee on our end getting enhanced over a period of time.

Let me now share with you some details on the progress we have made on SASVA and some key case studies.

In terms of SASVA, we have filed 15 new patents this quarter, taking the total patent count to 35, covering innovations like backlog prioritization, LLM driven security simulations, and dynamic data pipeline orchestration. In addition to these patents, recent feature updates to SASVA include OSS remediation factory for automated open-source vulnerability management, modernization factory for such structured application migration and tech debt remediation, AI-powered L0 to L3 support integrating GenAI into enterprise support workflows. We are seeing SASVA adoption in customer programs such as technical debt remediation, tech stack modernization, language upgrades, core product transformation and automated bug fixes. One of the largest deals that we have won in this year in this domain and which is in current execution is for a large SaaS provider where we are helping them adopt SASVA enterprise-wide, enabling modern ways of product development, boosting developer productivity and accelerating product release cycles in a major multi-year engagement.

Now coming on to strategic partnerships:

In terms of the various partnerships that we have with hyperscalers and others, just a brief update on that.

- We have established a strategic partnership and integrated GenAI hub with NVIDIA Inference Microservices (NIM), for agent-based AI using NVIDIA's AI Foundry models.
- In terms of Google, we continue to enhance our partnership and we have been recognized as an implementation partner for Google's Healthcare AI Developer Foundation and we are working closely with Google to launch AI solutions specific to healthcare and life sciences. An example of such a solution is our Pi-OmniKG aimed at accelerating biomedical research for healthcare companies. This was launched in Q4 in collaboration with Google and Neo4J.
- In terms of IBM, we were awarded as the first runner-up in the 2024 Call for Code Ecosystem Engagement based on our IBM WatsonX AI-powered sustainability platform.
- In terms of Salesforce, we have successfully completed 10,000+ Salesforce certifications and also expanded Agentforce adoption across 32+ of our customers.

- Coming to data and AI specific partnerships, we have developed an agent-based AI framework and solution for managed services offerings leveraging iAURA for Databricks and Snowflake platform-led engagements.

In summary, we are very pleased with our performance in Q4 FY25. I would now like to invite Vinit to give a detailed color on the quarterly financials and related matters.

Vinit Teredesai: Thank you, Sandeep. Good day to all of you. Thank you for taking time out to join us today. Let me now take you through the financial highlights for the quarter and year gone by.

Q4 of FY25 revenue stood at 375.2 million US dollars, registering a year-on-year growth of 20.7 percent. In rupee terms, it translates to Rupees 32,421.1 million, a growth of 25.2 percent year-on-year.

Revenue for the full year FY25 was 1,409.1 million US dollars with a growth of 18.8 percent year-on-year. In rupee terms, the same stood at 119,387.2 million rupees, a year-over-year growth of 21.6 percent.

EBIT margin for Q4 FY25 came in at 15.6 percent, 70 basis point improvement sequentially and 110 basis point improvement year-on-year.

In rupee terms, EBIT for this quarter was 5,052.9 million rupees, translating to a growth of 10.9 percent quarter-on-quarter and 34.9 percent year-on-year.

EBIT for the full year FY25 stood at 14.7 percent as against 14.4 percent in FY24.

Let me now give you a quarter-on-quarter EBIT margin walkthrough.

Starting with the tailwinds this quarter,

- Improved utilization helped margins improve by 20 basis points.

- Reduction in sales, general administration cost has helped us for margins with 30 basis points.
- A marginally higher earn-out credit versus the previous quarter helped margin improve by 20 basis points. Please note that all earn-out related adjustments for the acquisitions done till FY24 have now been accounted for.
- Finally, favorable currency moment helped margin improve by 40 basis points.
- Certain multi-year managed services deals which include lab setup for the customer along with procuring third-party tools and licenses have increased the component of IP revenues this quarter, some of which contributed to lower margins leading to a headwind of 40 basis points.

All these headwinds and tailwinds put together resulted in a net increase of 70 basis points in our EBIT margin sequentially. Also taking into account company performance for FY25, one-time realignment was made between ESOP costs and salary wages and bonus offsetting each other with no material impact on the P&L.

Other income net of finance costs stood at 153.5 million rupees against 118.4 million last quarter. Some of you may remember that we had invested Rs. 430 million rupees in fixed deposit of IL&FS for which we had subsequently taken 100% provision in Q4 of FY20, given that IL&FS went through an insolvency process. As a part of NCLT process, we have now received 21.2 million rupees during Q4 of FY25, which has partly contributed to the increase in other income. We will update all of you if we receive any more payments in future against this investment.

There was a foreign exchange loss of 154.3 million rupees as against a gain of 144.7 million rupees in Q3, primarily on account of rupee appreciation towards the end of the quarter, which results in restatement of our outstanding receivables and our outstanding hedges. Effective tax rate for the quarter came in at 21.7% compared to 22.6% in Q3. Effective tax rate for the full year FY25 was 23.2% and we expect our overall effective tax rate to remain in the range of 23 to 23.5% going forward. Profit after tax was 3,957.6 million rupees, a growth of 25.5% year-on-year. This translates to PAT margin of 12.2%.

Earnings per share were Rs. 25.60 per share in Q4 of FY25 compared to Rs. 24.30 per share in the previous quarter. Year-on-year growth in EPS was 23%.

We registered a full-year PAT of Rs. 14,001.6 million in FY25, translating to a growth of 28% year-on-year. PAT margin for the full year FY25 stood at 11.7% as against 11.1% in the previous year.

EPS for full year FY25 was at Rs. 91.20 per share with a growth of 25.9% year-over-year.

Excluding cash from capital employed, return on capital employed for Q4 FY25 came in at 39.7% versus 35.7% same quarter last year.

Total cash & investments stood at 270 million as of 31st March 2025.

In this quarter, billed DSO came in at 58 days, an improvement of 6 days compared to the last quarter, while unbilled DSO came in at 23 days, an increase of 1 day compared to Q3 of FY25.

Our OCF to PAT for Q4 FY25 stands at 108.4%. Forward contracts outstanding as of 31st March 2025 were 300 million USD at an average rate of Rs. 86.3 per dollar.

Now let me give you some key operational updates.

At the end of Q4, our total headcount stood at 24,594, an increase of 744 from Q4 of previous financial year. Trailing 12 months attrition this quarter came in at 12.9% compared to 11.5% in Q4 of last year and it continues to be within our acceptable range.

I am pleased to share with you that in line with our endeavor to maintain a consistent dividend payout ratio, the Board of Directors has recommended a final dividend of Rs.15 per share, taking the total dividend for the full year to Rs. 35 per share. This is to acknowledge the 35th anniversary of the company and 15th anniversary of listing on the National Stock Exchange of India. This translates into a dividend payout ratio of 39%. The final dividend recommended by the Board is subject to approval by the shareholders at the ensuing Annual General Meeting.

Coming to ESG updates for the quarter.

- Persistent was featured on the Nasdaq Marketsite Tower in Times Square for winning awards at the ICSI Business Responsibility and Sustainability Awards and National Awards for Excellence in Corporate Governance.
- Additionally, we were recognized at the Institute of Chartered Accountants of India Sustainability Reporting Awards 23-24, highlighting our dedication to responsible and transparent practices.
- Persistent has been included in the top 10% of S&P Global 2025 Sustainability Yearbook, reaffirming our commitment to responsible business practices and long-term ESG impact. Out of 7,690 companies assessed, only 780 across 62 industries were included in the 2025 Sustainability Yearbook based on the S&P Global Corporate Sustainability Assessment Scope.
- Since February 2025, we have achieved 100% renewable energy sourcing for all our own locations in Pune, Nagpur and Goa through solar rooftops, wind energy and green tariffs from DISCOMs.

Let me now hand over to Saurabh for commentary on the key deal wins and awards and recognitions we have received during the quarter.

Saurabh Dwivedi: Thank you, Vinit.

Let me begin with software high-tech and emerging industries, our largest vertical.

- Persistent was selected by one of the leading security service edge companies, providing security products to large banks and Fortune 500 companies to accelerate its product engineering roadmap. Persistent's strong relationship with the private equity owner of the company and strong security domain credentials were instrumental in winning this engagement. The benefit to the customer includes acceleration of its product roadmap across data loss prevention and hybrid secure web gateway offerings as well as improved product robustness and compliance.
- Persistent was selected by one of the leading software providers to non-profit organizations to set up an offshore research and development center. Persistent's product engineering heritage, along with the experience of working with private equity sponsored technology companies, was instrumental in winning this engagement. The benefit to the customer includes AI-driven innovation across product lines and driving operational efficiencies through the offshore research center of excellence.
- Persistent was selected by one of the leading cyber security companies to take over its offshore security operations center. Persistent's existing capabilities in the SOC domain were instrumental in winning this engagement. The benefit to the customer includes 24x7 monitoring of the customer SOC, service-level benchmarking and its continuous improvement.

Coming to banking, financial services and insurance

- Persistent was selected by a global leader in tax accounting and cash flow management software to develop, enhance and maintain an AI-driven analytics platform for its analysts. Persistent's long-term engagement and understanding of the client's technology architecture was instrumental in winning this engagement. The benefit to the customer includes the availability of curated data to improve the productivity of business analysts who are leading automation and in-sighting initiatives.
- Persistent was selected by one of the largest US-based financial services firms to create a data platform for regulatory compliance. Persistent's capabilities in and successful delivery on multiple data and analytics projects for the customer was instrumental in winning this engagement. The benefit to the customer includes smooth integration across multiple applications and improved accuracy of regulatory reporting.
- Persistent was selected by a leading UK-based payment solutions provider to undertake architectural assessment, followed by development and modernization of its payments platform. Persistent's capabilities in the payments domain and in cloud and contact center space were instrumental in winning this engagement. The benefit to the customer includes enhanced compliance and security, improved integration with contact center and other platforms in the payment network.

And finally, within our healthcare and life sciences vertical

- Persistent was selected by one of the largest healthcare companies in the world for migration of data assets from Teradata platform on-premise to Databricks and Snowflake on the Azure cloud. Persistent's successful track record in the migration domain and AI and machine learning capabilities helped in winning this engagement. The benefit to the customer includes scaling AI adoption for enhanced patient data management, faster claims processing and advanced analytics across the organization.

- Persistent was selected by one of the largest contract research organizations to become a product engineering partner to its research and development solutions organization. Persistent's SASVA-led solution approach coupled with successful delivery across other projects with the customer was instrumental in us winning this engagement. The benefit to the customer includes 30% faster releases, improvement in engineering productivity and quality assurance.
- Persistent was selected by one of the leading contract research and development organizations to transform its IT infrastructure and provide managed services support. Persistent's extensive experience with contract research and development organizations was instrumental in winning this engagement. The benefit to the customer includes Gen AI-led operational efficiency and compliance with good manufacturing practice in the life sciences services industry.

Moving on to the awards and recognitions for the quarter.

This quarter saw us get continued recognition from industry-leading analyst firms and associations. To cite a few,

- Persistent was named a leader in the 2024 ISG Provider Lens for Advanced Analytics and AI Services - US, and featured in the Gartner Market Guide for Generative AI Services for banking. This highlights our expertise in delivering Gen AI solutions for efficiency, risk mitigation and digital transformation.

- Persistent was named as a leader in Everest Peak Matrix Assessment on Customer Application Development Services 2025 Global. We were commended for SASVA - our AI powered platform that delivers productivity gains and automation across the customer application development lifecycle.
- Persistent won the Google Cloud Infrastructure Modernization Partner Award for successful execution of one of the largest Google cloud migrations. We were recognized for migrating 6,000 plus micro services, 100 plus petabytes of data and large scale AI/ML workloads for a leading E-Commerce platform to Google cloud.
- Persistent was cited a leader in 2024 ISG Provider Lens - Insurance ITO services mid-market North America.
- Persistent was recognized for deep domain expertise built through collaboration with leading insurers, third party administrators, fintechs and diverse industry players.
- Persistent made a powerful debut with top rankings for client satisfaction in innovation in the European IT outsourcing study by Whitelane Research. Persistent was ranked fourth in the overall ranking and second in the category of transformative innovation.
- Persistent was named a leader in 2024 ISG Provider Lens Intelligent Automation Services - US.
- Persistent was recognized in the prestigious Economic Times Human Capital Awards 2025 across multiple categories underscoring our excellence in people practices.
- And finally, our CEO, Sandeep Kalra, was honoured as a Tech Titan at BT India's Best CEO Awards 2025.

With that, let me hand it back to Sandeep.

Sandeep Kalra: Thank you, Saurabh.

Let me conclude my prepared remarks by saying that we will continue to strengthen our capabilities in the upcoming areas such as AI as well as in our sales channels and proactively engage with our customers while striving for top quartile growth in our sector. During the recent developments in geopolitics and macroeconomic factors around that, we see an increased level of caution in decision making from our customers and prospects. However, as always we are focused on being close to our customers and prospects helping them solve their business challenges, be it growth or cost optimization. We remain committed to our goal of reaching 2 billion dollars by end of FY27 and are well on that trajectory.

With this, let me request our operator to open the floor for questions.

Moderator: Thank you, Sir. We will now open the call for Q&A session. We will wait for a few minutes until the queue assembles. We request participants to restrict to 2 questions and then return to the queue for more questions. Please raise your hand from the participant tab on the screen to ask the question.

The first question is from Ravi Menon.

Ravi Menon: Hi, thanks and congrats on a good quarter.

So, wanted to ask you about the healthcare vertical in particular, there are concerns that providers and payers are under a lot of pressure because there are unexpected costs in Medicare customers and also lower payments from the US federal government. I know that you have literally small wallet share in these customers, but do you see this as an opportunity, or do you think there are possible headwinds in these accounts?

Sandeep Kalra: Thanks, Ravi. Very valid points. From our perspective if you look at it - we have continued to grow in the healthcare segment very nicely. There are puts and takes with DOGE attempts and the USAID attempts to cut costs in various departments and that is downstream also leading to certain amount of our customers getting impacted. But I am pretty sure in a bigger picture if we look at it this is going to emanate newer opportunities for us to help our customers optimize their costs and so on. So overall we are bullish on the healthcare sector and again as a company if you look at it last year healthcare grew very well and towards the last two quarters we saw the banking financial services as well as you know the tech sector come up very nicely for us. So, as sum of parts we are very confident of overall growth and even within healthcare we are pretty confident that we will have a decent trajectory. There maybe a few quarters here or there because of all these macroeconomic and DOGE and USAID impacts to our customers. But overall, both healthcare and the company should do well.

Ravi Menon: Thanks, Sandeep. And on banks specifically, you know, BFSI we have seen very good results by the banks but people are worried that there too spending might actually have an impact on discretionary programs. I think there is an overall a perception that Persistent is perhaps more exposed to discretionary programs you know and when it comes to cost takeout you may not benefit, could you talk a bit about that.

Sandeep Kalra: So, I think, Ravi, it has been many, many quarters we have clarified many times, you know, whether it is a good economy or a bad economy we have proven over the last several cycles - We are not dependent on discretionary spends. And if you look at it, in the last quarter when we announced a fairly large win from a financial services customer, it was a vendor consolidation among other things that we did with them. And so we are very well poised for cost optimization, vendor consolidation and the like. And even our platform like SASVA if you look at what we are trying to do there, they lend themselves very well to bring in more productivity gains, not just through labor arbitrage but through technology usage. So, we are very confident that we have to figure out our own revenue pools with our existing customers and new…I don't think discretionary spend should be a concern for our investors.

Ravi Menon: One last question – you were talking earlier about how you want now to let the SG&A leverage play out because we have made heavy sales investments over the last couple of years when the market had slowed down. This year looks like the market will still be slow. So, do you want to continue to invest in sales maybe even if it means the margins don't improve.

Sandeep Kalra: So, two parts to that. If you look at our margins, I will start with that. Our exit run rate is 15.6% from an EBIT perspective, our full year is at 14.7%, and our last to last year was 14.4%. So, 14.4 to 14.7 year-on-year, last quarter exit 15.6, if we execute in a disciplined way even if we were to look at the investments that we plan to do, and we do plan to invest in sales and marketing. If we invest in line with our revenue growth that we intend to have, growth will always be priority number one, margin improvement priority number two. But we are on a decent trajectory, at an entry run-rate of 15.6% for the year even if we were to keep it flat or tad bit lower we will still deliver a 100 basis points - aspirationally that is our goal, but we will let the market conditions and other things pan out. We control what we control from an operational perspective, we've had a good year. So, I will leave it at that.

Ravi Menon: Thanks so much and best of luck.

Moderator: The next question is from Sandeep Shah.

Sandeep Shah: Yeah. Thanks for the opportunity and congrats on good execution in a difficult environment.

Just wanted to understand, Sandeep, regarding one of your large accounts in the healthcare has given a profit walk just a few days back. So, did it create any uncertainty though you sounded optimistic about healthcare, may it result into some large clients' specific issue in this account. And also in terms of your view in the sector vertical-wise growth in the coming year, given the macro uncertainty being higher on. Then I have a couple of questions for Vinit.

Sandeep Kalra: Sure. So, at a high level if you look at it, yeah I understand what you are talking about the large customer. But our healthcare vertical obviously the large customer is there and then there are many others. And within the large customers that we have we have multiple different programs that we are engaged on. Some of these are long range programs which are spanning multiple years. So as at this point in time we don't see a reason for us to be worried on that, we are working very closely with our customers large or small in understanding how we need to help them in their challenges. Now, outside of that if you look at it, if I was to peck the order, Persistent is a sum of parts of these three industry verticals – healthcare, life sciences on one side and BFSI and tech. In my mind, BFSI and tech should lead the growth in this year followed by healthcare and lifesciences. And healthcare lifesciences has led the growth for the last six quarters so it is in fairly good shape but I do believe that BFSI and Tech should lead the growth for the coming year.

Sandeep Shah: Yeah, last couple of questions, Vinit, this year if you look at intangible asset and their development has gone up and includes a 250 bps to the revenue on an incremental basis, what I am saying is the entry which is reflected on the balance sheet rather than the P&L. So, what is the nature of the same? And second, on the operating cashflow, I feel that the improvement has not been in line with the revenue growth. So, any aspirational target entering FY26 in terms of cash generation.

Vinit Teredesai: Sandeep, in terms of intangible assets it is on two counts, one we did acquisitions during the year as a result of which there is an addition to the intangible assets. Second, as Sandeep mentioned in his opening comments we will continue to invest on SASVA our AI platform and as a result of that there are many patents that have been filed. So, there is a lot of intellectual property that also is getting developed as part and parcel of the overall organization, and as a result of that there is some increase there.

The second part in terms of your OCF, operational cashflow, if you look at this quarter it has improved to 108.9% and this seems to be our range, we want to be on the 100 to 120% range if you compare it with the last quarter it has shown a significant amount of improvement. If you look at our DSO which is a major driver to our OCF it has improved by 6 days, the billed DSO has come down by 6 days. Our aspiration continues to remain that OCF should continue to be above 100% and we are working on that.

Sandeep Shah: Thank you and all the best.

Moderator: The next question is from Manik Taneja.

Manik Taneja: Thank you for the opportunity. Congratulations once again for a steady performance. This question was with regards to our healthcare vertical once again, when I look at the revenue split up by customers it appears that the top single customer has once again grown while we have seen a sharp decline in rest of the healthcare portfolio. If you could talk about that as well as the potential margin implications of some of the onetime deals that we saw in FY25 not being there, in that context what will be the levers to drive margin expansion in line with our three year strategy.

Sandeep Kalra: So, if you look at the healthcare vertical as we said before there are multiple factors happening there. On one side there is DOGE impact on the Department of Health Human Services and so on. The other side is that USAID funding is getting cut for various folks across the globe including the US and others, so as a part of that if you talk to many of the stakeholders in the healthcare ecosystem anyone who was doing research and was funded by the government, all that funding has vanished overnight. And similarly if you look at it that funding was used to buy software equipment, services for clinical trials, many other things from the various parts of the ecosystem. That's putting a little bit of a stress on the system and that also is putting stress on government funded healthcare plans. So, one of our customers did have a little bit of a rampdown and adjusted for that also healthcare vertical for us grew. So, if I look at our overall pipeline, if I look at our overall scaling of healthcare and overall company and as sum of the parts if I look at the BFSI vertical if I look at the tech vertical, we are fairly confident the company will grow. Healthcare - we have a very decent pipeline outside of our bigger customers and any of those impacted customers by whatever I said. So, we are reasonably confident and we live in a bigger macro we will let it pan out but we are confident that the company will grow. And again we have proven in the last 3 cycles across the last 5 plus years, our ability to pivot in different kinds of environment, so I will leave it there. So, in terms of the margin levers I will let Vinit talk about it.

Vinit Teredesai: And at the end of the day if you look at it, you know, even if healthcare doesn't grow as much as what it has grown in FY25, there are other verticals which are growing and they are growing at a pretty decent pace and they are generating enough margin. There are many levers at this point of time as I said, our utilization is high. At this point of time we anticipate that this will remain in a heightened range for some more period of time till the uncertainty prevails. There are pricing levers that we work on very, very diligently to improve and get incremental benefit on our revenue. So, these are all the things which will continue. SG&A - while as a percentage is closely watched. We continue to make investment and at the same time the investment also gives benefits in terms of the goals that we are delivering. So, net-net we are pretty much confident and we are pretty much on track in terms of delivering our aspirational target of improving our margins by 200-300 basis points as we hit the 2 billion dollar revenue target by FY27.

Moderator: Thank you. The next question is from Abhishek Pathak.

Abhishek Pathak: Yeah, hi, am I audible?

Sandeep Kalra: Yes, please.

Abhishek Pathak: Hi, Sandeep. Congrats again on a consistent quarter. So, I had a couple of questions. Firstly, you know as you say you are still on track to hit that 2 billion dollars revenue run rate by FY27. How shall we think about the growth split between FY26 and ’27 I mean in the context of the current macros should we expect a bit of short-term snags and then maybe an acceleration in ’27. Or are you confident that your deal wins and your pipeline gives you probably an even split between now and let’s say FY27, right, that’s one. And the second question is on the healthcare deal, I understand that there could be offshoring that might come in from next quarter. Do you think this probably gives us an added benefit in terms of margins going forward and how do we model this particular event going ahead. And just a last question on the platform led revenues and SASVA. Do you think the current sort of development kind of pushes back the uptake of your platform services by let’s say you know a few months and is there any way to quantify what percentage of our incremental revenues are coming from platform services and how they should let's say evolve going forward. Thank you so much.

Sandeep Kalra: Abhishek, there is a bunch of questions in that, let me first address that. So, let's start with the basics, the quarter we delivered was 375.2 million. If we multiply that by 4 - we are at a run rate of 1.5 billion dollars. Now you take the growth rate on that if we were to deliver a certain growth rate over the quarters, I am not just looking at one quarter two quarters, the life we are living in right now the macroeconomic things changes on a day-to-day basis and we don't give forward looking guidance. So, it will be unfair for us to put out any number for this year versus next. All we are saying is we have eight quarters to reach the destination that we have aspirationally of 2 billion dollars and that's an aspiration, that's not a guidance but we can clearly see the path to that. So, we are on that path and whether it happens more in the next quarter or in the next several quarters that acceleration happens, it will happen and we have proven over the last 20 quarters the ability to increase revenues in different kinds of environment, that's the first part. I am not going to give you a split but we are relatively confident we will be there.

Now the second part of it, the healthcare deals offshoring and so on, as I have repeatedly said over the last several quarters it is not one deal it is multiple deals, multiple parts of one customer plus multiple deals in other parts of the healthcare ecosystem. Now if you look at it this offshoring also we have said it has started to happen, it is happening every quarter and we are winning newer business also in the biggest customer and other customers. So, I won't be too worried about that. Does it give us a margin lever? Yes, it does. So if you look at it, you study our financials this quarter itself, our sub-contracting cost went up and that went up in this quarter because we basically did a vendor consolidation with a large BFSI deal win that we had announced last quarter. And that also gives us a lever. In a running business there are multiple things that are happening which provide you the levers. And please keep in mind if our entry run-rate is 15.6% and we work diligently towards improving it, it already is at a good clip with respect to the last year. I'll leave it at that and I sincerely you know believe we are on a good trajectory both on a revenue and a margin perspective and we will deal with the macro as it comes. Our intent would be to give it our best, grow better than the sector and we will see.

Now in terms of SASVA part of it, look SASVA is a good tool for anyone whether it is a enterprise software company or an enterprise - To look at doing the same with less and so I sincerely think if we are able to execute the way we are thinking the percolation should happen at the same pace as we would have thought and tough macro would actually give an incentive to companies whether they are PE portfolio companies having multiple products to adopt SASVA or enterprises to do that. But we will let things pan out. We are fairly confident of the traction that we are seeing in the market. Obviously if the macro becomes tougher, the growth rate you know will be relative but we will let it pan out.

Abhishek Pathak: Thanks a lot, Sandeep, thanks for that. If I could just have one small follow up, on the 5 billion dollar FY31 aspiration, any update on acquisitions over there, and are we closer to finalizing anything over there, what areas are we looking at, just a small update would be very helpful. Thanks.

Sandeep Kalra: So, look, if there is an update we would clearly call it out, we may even do a call – if we do something.

Now in terms of our acquisitions strategy just to remind everyone, there are 2 or 3 pivots there.

First, we have very clearly said - we want to do a revenue diversification - so if we do a scaled acquisition, it may be in Europe or related areas…. Second, we have said we will look at capability-led acquisitions in the US to basically further our journey in the AI space or in the micro verticals or some vertical of BFSI or healthcare kind of verticals. And third, there are parts of horizontal use cases in Gen AI like we did in contact centre space or we did in the Arrka acquisition to bring in more capabilities to round up our Gen AI offerings, so those are the pivots. If we have anything to announce, we will call for a call and announce. But at any point of time we are evaluating multiple assets that's all I can say.

Abhishek Pathak: Thank you, all the best, thanks.

Moderator: Next question is from Dipesh Mehta.

Dipesh Mehta: Thanks for the opportunity. Just want to make sense about the macro uncertainty, whether there is some kind of delay in ramp ups, deal closure / decision making elongated as well as some cancellations. If you can give some sense in 3 months, how are we finding overall situation. You indicated some caution in the pipeline but if you can give some more detail on it and whether it could have an implication in terms of deal signing. We have seen very strong deal signing over the last few quarters, whether you expect some bearing on it because of overall condition. And second question I have is on SASVA. If you can give some sense about how SASVA contributes to the overall revenue - any quantified number or qualitative colour compared to let's say 4 quarters how SASVA is impacting overall deal pipeline, deal booking or revenue. If you could give some context there.

Sandeep Kalra: Okay, so lots of questions there, I will try and you know summarize it faster because we have 8 minutes on the call. So 2-3 things, in terms of the macroenvironment, when the US election results were announced there was a euphoria around the certainty being there, and people had started looking at a positive economic uptick and so on and so forth. So, the discussions had started becoming healthier and newer things were being thought about. But in the last month or six weeks the way the things have gone, there are fears in the customers' mind and they are really seeing an uncertain kind of environment and things are very kind of fluid if I may say so. Having said that, we have not seen any cancellations, let me put it straight - we have not seen any cancellations, we are seeing a certain amount of feet dragging in terms of deal closures. I do believe personally in our industry we will need more pipeline to be able to do the bookings whether it is Persistent or somebody else. And so we are at it, and we may do investments in sales and marketing and in our go-to-market accordingly. And I will leave it there but from overall perspective again these are fluid things that will change over the next one two months but things have slowed down, so that's where I will put it.

Now in terms of SASVA we have no intent of announcing SASVA revenues, etc., we are using SASVA two ways. We are using SASVA to enable deal wins at scale and implementation at scale, and a number of times when we pitch SASVA the customer may not necessarily buy SASVA but customers understand our capabilities, they may leverage our capabilities to help them build a SASVA-equivalent micro platform for their own business space or in their overall let's say data plumbing data engineering kind of a thing. To give you an example, right now if I look at the last 12 months our data practice has gone up to 56% against the company growth rate that we are seeing. There are multiple benefits of that and there are used cases where we are going to software companies and taking over entire products on an outcome basis for you know leveraging SASVA productivity gains and so on. So, that is where it is and it is a significant part of us growing at the levels we are.

Moderator: Thank you. The next question is from Vibhor Singhal.

Vibhor Singhal: Yeah. Hi. I hope I'm audible. Thanks for the opportunity and congrats Sandeep and team for a very rock solid quarter yet again.

Sandeep, my question was related to the macro and I know you have answered it in multiple parts before but if we hear the commentary of the players up till now. I think manufacturing and retail verticals are the two verticals that seem to be hit the most because of the tariff uncertainty and because of the input costs that we are looking at. Now these are the two verticals which of course we don’t have much of a presence and that kind of insulates us from being impacted to a large extent. But given our target of 2 billion dollars and 5 billion dollars and our plans to maybe incubate new verticals, where are we on the plans to basically look at these verticals and how are we looking at this and how do you see them playing out. Any I mean let’s say milestones that we could see on these in the next one or two years?

Sandeep Kalra: Okay. So, two parts to it, first the key pivot for us going to 2 billion and beyond to 5, is going into micro vertical in the existing verticals that we have. I have said it multiple times, in any economy, in any GDP if you were to dissect it, BFSI and healthcare are the largest sectors and we have a fairly good business but a small business as compared to many of our players, so we believe whether it is that or the capability that we have historically on our product engineering side gives us enough addressable market to be able to grow at a significant pace. So, that is the thing first and from an organic perspective and even tuck-in perspective we will do this. Second, if we want to go into the newer verticals whether it is manufacturing or others we may do as we go along acquisitions so that we enter it with a dominant force rather than incubate and be a weaker player in that. So, we have clearly laid out our aspirations we are on the path, if you look at it, we are pretty much midway to 2 billion dollars and we will keep executing on each one of these. And we talked about our M&A strategy earlier on this call as well.

Vibhor Singhal: If I could just delve maybe get a bit more, given the revenue that we have at this point of time, I think the path to 2 billion dollars is fairly visible. Do you think I mean I know you mentioned probably look at other verticals. But do you think these 3 verticals can actually take us to that 5 billion dollars mark, or to reach that mark we will definitely need some new greenfield verticals.

Sandeep Kalra: So, these verticals have enough addressable market for us to keep going for the next several years. And between now, if you look at it we are at FY25, we are talking about FY31, we have time to take decisions on adding a vertical or multiple verticals as we go along. For now, we are heads down in execution, we have rolled out a sub-vertical strategy within the company, we have hired the leadership for sub-verticals in many places and we are on that path to execute on that, and as opportunistically if we get a very good acquisition target which fulfills the various criteria we t we have laid out - we will execute on that. But rest assured, look at the last 5 years – 481 million dollars was our revenue for FY19-20 in that range, right. We have tripled the company from there in 5 years.

Moderator: Thank you. The next question is from Nitin Padmanabhan.

Nitin Padmanabhan: So wanted your thoughts on the utilization - it is at an all-time high, how is that operationally changing for us, we have never operated at these levels. So, is there a new band that we can operate at? So that is number one.

Number two, is this - wanted your thoughts on the GCC business that we have? How large is this and how has this sort of evolved since we have started. So, that's the second thing. So, I think these are the two primary questions.

Sandeep Kalra: I will try and quickly answer this, we have just two minutes left on the call. As far as the utilization is concerned we are comfortable in this band. So, there are two parts to it, one I can say with pride there are enough and more people who would love to join our company so we have come to a point where our ability to hire is not a question. Two, the market environment is such that there are only a handful of companies which are growing, so the war for talent at that footing that we need to have a big bench and so on and so forth. So, we are fairly comfortable where we area and these are things we will keep tuning in line with the macro-economic environment both from a cost and demand perspective, we will see where it goes.

In terms of GCC, GCCs are a fair play for us for fairly long period of time, if you look at any of our top customers, we have co-existed, we have cooperated with there GCC and their parent, I can't quantify a percentage for you on this call, but maybe we can get back to you on this.

So, with that, operator, I would just want to summarize the call and then you can pretty much close the call.

It is a tough macroenvironment out there. We have a good pipeline, we have a good set of customers, we have scaled our customers whether you look at any of the categories we talked about whether it is greater than 5 million or greater than 75 million - we are confident of delivering within the same macro, have better than industry results and whatever is given to us we will try to do our best in that. So, with that we will stop here and we will look forward to meeting you and giving you an update in the next three months. Thank you.

Moderator: Thank you very much to Persistent Systems Management Team. Ladies and gentlemen, on behalf of Persistent Systems Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your line and exit the webinar. Thank you, everyone.

Please note that this transcript has been edited for readability.