

“PERSISTENT SYSTEMS EARNINGS CONFERENCE CALL, FIRST QUARTER, FY26 ENDED JUNE 30, 2025”

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MANAGEMENT:

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Executive Director and Chief Executive Officer

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Executive Director and Chief Financial Officer

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Vice President, Finance and Strategy

Moderator: Ladies and gentlemen, good day and welcome to Persistent Systems Earning Conference Call for the first quarter of FY26, ended June 30, 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, Executive Director and Chief Financial Officer and Mr. Saurabh Dwivedi, Vice President, Finance and Strategy. Please note, all participants' line 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 any 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. A very good day, good afternoon and good evening to everyone on this call. Let me quickly outline the agenda for today's call. Sandeep will begin with 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 recognitions 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 decisions. With this, let me hand over to Sandeep for his prepared remarks.

Sandeep Kalra: Thanks, Saurabh. Good morning, good evening to everyone on this call. I hope all of you are doing well. Let me now start with a quick financial summary.

For Q1 FY 2026, we delivered a revenue of US \$389.7 million, a healthy growth of 3.9% quarter-on-quarter and 18.8% year-on-year.

- In rupee terms, growth for the quarter came in at 2.8% quarter-on-quarter and 21.8% year-on-year.

- In constant currency terms, this translates into 3.3% quarter-on-quarter.
- This marks our 21st sequential quarter of growth.

The EBIT margin for the quarter came in at 15.5%. This translates into an EBIT growth of 2.5% quarter on quarter and 34.8% year on year in absolute terms despite unfavorable currency movement this quarter.

Profit after tax for the quarter came in at 12.7%, a growth of 7.4% quarter on quarter and 38.7% year on year in absolute terms.

Vinit will provide a detailed color on the financials and margin movement later in this call.

Coming to the order book for the quarter

- The Total Contract Value (TCV) for the quarter stood at USD 520.8 million, with TCV of new bookings coming in at USD 337.0 million.
- Annual contract value of this TCV is USD 385.3 million, out of which the ACV from new bookings contributed US \$211.8 million.

As highlighted in earlier calls, our revenue conversion on a quarterly basis is a function of ACV 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.

Now let me give you some color on our client movement across various reported categories.

This quarter, we witnessed healthy year-on-year growth in US dollar terms among our various client buckets, with

- the top 5 customers' revenue growing by 22.8%,
- top 10 by 20.2%,
- top 20 by 23.1%,
- top 50 by 22.7%, and
- top 100 by 22.4%.

As you would notice, there is a secular increase in revenue across all categories in our top 100 accounts.

Coming to the year-on-year movement of customers across various reported buckets in trailing 12 months revenue terms.

- Customers with greater than 75 million revenue increased from 3 to 4 on a year-on-year basis.
- Customers with 50 million plus remained at 4.
- Customers in the 20 million plus category increased from 10 to 12.
- In the 10 million plus category increased from 19 to 22.
- Customers in 5 million plus category saw a significant increase from 41 to 56 over the last one year.
- Customers in 1 million plus category increased from 178 to 190.

The healthy growth in various client categories is reflective of the trust our clients put in us and our ability to build stronger scalable relationships with them over a period of time.

Coming to the performance across geographies.

In terms of year-on-year growth this quarter in USD terms,

- North America grew by 17.4%,
- Europe by 37.5%,
- India by 18.3%,
- Rest of the world declined by 1.7%.

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

- This quarter's growth was led by BFSI vertical followed by software high-tech and emerging industries and healthcare life sciences, which grew 30.7%, 14.1% and 12.4% respectively on a year-on-year basis.
- You would have noticed that our healthcare life sciences vertical declined by 2.1% quarter-on-quarter for Q1. This decline was majorly on account of revenue impact due to the planned transition of effort from on-site to offshore in some of the larger customers.

Coming to a couple of important organizational updates.

- Yogesh Patgaonkar, our Chief People Officer, will retire from his role effective July 31, 2025. We extend our deep appreciation to him for his invaluable contributions in shaping and advancing our talent agenda during the pivotal phase of our scaling.
- Rajiv Nathani, who joined us in February 2025, will assume the role of Chief People Officer effective August 1, 2025, as part of a planned succession. Rajiv will drive talent transformation, harnessing AI-driven

intelligence and people-first practices to build a high-performance, future-ready workforce for us.

- We also recently welcomed Shimona Chadha as our new Chief Marketing Officer. She will be driving our global marketing strategy, strengthening brand positioning and enabling business growth through integrated marketing initiatives. Shimona will be based out of our New Jersey office in the U.S.

Coming to the celebration of our 15th anniversary

As you would know, Persistent went IPO 15 years ago.

Last quarter, we organized multiple customer events including one at the iconic NASDAQ Tower and another one in Silicon Valley. In continuation to these events, this quarter, we are proud to be ringing the closing bell at the National Stock Exchange tomorrow, that is July 24th. This occasion is a testament to the hard work, commitment and loyalty of our long-standing team members and we are deeply honored to share this celebration with them.

Coming to the updates on our AI progress

As articulated previously, Persistent is pivoting to an AI-led platform-driven strategy, structured primarily around two core areas.

- The first one being **AI for Technology**, wherein we are focusing on enhancing engineering productivity and modernizing tech stacks to deliver faster time to market and competitive differentiation for enterprise software companies, as well as enterprise IT or technology arms.
- **AI for Business**, focusing on enabling enterprises to become AI-ready and adopting agentic AI thereafter to reimagine business processes, customer experiences and operational workflows.

Let me first give you a little bit of color on AI for Technology.

- In the quarter gone by, we launched SAVA 3.0, a transformative upgrade to our generative, deterministic, AI-powered digital engineering platform, SASVA. In the new release, this streamlines the software development lifecycle, right from product definition, coding, release management and support, thereby defining and delivering significant productivity gains.

- Since enterprises are able to leverage SASVA train and customize the platform for building their enterprise applications and business use cases in a seamless and secure manner. This is even more relevant to an important in the context of highly regulated industries, such as banking financial services and healthcare and life sciences.
- SASVA is built using multiple custom language models and can function using a limited number of GPUs, thereby containing the cost involved in scaling enterprise adoption as compared to hosted models.
- The innovations in SASVA are powered and backed by 55-plus patents across data intelligence, AI infrastructure, productivity, autonomous agents and security, up from 35 in Q4 FY25.
- As a fun fact, I would like to call out that SASVA 3.0 was built leveraging SASVA itself, demonstrating its self-improving productivity promise.
- We are seeing good traction with our customer base for engineering productivity across verticals, driving significant improvements in tech debt remediation and software release frequency.

To give you an example of AI for tech - For a large capital markets software provider, we rebuilt their core risk management platform in less than six months using SASVA's AI-assisted assessments, planning and implementation versus traditional methods that would have taken us more than 18 months. This resulted in accelerated tech remediation on one hand and a faster go-to market, leading to revenue acceleration for our customer on the other.

Coming to AI for business:

In our AI for business focus, we're working on two pivots.

1. Getting enterprises ready for product-based AI adoption and number two, developing agentic AI capabilities for specific use cases across our industry verticals.

As you would know, large enterprises typically grow over a period of time with a combination of organic growth as well as acquisitions and this leads to a number of disparate systems that leverage legacy technologies and may not communicate well with each other. As a first step towards an enterprise-wide AI adoption, we've been working with a multitude of Fortune 1000 customers on modernizing their data architecture as well as building custom platforms to

address their business needs, leveraging platforms and technologies from our hyperscaler partners as well as other technology companies such as Databricks and Snowflake in addition to our own IPs.

To give you an example of some of these industry-specific agentic solutions, looking at the financial services segment, we have built an underwriter agent based on Salesforce Agentforce platform for loan origination. This agent automates first stage of document verification and leverages a reasoning engine to process the documentation to take decisions autonomously and fast-tracks the loan document verification as well as significantly enhancing human underwriters work efficiency.

Similarly, in the healthcare life sciences space, we have leveraged the Google agentic platforms for building an agent that we're calling **SciMitra Agent**. This agent accelerates scientific discovery in complementing **our Pi-OmniKG**, which is a knowledge graph-based solution.

Enabling our foray into AI for tech and AI for business are our investments in building capabilities around a Digital Trust Layer in all our platforms encompassing the tenets of Responsible AI, security, and governance. Our acquisition of Arrka last year has strengthened this capability and is tightly integrated across all our platforms around SASVA, iAURA, and GenAI Hub.

With this, in summary, we are happy with the progress that we are making in our AI journey and we will continue to build on the momentum that we've already established.

Let me now invite Vinit to share with you the financial details for the quarter. Vinit, over to you.

Vinit Teredesai:

Thank you, Sandeep. Good evening and good day to all. Thank you for taking time out to join us today.

Let me now take you through the financial highlights for the quarter gone by.

- Q1 FY26 revenue stood at US dollars 389.7 million dollars, registering a year-on-year growth of 18.8 percent.

- In rupee terms, it translates into 33,335.9 million, a growth of 21.8 percent year-on-year.
- EBIT margin for Q1 FY26 came in at 15.5 percent, 150 basis points improvement year-on-year.
- In rupee terms, EBIT for this quarter was Rs.5,178.1 million, translating to a growth of 34.8 percent year-on-year.

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

Starting with the tailwinds this quarter:

- There was a lower ESOP cost which helped the margin by 230 basis points

In terms of headwinds:

- Absence of earn-out reversal this quarter has resulted in headwind of 60 basis points.
- In some of our accounts where we had planned transition from on-site to offshore, we have continued to retain our on-site resources in order to de-risk the project. This will get normalized over a period of time. Additionally, we witnessed delayed ramp-ups in some of our accounts. All of these together have impacted our margins by 100 basis points.
- Higher amortization cost impacted margin by 40 basis points.
- Unfavorable currency moments impacted margin by 40 basis points.

All these put together resulted in a net decrease of 10 basis points in our EBIT margin sequentially.

Historically, we have rolled out our annual wage hike in the month of July. In view of the current uncertain business scenario, we have decided to postpone our wage hike by a quarter.

Other income, net of finance costs, stood at Rs. 187.3 million as against Rs.153.5 million last quarter. There was a foreign exchange gain of Rs. 188.7 million this quarter versus a loss of Rs.154.3 million in Q4 of FY25 primarily on account of mark-to-market gain on outstanding hedges and realization and restatement of our credit loss.

Effective tax rate for the quarter came in at 23.5% compared to 21.7% in Q4 of FY25. We expect our overall effective tax rate for the year to remain in the range of 22.5% to 23.5% going forward.

Profit after tax was Rs. 4,249.4 million, a growth of 38.7% year-on-year. This translates to a PAT margin of 12.7%.

Earnings per share were Rs.27.4 per share in Q1 of FY26 compared to Rs. 25.60 per share in the previous quarter. Year-on-year growth in EPS was 36.5%.

On the back of better collections, our total cash and investment saw an improvement this quarter and stood at Rs.307.8 million as on June 30, 2025.

Return on Capital Employed (RoCE), excluding cash from capital employed for Q1 FY26 came in at 43.8% versus 38.7%, an improvement of 510 basis points from the same quarter last year.

In this quarter, billed DSO came in at 56 days, an improvement of 2 days compared to the last quarter while unbilled DSO came in at 20 days, an improvement of 3 days compared to the last quarter.

Our operating cash flow to PAT for Q1 FY26 stands at 98.6%.

Forward contracts outstanding as of June 30, 2025 were 440 million US Dollars at an average rate of Rs. 86.90 per dollar.

Now let me give you some key operational updates.

- At the end of Q1 FY26, our total headcount stood at Rs. 25,314, an increase of 1821 resources from Q1 of previous fiscal year and 746 quarter on quarter.
- Trailing 12-month attrition, this quarter came in at 13.9% compared to 11.9% in Q1 last year and it continues to be within acceptable reach.

All our resolutions placed in this year's Annual General Meeting were passed with the requisite majority. I would like to take a moment to thank all our shareholders for their continued support.

Coming to ESG updates for the quarter:

- We are delighted to announce the release of fourth edition of Sustainability EHG Report for FY24-25. This latest report is prepared in accordance with the Global Recruiting Initiative (GRI Standards) 2021 and complies with the Business Responsibility and Sustainability Reporting requirements set by Securities and Exchange Board of India. Our BRSR report is included in the 35th Annual Report for FY24-

25 and the BRSR core KPIs have undergone a reasonable level of assurance by an independent third party.

- Persistent received Climate Action Award in the service category from Bangalore Chamber of Industry and Commerce, acknowledging our steadfast commitment to environmental sustainability and our proactive efforts in combating climate change.
- Persistent was recognized as the 'Best Employer - Emerging Inclusive Companies (Large Company)' by Confederation of Indian Industry (CII) and applauded for its inclusive work environment.

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

Saurabh Dwivedi: Thanks, Vinit. Let me now talk about key deal wins for the quarter by industry segments.

Starting off with Software, Hi-tech and Emerging Industries, our largest vertical.

- Persistent was selected by one of the largest technology companies in the world to replace its legacy on-prem data warehouse and analytics product which was declared End of Life. Our long-standing relationship with the client along with proactive development of the design and delivery of the new product were instrumental in us winning this engagement. We are building a modern AI-enabled and cost-efficient solution which is compatible with the legacy system thereby providing continuity and a migration path to end customers. We will be responsible not only for the software roadmap but also its compatibility with the underlying hardware as well as on-field and remote support. This deal has a revenue-sharing commercial construct with a significant opportunity over the next two years.
- Persistent was selected by a global leader in software quality tools for a 360 degree engagement which includes takeover of their cloud testing platform, extension of existing product engagements and transformation using agentic AI use cases. Our SASVA platform capabilities were instrumental in us winning this engagement. The benefits to the client include building of new products and augmentation of existing products with AI-infused features leading to growth acceleration for the client.

Moving on to Banking, Financial Services and Insurance

- Persistent was selected by leading US-based federal corporation to replace its legacy debt issuance application with a robust scalable platform and also provide UI/UX, DevOps and system integration capabilities. This is an example of a proactive deal sourcing by Persistent where we showcased our AI capabilities through custom use cases built using our SASVA platform. Benefits to the customer include a future-ready debt platform for debt issuance, enhanced customers experience and automated business processes.
- Persistent was selected by a UK-based banking and wealth management leader to co-engineer the launch of a digital banking platform for its clients. Our digital banking expertise, strong partner ecosystem and platforms such as SASVA, iAURA and Persistent Digital Banking Studio were key factors in us winning this engagement. The benefits to the customer include faster releases and a market-leading digital experience to its clients, thereby helping grow the liability business and assets under management for the customer.

Moving next to our Healthcare and Life Sciences vertical

- Persistent was selected by a leading life sciences and scientific instrumentation player to establish a software center of excellence in India. We won this engagement on the back of our strategic partnership with the customer and strong capabilities in program governance including tracking of KPIs such as system utilization, process compliance and adoption maturity. The benefits to the customer include optimization of business processes, enhanced leadership cadence and resolution of post-transition issues.
- Persistent was selected by a global leader in Clinical Research to build a centralized Serious Adverse Event (SAE) tracking and safety report distribution portal. This win was on the back of our strong expertise in pharma safety and co-vigilance and clinical trial management system. The benefits to the customer include engineering of a workflow tracking application with secure document exchange while enhancing regulatory compliance and operational efficiency.

Now coming to the awards and recognitions we received during the quarter.

- Our Founder and Chairman, Dr. Anand Deshpande, was conferred with the Eminent Engineer's Award 2024 by Engineering Council of India as a recognition of his visionary leadership and pioneering India's digital engineering success story.
- Persistent was named a 'Leader' in ISG Provider Lens™ 2025 for Digital Engineering.
- Persistent was ranked as a 'Leader' in Everest Group Talent Readiness for Next-Gen Application Services PEAK Matrix® Assessment 2025, recognizing our investments towards skill-based talent practices and focus on building AI-enabled workforce.
- Persistent was acknowledged as the 'Most Honored Company' in the 2025 Asia (ex-Mainland China) Executive Team Survey by Extel. Among the combined buy-side and sell-side analyst rankings, prominent positions include:
 - First position in the category of Best CEO, Company Board of Directors and Overall ESG
 - Second ranking under 'Best IR Program', and
 - Third ranking under 'Best IR Team'
- Persistent was recognized as the 'Next Leader' by IiAS highlighting our continued focus on transparency responsible disclosures and robust corporate governance practices.

With this let me hand it back to Sandeep.

Sandeep Kalra:

Thanks, Saurabh. Let me conclude the prepared remarks by saying that we are happy with our performance in Q1 FY26 despite the increased caution that we saw among our customers due to macroeconomic and geopolitical uncertainties in this quarter.

We'll continue to strengthen our AI capabilities as well as our sales channels and proactively engage with our customers while striving for top-quartile growth in our sector.

We remain committed to our goal of reaching 2 billion dollars by end of FY27. With this let me request the 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 two questions and then return to the queue for more

questions. Please raise your hand from the participant tab on the screen to ask questions. The first question is from Mehta Bhavik.

Bhavik Mehta: Hi, thank you. So a couple of questions. Firstly Sandeep, you know we have seen the constant currency sequential growth slow down significantly this time to 3.3 versus an average of 4.5 in the last few quarters. Now obviously there was a mention of delayed ramp up to an extent but how should we think about the trajectory going forward given how the macro is behaving right now? Is 3.5 to 4 the new normal or should we expect to go back to that 4 - 4.5 we used to enjoy a couple of quarters back?

Sandeep Kalra: So first of all, look, we don't give forward-looking guidance, so I'm not going to give you a number per se. All I can say is, if you look at the overall growth, it was 3.9% in USD terms. The constant currency, the currency movements are not necessarily in our hands. I'll leave it there but if you look at the order book - order book is healthy. If I look at the pipeline - pipeline is healthy. We don't quantify the pipeline for people so I'm not going to give you a number on that. All I can say is, the environment has been cautious. Decision making has been slow. If the environment becomes a little bit better and not just for us, for everyone, I think things will be easier. So, if we can deliver good growth in a tough macro, I'm pretty sure that as things move through the next several quarters and if the market improves, you can yourself do the math.

Bhavik Mehta: Okay, got it. The second question is, obviously it was very good to see strong growth in BFSI and Hi-Tech but on the Healthcare side, how should we think about the trajectory going forward given the onshore to offshore movement being seen in the top line? I mean, will this vertical remain under stress for a few more quarters before we start seeing growth coming back?

Sandeep Kalra: I don't think there will be further degrowth in the vertical. It will definitely be a growth vertical for us during the year. Some of these are planned movements as well and I'm pretty reasonably confident all the three verticals will grow and we have said publicly in our last earnings calls as well. BFSI will lead the growth for us this year, followed by hi-tech, followed by healthcare life sciences but all of them should grow.

Bhavik Mehta: Okay, thank you.

Moderator: Next question is from Manik Taneja.

Manik Taneja: Hi, thank you for the opportunity and congratulations for the steady performance. Sandeep, on the healthcare vertical, we see that the top customers seems to have declined sequentially and you mentioned in your opening remarks this might be driven by certain offshore shift of projects. While we saw strong growth in healthcare outside of the top customers, could you essentially talk about what drove the sharp growth there? That's question number one. And the second question is, when I look at your segmental margins despite this offshore shift, the margins on the healthcare vertical have actually come off on a sequential basis. And a related question to this one, how should we be reading the aspect of delayed wage increments for us given historically we continue to retain the timelines? That's it.

Sandeep Kalra: Sure. So first of all, if you look at the healthcare vertical, healthcare vertical for us is basically a combination of four different things. Scientific instruments, medical devices, think of equipment makers, diagnostic companies and so on and so forth, pharma companies and biotechs, third one is providers, fourth one is payers. And if you look at our overall growth in healthcare, it has been very strong over the last several quarters, over the last couple of years as well. Now, if you look at the largest customer that you're referring to, obviously we have grown very well and as a part of the entire exercise, we have done vendor consolidation. We have to move certain amount of work over a period of time offshore to give back the benefits in terms of reduced cost and so on. And when you do that, there's a certain overlap that you have as well. You don't necessarily have a cutover in one day. You basically do an overlap of cost and if you look at our headcount growth as well, last two quarters, we've sequentially added headcount offshore predominantly. Now if you were to look at that, our subcontractor cost also, if you look at it, it's flat.

So, if we are adding headcount offshore, moving work offshore, we are not declining our subcontractor headcount, which is vendor consolidated. So, there is a certain overlap that you can match with the second part of your question, which is - the margin coming down a little bit in healthcare. So, that's the thing out there.

We have a fairly good pipeline across various subsegments of healthcare and depending on how those orders close, we are relatively confident of healthcare continuing the growth. Will it continue the growth at the 30%, 40%, 60% year-on-year that we had last year, may not be, but there'll be definitely growth in healthcare as well.

Now, in terms of the wage part of it, look, the market conditions are such right now that there is a lot of uncertainty whether it was uncertainty caused by India-Pakistan situation for a little bit, whether it was the Iran situation after that, whether it was the tariff situation after that. So, there is a little bit of uncertainty continuum that is happening and the order book is dependent on people taking decisions. So, as I said before, pipeline is good, we'll let it pan out. And as a cautionary measure to make sure that we are being prudent, we have delayed the increase by a quarter. And if need be, if everything goes very well, we'll take a call at the end of the year if we compensate people for that or how it pans out.

Manik Taneja: Sure. Thanks and all the best for the future.

Sandeep Kalra: Thank you.

Moderator: Thank you. The next question is from Sandeep Shah.

Sandeep Shah: Yeah, thanks. Thanks for the opportunity. Sandeep, if I just look at book-to-bill, we were consistently at 1.5-1.6 in last many annual years versus last two quarters we are between 1.3-1.4. So, does that give you some amount of discomfort where near-term growth could be slightly lower than our strong history of Q on Q growth? Though the growth is still better but could be relatively lower versus our own history? And how do you see the TCV opportunity in the coming quarters? Can we go back to book-to-bill of 1.5-1.6X?

Sandeep Kalra: Yeah. So, two parts to it. See, our revenue conversion, when we look at it, revenue conversion is ACV conversion and TCV conversion. What you don't see and what we measure ourselves is the executable order book. And, so, we are reasonably confident of the growth journey. I don't want to put a number to it because we don't give forward-looking guidance.

Now, can we do better in terms of the TCV to ACV ratio going ahead? That's the endeavor at any point in time. And I can only tell you this, the pipeline of larger deals is there. Again, we'll let the quarters pan by. And as we announce the results, you should see whatever comes out. But we

are confident of growth, we are confident of larger deals in the pipeline and so on. So, overall, relatively confident in the environment that we are. And if the environment improves, obviously it will improve for everyone.

Sandeep Shah: And just the last question on margin. Last Earnings Call, we said we can be in this year a margin similar to the fourth quarter exit. So, do we still stand by it? And just wanted to understand what could be the major tailwind, especially on the ESOP cost because it was much higher in the Q4 in FY25? How to model that in FY26?

Sandeep Kalra: Yeah, Vinit.

Vinit Teredesai: So, Sandeep, we still continue to maintain our stand in terms of improving our trading margin. We have mentioned in the past that it needs to be improved by 200-300 basis point by the time we reach FY27. If you look at our last year, it was 14.7. Last two quarters, it is 15.6 and 15. So, we are pretty much confident that from a going forward basis we are pretty much on the track as far as the margin trajectory is concerned.

As far as the stock options cost is concerned, I had called out in my opening comments that there is a reduction in the stock option cost. That reduction has already happened. Now, this will continue to remain flat for the next couple of quarters before you'll see further reduction.

On the initiatives, we'll continue to track. There are many initiatives in terms of pricing, in terms of utilization. We'll continue to maintain the stand. It will continue to remain high for probably next couple of quarters. We are looking at SG&A leverage. We have made investments, they are yielding results for us. So, as the revenue grows, while we invest, in percentage terms our SG&A doesn't need to go up at the same pace.

So, there are multiple levers on which we are working - our operational efficiency, our programs continue to deliver the necessary results that are expected out of them.

Sandeep Shah: Okay, thanks and all the best.

Moderator: Thank you. The next question is from Aditya Vikram.

Aditya Vikram: Hello. Am I audible?

Moderator: Yes.

Aditya Vikram: Yeah. Hi, Sandeep. Congratulations on a good set of numbers. I know Vinit answered this question partially earlier but does it suffice to say if the ESOP cost would have not been there we would have seen a significant margin compression?

Sandeep Kalra: So, ESOP cost has been there for the last several years. It depends on the cost that basically comes in, depending on what ESOPs are given in what year because there's a Black-Scholes valuation and so on. So, it's not that it came all of a sudden and so on so forth. So, it's a part of our overall operating fabric. So, there are options that we have given, there's a time where we covered 80% of our employees. There are, outside of that, about 800 odd employees covered in significantly differentiated options depending on their responsibilities, et cetera. So, it's a part of our operating cost. I wouldn't want you to think about this being delinking from that. The cost will vary over a period of time.

Aditya Vikram: Okay, thanks. And the second question is that the attrition rate has gone higher and now we are basically delaying our increment by another quarter, right. How do you see that impacting the business? And do you

see any significant challenge or this is one-off quarter and we will move back to our original attrition rate? What's your thoughts on that?

Sandeep Kalra: Look, I don't think it is a question of this wage hike decision that has impacted this attrition. Overall, if you look across the industry, there's a slight uptick in attrition and that may be to do with the GCCs being more active, the product companies coming here and setting up their own captives and large banks, large enterprises, et cetera. So, I wouldn't link the two that strongly. We don't have any such analysis that we have done, which points to this two being correlated. And, again, forward looking attrition, we can see the trends because the notice periods, et cetera, show up. We don't see anything which points to a much higher attrition in the near future.

Aditya Vikram: Okay. Thank you very much.

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

Nitin Padmanabhan: Am I audible?

Sandeep Kalra: Yeah, Nitin.

Nitin Padmanabhan: Yeah, super. Yeah, hi. Good evening. Are you seeing any near-term headwinds to margin? I'm asking from the perspective that you have pushed out the wage hikes but at the same time I do see that some of these costs will reverse, right. The higher onsite resource costs, that should reverse. And so from that perspective, is there anything that you're seeing as a headwind in the near term? That was the first question.

The second thing was, which verticals are you basically seeing this prevalence of delayed ramp-ups? Is it very homogeneous or is it specific to any vertical?

And, finally, is this higher amortization? What's driving that? And is it sort of an ongoing number we should assume or is there a one-off there? What's driving it?

Vinit Teredesai: Yeah. So, Nitin, I have mentioned actually the near-term headwinds. What I mentioned will not be headwinds, these will get normalized over a period of time. As a result of that, this will benefit us in terms of our margin going forward. But I don't want you to count everything that will go in margin. On the way as we grow our company, we have to also make investments. So, some portion of that will get back into investments.

The second portion in terms of higher amortization, as we closed a couple of our asset acquisitions, et cetera, last year like the SoHo, et cetera, after the full valuation report came in, the full impact of that amortization has started as a result of that full report. And you should assume that this will continue without any substantial increase going forward. Yeah, over to you.

Sandeep Kalra: So, on the delayed ramp-up, it was basically in healthcare life sciences and I wouldn't want to paint a picture for the whole industry. I would say it may be a case of our own customer-related delayed ramp-up and that basically will happen over a period of time. I don't want you to take it as an industry trend for others as well. So, it's basically some of our customers, they have their own nuances. And it was a one-off where we saw a delayed ramp-up, so I don't want you to take too much from it.

Nitin Padmanabhan: Sure. Perfect. Thank you so much. Just one last one, if I may. The utilization seems to be running very high and with the kind of growth that we have. Is it because just-in-time is extremely easy at the moment or do you think this will run so hot going forward?

Sandeep Kalra: So, look, attrition, utilization, growth of other companies, growth of the overall sector, all of these are kind of different parts of the equation in how easy it is to hire or retain or other things related to that. So, as of this point in time we don't see a reason for us to loosen on the overall utilization side. And, look, if we need to go down on utilization, it's a very easy lever for us. So, we'll take a call depending on the supply-demand situation. And so we are comfortable where it is and if we need to change, as I said before, we will.

Nitin Padmanabhan: Sure. Perfect. Thank you so much, and all the very best.

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

Vibhor Singhal: Yeah, hi. Thanks for taking my question and congrats on a solid quarter again. Sandeep, two questions from my side.

The BFSI segment reported a very strong growth in this quarter. We've seen this vertical basically pick up over the past 4 quarters from a single-digit YoY growth to almost 30% growth in this quarter. So, any color on basically what is driving, which sub-segments of BFSI are driving this growth? You mentioned that BFSI will lead the growth, do you expect this kind of momentum to continue in coming quarters as well?

Second question is on the healthcare vertical. You mentioned again that this will be the lowest growing vertical in the 3 segments but it will still be a growth. Have you seen any, apart from the client impact that we saw in this quarter, in your conversation with this vertical client are you hearing

any concerns about the big bill that the Trump administration had brought in and if that could impact the healthcare spends of some of the clients in the segment? And how they are looking at it from a forward-looking point of view?

Sandeep Kalra:

Sure. So, let me take the healthcare segment first. If you look at the healthcare segment, there are multiple segments within this or sub-segments within healthcare. So, if you look at scientific instruments, medical devices depending on where the tariff levels settle in, especially with China, because a lot of the supply chains are linked to China. Anyone who is an equipment manufacturer is dependent on China for the equipment manufacturing, for the supply chain components, nine yards. So, if the tariffs hit them badly then obviously the stress on the cost part will become even higher. And that's what we saw in the last 2-3 months. People looking at alternative plans, people looking at even supply chain movements and so on and so forth. So, there is definitely stress because of the tariff part and we will see where it resolves.

Second part in the healthcare side is the impact of the federal or the DOGE part of it. The DOGE part of it impacts the research funding to universities, the funding across various countries, the USAID, et cetera. All of these things, at the end of the day when the universities were doing medical research or healthcare-related research, they were consuming products and services from our customers. So, a lot of these uncertainties definitely are playing more in the healthcare life sciences sector where the name of the game right now is Plan B for cost control, looking at vendor consolidation, more offshoring and so on. So, the pipeline is more towards that.

Now, if I look at banking financial services on the other side, again little less cautious as compared to that. We are seeing larger deals there, AI discussions, optimizations. We've been brought in as challengers to look at the existing landscape of much bigger players and seeing if we could partake a part of that, how would we do it differently and so on and so forth.

So, different dynamics of different verticals. This year, for sure the way we have our BFSI segment, it will grow well. Again, future growth obviously will depend on how the pipeline converts and we don't give forward looking guidance and so I wouldn't comment beyond this year for this.

Vibhor Singhal: Got it, got it. If I could just have one last question to Vinit. Vinit, the ESOP cost that came down in this quarter, will the ESOP cost be at similar level through the year or do you think it can vary in the coming quarters as well?

Vinit Teredesai: Based on the grants that have been given so far, it will continue to remain at the same level. Any incremental grants that will be given in the coming quarters will have an impact on the ESOP cost.

Vibhor Singhal: And will this come down further in FY27 over FY26, that the general amortization of ESOP cost happens?

Vinit Teredesai: That's right.

Vibhor Singhal: Got it, got it. Perfect. Thank you so much. Thanks for taking my questions and I wish you all the best.

- Moderator:** Thank you. The next question is from Ravi Menon.
- Ravi Menon:** Hi, thanks for the opportunity. Sandeep, you spoke about how there were some delays in decision making...
- Sandeep Kalra:** Ravi, your voice is cutting out. We can't hear you.
- Moderator:** Maybe if you can repeat your question again.
- Ravi Menon:** One second, I will try again. Hear me now?
- Sandeep Kalra:** Let's go ahead.
- Ravi Menon:** Yeah. So, I was saying, you spoke about some delays in ramp-ups, could we also say that there were some delays in deal awards as well? And if so, then can we think about some improvement in deal wins next quarter because some have actually slipped from this quarter to the next?
- Sandeep Kalra:** So, the way I would put it is not deal award delays, I would say overall decision making cycle is a little longer. And, so, you need a little more pipeline if you want to continue to do the bookings the way you are for any company. So, from our perspective, please don't treat it as all of a sudden the next quarter is going to be a big windfall and so on. So, we'll let the quarter pan by. And the market environment is such, it is taking more. If there is certainty in the market, if these tariffs are behind us, there are more positive things that come out in the U.S., it definitely will impact the bookings and hence the revenues going forward. But too early to say anything like this.
- Ravi Menon:** Right. And the second question is on the healthcare side. You talked about how there was an offshore shift and you kept the onsite

contractors to make sure that the risk is minimized. So, can we say that some of that cost will go off next quarter?

Sandeep Kalra: So, look, as we have grown over the last 5-6 years from being a half a billion dollar company to nearly a 1.5 billion dollar run rate company, we are also fighting bigger deals. As we fight bigger deals, this will become a flywheel motion where something comes down in terms of cost and something goes up. So, we'll have to get used to an environment where at any point in time if we are ramping up deals, we may do vendor consolidation, we may have subcontractors onshore and so on and so forth. So, I won't paint a picture that all of a sudden next quarter this cost will go down. Over a period of time this cost will definitely come down but maybe something else will come up. If we win larger deals and we wrap up on that. So I'll just leave at that.

Ravi Menon: Thanks so much. Alright. Best of luck.

Moderator: Thank you. The next question is from Dipesh Mehta.

Dipesh Mehta: Yeah. Thanks for the opportunity. Am I audible?

Sandeep Kalra: Yes, please.

Dipesh Mehta: Yeah. I have just two questions. First of all, if I look at the hedge position, there is a sharp increase, so is there any change in terms of the way we look at our hedge strategy?

And second question is about the SASVA. Can you provide some sense about, let's say, SASVA influenced deal intake, deal pipeline, revenue, whichever way you can provide some sense around it? And how it is changing compared to maybe a year back?

Sandeep Kalra: Sure. So, you want to talk the hedge and then I will talk.

Vinit Teredesai: So, Dipesh, there is no change in the policy. We constantly keep on looking at our hedge position on a regular basis. There is a well-defined policy within that and we continue to take our positions on a regular basis. All these numbers are pretty much within that range.

Sandeep Kalra: Now, coming to the SASVA part of it. We don't necessarily give any data points with respect to SASVA bookings or SASVA influenced bookings and so on. SASVA is a flagship platform for us. It helps us do two things. One, wherever there is a use case where the customer is willing to adopt SASVA, we are able to leverage SASVA to deliver things faster, better, provide more productivity, reduce cost for our customers, and so on. Where the customers are wary of taking a third-party platform like ours, it basically gives us a capability showcase and we are able to leverage technologies from other providers whether it's Microsoft, whether it's a GitHub Copilot, whether it is a Cursor, Windsurf or any other tool, which is an engineering productivity tool.

There are further use cases of SASVA, for example, in private equity. We've been working with multiple different private equity using SASVA as a part of their tech due diligence evaluating platforms, building tech debt reduction business cases based on which we are winning businesses and so on.

And anywhere where we have taken SASVA, whether it's banking financial services, whether it's healthcare life sciences or tech companies, we definitely have got very good reception in terms of the curiosity around it, in terms of understanding our capabilities and that should bode well for us. Whether people buy SASVA or not, whether people SASVA-based services or not, it kind of lands us in a very good,

competitive, differentiated position in our business. So, it's definitely helping us in our growth journey.

Dipesh Mehta: Understood. Thanks.

Moderator: The next question is from Abhishek Kumar.

Abhishek Kumar: Hi. Good evening and thanks for taking my question. My question is again on SASVA. We have heard from most of the peers that product development is where AI-led productivity has been the highest and many of these players have been proactively passing back those productivity gains and our sense is, that results in some revenue deflation. But for us, it seems that, given our core a lot of what we do is product development. This is resulting in net new revenue for us. Just wanted to understand if I'm thinking right. And if so, what is driving this? Are we taking wallet share, market share or is SASVA helping us unlocking new opportunities?

Sandeep Kalra: Yeah. So, first of all, it is definitely helping us unlock newer opportunities. As I said before, SASVA is the pinnacle of how you can use AI and it is much beyond just the coding aspect of it. It is how we define the requirements, how we groom the requirements into a backlog, how we code it, how we test it, how we release it, how we support it.

It's also about technology modernization, from legacy platforms or legacy technologies on to new. There are many different use cases of SASVA and the way we have been able to articulate that to our customers, our customers definitely see us as a company that can lead from the front using AI to help them do this. Even after all this, if they want to do a GitHub Copilot implementation and productivity gains through that, we have even won a number of those things.

So, from our perspective, SASVA definitely is helping us expand our addressable market and is getting us good traction.

Second, in terms of revenue deflation, we have not necessarily seen revenue deflation from existing customers. Now, I talked about in one of the case studies that I talked about as well, wherever customers are willing to give us work in an outsourced manner and allow us to use our platform, we are able to deliver significant productivity gains. But if you look at the regulated industries, whether it's healthcare life sciences, whether it's banking financial services, it's not just that the bigger companies are adopting these platforms big time right now. They're all experimenting. We are doing proof of concepts, but it'll take some time for their CISOs and their IT organizations to be comfortable before they adopt any of these platforms at scale. But definitely, we are ahead of others and it should bode well for us.

Abhishek Kumar: Okay. My second question is, you indicated that you need bigger pipeline given the slowdown in decision making, etc. Do you see, therefore, a revenue and margin trade-off going forward? Are you willing to sacrifice margin to make sure that your pipeline is larger and you achieve your \$2 billion goal by FY27? Thank you.

Sandeep Kalra: Well, look, two parts there. One, is there a hurry to reach to a \$2 billion mark or any billion dollar mark? There's no hurry to reach there. We want to reach there in a healthy manner. We'll deliver revenue growth but a profitable revenue growth. It's not about achieving revenue growth at any cost.

At the same time, if it is about diluting the margins, a small bit, to create capabilities that can get us larger deals, we'll take a prudent call. But it will not be that all of a sudden we drop our margins and we are in a rush

to get to a \$2 billion mark or outcompete anyone. We don't care whether we are the 9th largest or the 12th largest company in the industry as long as we are the best ones from a technical capability.

And in our discussions, the Tier-1s of tomorrow are not going to be based on size. There are many companies in the U.S. who are like \$15 billion, \$16 billion and their market caps are less than \$4 billion and they do revenue very well. So, the fun is not in being any size or run after size, it's about bringing good capabilities, having good customer relationships, delivering good value and that's what we are focused on.

Abhishek Kumar: Great. Thank you and all the best.

Moderator: The next question is from Suraj Malu.

Suraj Malu: Hi, thank you for this opportunity. If I look at the client-wise revenue and if we check this plate like the 6th to 10th customer or be it 11th to 20th customer's bucket, these customer buckets have grown at like double digit 10%, 12% QOQ whereas the top 5 customer's bucket is flat. And I understand that's because of the largest client in healthcare. So, if one were to remove that largest client in healthcare, how would the rest 4 customers revenue look like, the growth?

Sandeep Kalra: Yeah. So, look, we don't bifurcate like that. Today it's a question of how would the rest 4 be, tomorrow it could be in another bracket. So, look, it's like a portfolio of customers that you have. Just like in any good investment strategy, you have a portfolio of investments that you need. At the end of the day, Persistent is some of the parts. These customers are those parts - the verticals, the sub-verticals, geographies. The way we are looking at it is, our endeavor is to grow every part of it but there will be quarters when one customer may not grow at that extent that the

whole company does. So, this is a part of the entire game. So, we are okay with where we are. We know we are growing heavily.

Overall, if you look at the top 100 customers, on a year-on-year basis 22.4% growth in current environment. We're very happy with that and we'll try and do better.

Suraj Malu: Got it. And my second question is, if you can throw some light on some new areas or verticals that you are working on like be it cybersecurity or telecommunication or anything.

Sandeep Kalra: Yeah. So, look, we work in 3 industry verticals - Software hi-tech, second part is our banking, financial services and insurance, third is healthcare, life sciences. We have said it in our Earnings Call as well, healthcare, life sciences and financial services are two of the top spenders in any GDP whether it's the U.S., whether it is other countries. Each of these segments has multiple sub-segments under it. The first endeavor that we have is to basically go deeper into these verticals. And as we grow these verticals over the period of next 1-3 years, we'll see if we need to go into other verticals - whether it is auto, whether it is industrial, whether it is others. And if we need to, we'll look at whether we do it inorganically or we are able to spawn some of that organically.

So, for now, we are focused on these and we'll keep evaluating the opportunities that come across.

Suraj Malu: Understood. Thank you very much.

Sandeep Kalra: So, Operator, we are nearly at the end of the thing, so we can take one more question and then we conclude.

Moderator: Thank you. The last question is from Dhanashree Jadhav.

Dhanashree Jadhav: Am I audible?

Sandeep Kalra: Yes, please.

Dhanashree Jadhav: Yeah. Congrats on good set of numbers. My question is again regarding our aspiration of \$2 billion in revenues. So, just wanted to understand like is there any specific plan laid out for this in terms of how it will be inorganic and organic mix? I mean, since we are leveraging more AI-related platforms and all, so if you can give more color on your own whether we will be growing more organically? And if inorganic component is there, then what would be the size that we are looking at?

Sandeep Kalra: Sure. So, if you look at it, where we are today, we have to get to \$2 billion by FY27, which is ending in March, 2027. We need a compounded annual growth rate in the range of 19%-20%. We are tracking to that and definitely within that, between now and then, we will do tuck-in acquisitions or if we get a good scalable acquisition in geographies like Europe, where we have clearly said that we want to be 15% in revenue terms as we go ahead in the next 2-3 years, we'll look at that.

So, the way to look at acquisitions for us would be, most of these would be capability-led, smaller acquisitions. The only place where we would do a scaled acquisition would be if we get some good asset in Europe. And a combination of these two should lead us to the growth aspiration that we have of \$2 billion.

Again, please keep in mind, that's a growth aspiration. We are in no hurry to get there at any cost. It will be at a profitable, sustainable revenue and a combination of organic and non-organic.

Dhanashree Jadhav: Yeah, great. Yeah, great. Thanks.

Sandeep Kalra: Thank you. So, with that, we come to the end of this call and thank you everyone for spending time with us today. We are looking forward to connecting with you in 3 months' time to provide an update on our progress. And, with this, we will close the call. 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 lines and exit the webinar. Thank you.

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Please note that this transcript has been edited for readability.