

“PERSISTENT SYSTEMS EARNINGS CONFERENCE CALL, SECOND QUARTER, FY26 ENDED SEPTEMBER 30, 2025”

6:00 PM IST, Tuesday, 14th October, 2025

MANAGEMENT:

Mr. Anand Deshpande

Chairman and Managing Director

Mr. Sandeep Kalra

Executive Director and Chief Executive Officer

Mr. Vinit Teredesai

Chief Financial Officer

Mr. Jaideep Dhok

Chief Operating Officer

Mr. Saurabh Dwivedi

Corporate Vice President, Finance and Strategy

Moderator: Ladies and gentlemen, good day and welcome to Persistent Systems' Earnings Conference Call for the 2nd Quarter of FY26 ended September 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,
- Mr. Jaideep Dhok - Chief Operating Officer, and
- Mr. Saurabh Dwivedi – Corporate Vice President, Finance and Strategy.

Please note, 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 any assistance during the conference call, please raise your hand from the Participant tab on the screen. While asking questions, I 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 and good evening to everyone. We sincerely appreciate your presence and participation in today's call. I will quickly outline the agenda for today's call. Sandeep will begin with an overview of our results and commentary on the business. Vinit will take you through the financial details for the quarter. Jaideep will provide an overview of our operations and the progress we have made on our AI roadmap. I will then provide an overview of our key deal wins along with the 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 decision. With this, let me hand over to Sandeep for his prepared remarks.

Sandeep Kalra: Thanks, Saurabh. Good morning, good afternoon, good evening to everyone joining us today, depending on your location. It is good to be with you once again to give an update on our quarter gone by.

Let me start with a brief financial overview.

- In Q2 FY26, we delivered revenue of \$406.2 million, reflecting 4.2% quarter-on-quarter growth and 17.6% year-on-year growth. This marks our 22nd sequential quarter of growth, bringing our trailing 12-month revenue above \$1.5 billion and our annualized run rate to \$1.6 billion plus.
- In rupee terms, the growth was 7.4% quarter-on-quarter and 23.6% YoY.
- In constant currency terms, the growth for that quarter stood at 4.4% quarter-on-quarter.
- Our EBIT margin reached 16.3%, driving 12.7% QoQ and 43.7% YoY growth in absolute terms. This translates into 230 basis points improvement over the prior year's same quarter.
- The profit after tax for the quarter was 13.2%, up 11% quarter-on-quarter and 45.1% year-on-year in absolute terms.

Vinit will give you a detailed color on the financials shortly.

Turning to our order book:

- The total contract value for the quarter came in at \$609.2 million, with new bookings at \$350.8 million in TCV terms.
- The annual contract value totalled \$447.9 million, including \$254.4 million from new bookings.

As always, these figures encompass all bookings, small and large, renewals, as well as new bookings across existing and new customers. Also, as highlighted in our earlier calls, our quarterly revenue realization draws from prior ACV bookings and multi-year TCV conversions.

Coming to the client metrics:

We saw robust year-on-year growth across key cohorts with:

- Top five clients' revenue up 23.4%,
- Top 10 up 22.4%,
- Top 20 up 22.7%, and
- Top 50 up 21.4%

In terms of year-on-year movement in client tier:

- Our clients exceeding \$75 million annually rose from 3 to 4,
- \$50 million-plus held steady at 4,
- \$20 million-plus grew from 10 to 12,
- \$10 million-plus grew from 21 to 25,
- \$5 million-plus grew from 43 to 56, and

- \$1 million-plus grew from 184 to 191.

This reflects our ongoing success in fostering deeper and more strategic partnerships with our customers.

In terms of geographic performance in YoY terms,

- North America grew by 15.4%,
- Europe grew by 37.9%,
- India grew by 19%, and
- The rest of the world grew by 19.8%.

In terms of industry segments, this quarter's growth was led by BFSI, followed by software hi-tech and emerging industries, and healthcare life sciences, which grew by 30%, 15.5%, and 6.6%, respectively, on a year-on-year basis.

Coming to a couple of important organizational updates:

- I am pleased to announce that effective October 1, 2025, we have implemented merit increments for all our global employees. Vinit will share more details on this later.
- Additionally, earlier this quarter, effective August, we promoted Jaideep Dhok to Chief Operating Officer. He previously was the Senior Vice President for BFSI, and now will oversee delivery excellence, talent supply chain, learning & development, alliance and partnerships, while also leading Asia-PAC while advancing our AI strategy.

With this, let me invite Vinit to give you a detailed color on quarterly financials and related matters. Vinit, over to you.

Vinit Teredesai:

Thank you, Sandeep. Good evening and good day to all. Let me now take you through the financial highlights for the quarter gone by.

- Q2 FY26 revenue stood at \$406.2 million, registering a year-on-year growth of 17.6%.
- In rupee terms, it translates to Rs. 35,807.2 million, growth of 23.6% year-on-year.
- EBIT margin for Q2 FY26 came in at 16.3%, 230 basis point improvement year-on-year.
- In INR terms, EBIT for this quarter was Rs. 5,837.4 million, translating to a growth of 43.7% year-on-year.

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

Starting with the tailwinds this quarter.

- Cost associated with software licenses related to one of our large multi-year customer engagement, has now gone to zero starting Q2 of this fiscal year and is not expected to come back. This planned reduction has helped the margin by 80 basis points.
- Favorable currency movement helped the margin by 60 basis points.
- We also benefited to the extent of 30 basis points from planned offshoring in one of our large customers in the healthcare domain.

In terms of headwinds:

- Higher provision for doubtful debts impacted margin by 50 basis points.
- Utilization declined by 50 basis points to 88.2%, leading to an impact of 20 basis points on EBIT margins.
- Due to increased Capex on facility and IT, depreciation and amortization expenses increased by 20 basis points.

All these headwinds and tailwinds put together resulted in a net increase of 80 basis points in our EBIT margins sequentially.

Other income was Rs. 58.9 million during this quarter compared to Rs. 187.3 million in Q1 mainly due to lower mark-to-market gain on investments. The rupee depreciated significantly during Q2 compared to the previous quarter. As a result, we had a higher foreign exchange gain of Rs. 272 million this quarter as against Rs. 188.7 million in Q1.

Effective tax rate for the quarter came in at 23.5%, in the same range as last quarter. As discussed in the previous quarter's earnings call, the effective tax rate for FY26 is likely to remain in the range of 22.5% to 23.5%. The effective tax rate needs to be looked at on a yearly basis as all the seasonal elements will be taken care of only on a yearly basis.

Profit after tax was Rs. 4,714.7 million, a growth of 45.1% year-on-year. This translates to a PAT margin of 13.2%. Earnings per share was Rs. 30.3 per share in Q2 compared to Rs. 27.4 per share in the previous quarter. The year-on-year growth in EPS was 43%.

Excluding cash from capital employed, return on capital employed for Q2 came in at 45.5% versus 43.8% in the previous quarter. Total cash and investment stood at Rs. 24,957 million as of September 30, 2025.

In this quarter, billed DSO came in at 54 days, an improvement of 2 days compared to last quarter, while unbilled DSO came in at 21 days, an increase of 1 day compared to Q1.

Our operating cash flow to PAT for Q2 stands at 114.3%.

Forward contracts outstanding as of 30th September 2025 were \$475 million at an average exchange rate of Rs. 87.8 per dollar.

As highlighted earlier in this call by Sandeep, effective October 1, 2025, we have rolled out increments to all our employees. The increments have been in line with the previous years.

We anticipate an impact of 180 basis points on next quarter's margins due to wage hikes. However, on an overall basis, up to 80 to 100 basis points of this impact is expected to get offset through a combination of other margin levers, including offshoring, utilization, sub-con rationalization, SG&A optimization, and ESOP cost reduction.

Coming to updates on ESG:

I'm thrilled to announce that our consistent efforts towards enhancing our ESG efforts have been recognized by multiple leading rating agencies over the last few quarters, elevating us to the best rated amongst the peers.

Let me give you highlights of some of the recognitions we have received from these rating agencies:

- We have been rated AA on the latest MSCI ESG ratings, moving up from BBB, which is a jump of two levels in ranking.
- NAC Sustainability Ratings and Analytics has awarded Persistent an ESG rating score of 77.
- SES ESG Research Private Limited has awarded Persistent an ESG score of 81.7.
- Dun & Bradstreet has named Persistent as one of India's Leading ESG Entities for 2025.

These ratings highlight Persistent's leadership in effectively managing environmental, social, and governance risk and opportunities within the industry, and compare us favorably amongst the best-in-class peers globally.

With this, let me now hand over to Jaideep for commentary on operational aspects and AI progress.

Jaideep Dhok:

Thanks, Vinit. I'm honored and grateful to be part of this exceptional leadership team, and I'm delighted to interact with all of you for the first time in this forum as we discuss our performance and the road ahead.

Let me start with the key operational updates.

- At the end of Q2 FY26, our total headcount reached 26,224, up 884 from the last quarter.
- Trailing 12-month attrition improved slightly to 13.8% from 13.9%.

- Utilization stood at 88.2%, down 50 basis points.
- We are committed to individual employee growth through our learning and development unit called Persistent University that offers continuous upskilling and reskilling programs tailored to our business needs. Besides a strong pursuit of internal certifications, we also prioritize external partner certifications. By quarter end, we achieved over 23,550 certifications across key hyperscalers such as Microsoft Azure, AWS, Google Cloud, and Salesforce.
- Our AI Academy has advanced workforce transformation with a comprehensive AI learning framework spanning experience levels, roles, and market demands. This has yielded over 4,600 partner certifications and over 8,300 internal AI certifications positioning us well for holistic AI adoption.

Before I begin to share the AI updates, I would like to share an exciting update with you all. We recently inaugurated our state-of-the-art experience transformation studio in Pune. This creatively infused purpose-built space is designed to accelerate AI-powered transformation by integrating design thinking, business strategy, and engineering in an immersive environment that fosters innovation and breakthrough business outcomes.

Let me now move to the AI updates.

As you would recall, over recent quarters, we have shifted to an AI-led platform-driven strategy built on three core pillars:

- **AI for Technology** that drives engineering hyper-productivity for software companies and enterprises, accelerating AI engineering for efficiency and faster time to market.
- **AI for Business** that delivers domain-based business hyper-productivity by reimagining workflows including autonomous AI agents across functions and industries.
- And finally, **Enterprise Data Readiness** for AI that builds secure AI-ready data foundations with enhanced quality, governance, and overall data lifecycle management.

These pillars are further powered by foundational managed AI services that include AI infrastructure services for scalability, workforce transformation for upskilling and operating model shifts, and responsible AI for security, privacy, and overall AI governance.

Let me now dive deeper into each of these pillars.

Starting with AI for Technology updates:

We are empowering clients via SASVA, our Generative AI digital engineering platform, which streamlines the software lifecycle for measurable gains. Key differentiators of SASVA include the on-premise deployment for regulated industries and optimized GPU infrastructure to cut the scaling costs. This quarter, we filed 20 new patents, taking the overall count to 75 for SASVA.

To share a recent viewpoint for AI for Technology, for a global cybersecurity firm, we are transforming the key product lines leveraging SASVA, reducing the total cost of ownership and go-to-market timelines significantly, while boosting the top line, NPS in a highly complex setup.

We continue to advance our ecosystem with new partnerships in this space. We partnered with Digital Ocean, a provider of secure, scalable, and affordable private cloud for AI deployments. And we also partnered with Anthropic for best-in-class models to drive our solutions across AI for technology as well as business.

Moving to AI for Business updates:

We are transforming domain workflows into agentic processes such as credit risk and fraud detection in banking, drug discovery and patient management in healthcare, and customer onboarding and support across multiple industries. We leverage our AI-powered solutions such as ProcessIntel that are powered by platforms that include the likes of Google Agentspace, Salesforce Agentforce, Azure AI Foundry, and Amazon Q.

ProcessIntel slashes the process to agentic blueprint time from weeks to hours for measurable cost and efficiency gains.

To share a few examples:

- For a US-based financial institution, ProcessIntel analyzed and optimized workflows across identified commercial customer onboarding processes. This helped to uncover inefficiencies, ensure compliance, and achieve significant savings through agentic implementations.
- For a global diagnostic firm, the AWS Bedrock-based agents enabled our client on conversational knowledge retrieval and monitoring of over 150 instrument types, boosting the productivity for lab technicians and minimizing human interventions.

Let me now share updates on Enterprise Data Readiness for AI:

Enterprises face complex data challenges in quality, pipeline, governance, and overall costs arising through both organic and inorganic growth, leading to various siloed systems and data sources. We are helping Fortune 500 firms with accelerators like iAura for AI data orchestration and GenAI Hub for Generative AI prototyping to specifically solve these problems and make our clients ready for wider AI adoption.

Let me share two such examples.

- For a leading US healthcare organization, we modernized their legacy data systems to advance technologies such as Azure Fabric and Snowflake, migrating thousands of users for AI readiness, at the same time yielding year-on-year savings via cost efficiencies.
- And for a global travel management firm, we consolidated multi-vendor data on Databricks stack, redesigned the models and revamped their user experience for highly scalable analytics.

Coming to AI usage within Persistent as an enterprise.

Internally at Persistent, we are embedding AI across functions via agentic framework that we call 'Persistent Asslst'. I'm glad to inform that it won two CII National AI Awards 2025 that included:

- Best Industry Application for Persistent Asslst Framework, and
- Best AI Solution Showcase for IT Asslst, which is an AI-based IT support assistant.

We have launched 50+ agents in various internal functions such as delivery excellence, finance, legal and talent supply chain, gaining measurable savings in turnaround times.

I'm pleased to announce that we have successfully completed the audit process for AI management systems and have been recommended for the ISO 42001 certification. This audit process is a structured and multi-stage assessment meant to evaluate and certify an organization's AI management systems and reflects our deep commitment as well as outcomes in responsible, ethical and effective AI governance.

We're also recognized as the emerging leader in Gartner's Generative AI Consulting Quadrant as well as the leader in Everest Group's 2025 Talent Readiness for Cloud Services PEAK Matrix.

In conclusion, we are pleased with the advancements we are making in our AI journey and are confident of accelerating the momentum we have created.

I would now invite Saurabh for the key deal wins and awards and recognitions.

Saurabh Dwivedi: Thanks, Jaideep.

Let me now talk about some key deal wins for the quarter.**Starting with software high-tech and emerging industries, our largest vertical:**

- Persistent was selected by one of the fastest growing cloud infrastructure providers to accelerate its transformation from a small and medium business focused player to an enterprise-grade provider of AI infrastructure and services. This is a large multi-

year deal for our AI for Tech initiative led by SASVA, wherein we have established a 360 degree collaboration with the customer to not only provide engineering services, but to also build out its cloud and AI infrastructure platforms for enterprise customers, and are also embedding their platform in our offerings to Persistent customers.

- Persistent was selected by one of the largest global energy technologies companies to take over the development and maintenance responsibilities for its critical grid technology platform from one of the existing vendors. The underlying work includes setting up an R&D offshore development centre for maintaining and developing the asset management platform associated with transformers and switchgears. Our track record of successfully delivering on transformation projects related to distribution control systems and our SASVA platform capabilities for mitigating the transition risk from existing vendors were instrumental in us winning this engagement.

Moving on to Banking Financial Services and Insurance:

- We were selected by a leading American financial services player that provides financial record keeping, tax-advantaged savings and retirement plans for IT and business process transformation across its product engineering and operations. As part of the deal, we will leverage AI tools for tech debt remediation along with revamping user experience and developing mobile responsive design platform. You may remember that we had won a large multi-year deal with this customer against a large tier 1 peer a few quarters back. This latest deal win was on the back of our successful track record of delivery on the larger engagement and was not part of a competitive process.
- Persistent was selected by one of the largest US-based full-service wealth management firms to reimagine its business operations using AI and to modernize its platform to improve customer experience. Key outcomes for the customer include Gen AI-based relationship management assistant which leverages incident history and service insights for the field advisors, and also building a Gen AI environment with reusable components and auto sandboxing to fast-track development of AI use cases.

Moving next to our Healthcare and Life Sciences vertical:

- We were chosen by one of the largest healthcare companies in the world to modernize its digital presence and elevate engagement with its commercial healthcare clients. The deal scope includes legacy modernization, features enhancement and upgrades adhering to changing regulatory and compliance requirements.

- We were chosen by one of the largest non-profit health systems in the US operating a vast network of hospitals, senior living facilities and healthcare services to modernize, standardize and consolidate its imaging applications. The benefits to the customer include data integrity, reduced outages and seamless interoperability between clinical imaging and related ancillary applications, thus resulting in improved experience across patients, radiologists and caregivers.

Now moving on to awards and recognitions we received during the quarter:

- Persistent won the ISG Customer Experience Star Performer Award across six categories based on voice of the customer. These showcase Persistent's deep domain expertise and its ability to enable clients across various industries to stay ahead in adopting emerging technologies.
- Persistent received Growth Honor of the Year at the Everest Groups Elevate 2025. This is an acknowledgement of our market-leading revenue growth amongst publicly listed global service providers.
- Persistent was commended for building a future-ready high performing talent ecosystem and has received multiple recognitions including the following:
 - o We were awarded America's Greatest Workplaces in Tech 2025 by Newsweek and Plant-A Insights Group.
 - o We received top three honors at the People Matters InfinIT Awards 2025 in Tech-Enhanced Workforce Planning, Talent Acquisition Team and HCM Innovation.
 - o We also won Brandon Hall Gold Award for our architect competency development program under the "Best Competency Management Strategy category".

With this, let me hand it back to Sandeep.

Sandeep Kalra:

Thanks, Saurabh. I would like to conclude the prepared remarks by saying that we are pleased with the consistent performance that we have been able to deliver despite the continued macroeconomic and geopolitical uncertainties through the quarter. We remain committed to strengthening our capabilities, including infusing AI across all our offerings and proactively engaging with our customers to bring the latest innovations to them. We are making steady progress towards our aspiration of reaching \$2 billion by end of FY27.

I would also like to take this opportunity to wish all of you and your loved ones a very happy and prosperous Diwali. With this, let me now request the Operator to open the floor for questions. Operator.

Moderator: Thank you, sir. We will now open the call for the Q&A session. We will wait for few minutes until the queue assembles. We will 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 the question.

First question is from Prateek Maheshwari.

Prateek Maheshwari: Hello Management and hello Sandeep. Thank you so much for the opportunity and congratulations on a strong quarter. I've got two questions. So one is first on growth. So another good quarter. I wanted to check on the TCV. TCV has picked up quite well, 15% growth YoY. However, if you look at the cut to it, it's driven by the ACV growth which is quite strong, and also it is actually driven by the existing business growth. So just wanted to understand that, while this year again probably it's going to be a strong growth year, how do you think this decline in the new TCV would fare us for next year which is a \$2 billion target. So, first question is that.

Sandeep Kalra: Yeah, so if we were to look at the TCV versus ACV, out of the TCV of \$609.2, \$350.8 is new business. Out of the ACV of \$447.9, \$254.4 is the new business. And if we were to look at historically the ACV, TCV for new, this bodes well. And please remember, if you look at the ACV part, the ACV is what is the next 12 months. And when we look at the TCV, it is more than 12 months. So, the revenue realization for any period, whether it is any quarter, any year, any years, will be a combination of ACV already booked, in-quarter ACV that we will book from here till that period, and the multi-year deal conversion that comes from the TCV. So, we are relatively confident, unless the macro and other things pan out differently, this bodes well for the future growth.

Prateek Maheshwari: Okay. Thanks. Thanks, Sandeep. That's comforting. Just attached to that, just wanted to ask that, is it... the color to this TCV and ACV number, is it related to specific one or two clients, or is it broad based? And then I had one question also on margins.

So basically, you guys have done really well on the margins 230 basis point improvement YoY, and I think 16% was the target, and you guys have already around there. So just wanted to ask whether, how would the decision be for... would you guys now punch more for the growth and reinvest more? Just wanted to ask on that as well.

Sandeep Kalra: Sure. So, the short answer on the second part is, yes, on the margin trajectory, we have traversed very well. We had said two years back that we wanted to be 200 to 300 basis points above where we were, and we are nicely trajecting on that. At some point in time, you know, we have to obviously not try to optimize beyond a certain percentage. We have grown very well. We need to continue the growth. The growth happens, everything else comes along with it. And this is a changing environment. AI will need investments. So, we are happy with the progress. We will take it a little bit higher as we can, and we'll make sure that we are investing in the growth and capabilities as we go. So that is the part on that.

And in terms of the bookings, et cetera, so it's not driven by one or two customers. It's a broad-based growth. And so, we are pretty happy with the way the quarter turned out and the way the pipeline is. It's also a pretty broad-based pipeline.

Prateek Maheshwari: Thank you, Sandeep.

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

Sandeep Shah: Yeah, thanks. Thanks for the opportunity and congratulations for an all-round show in this quarter. And Sandeep, first question is, this is the sixth quarter in a row where we are doing significantly better in terms of BFSI and Europe, where both these segments have grown at a high single-digit for six quarters in a row. So, what different we are doing and what is leading that? And are they inter-related to each other?

Sandeep Kalra: So, Sandeep, they're not related to each other. The growth in Europe is driven by some of our hi-tech customers where we're doing... where we had won significantly large deals and they have ramped up. So, that is as far as the de-linking between the BFSI Europe growth is concerned. As far as BFSI is concerned, again, as Jaideep mentioned in his comments, we had won certain deals in different set of customers. So, we had won a fairly large deal, a consolidation deal against a tier 1. Similarly, about two years back, we were brought in as a challenger in one of the fairly large Fortune 100 customers from a financial services perspective. That has also ramped up very well for us. And the existing customers, the fintech customers, et cetera, that we have. So, it's a pretty broad-based set of wins which have ramped up. And on an overall quarterly basis also, we have added to the wins. So, it's broad-based wins across fintech, banks, other aspects of financial services, etc.

Sandeep Shah: Okay. And just the last follow-up question. In the healthcare, we were calling out some client-specific issues. That pain is largely over or you still believe healthcare can continue to remain dynamic?

Sandeep Kalra: So, I wouldn't characterize it as we were suffering from any 'pain' or something. When you book larger deals, larger deals typically go through those cycles of where you're ramping up, you're offshoring, you're optimizing, and then you are carrying on with more wins, etc., and so on. So, if you look at what we had said the last quarter as well, we had said that over a period of time, healthcare will also grow back. So that's where it is. And we are offshoring in some of the larger wins we had, and we have a fairly good pipeline. So, nothing to worry about any particular customer or any set of customers in healthcare.

Sandeep Shah: Okay. Thanks and all the best.

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

Nitin Padmanabhan: Thanks for the opportunity, and congrats on the quarter. Sandeep, last quarter, you were a little worried about uncertainties. How do you see things now? Have things

improved directionally? Deal wins also seem to be pretty good. So just want your thoughts on how do you see the broader outlook, at least from a demand perspective? Does it seem to have improved? Any color from a vertical perspective will be helpful.

Sandeep Kalra: As far as the demand environment is concerned and the bigger macro is concerned, the macro remains interesting and it keeps on going through its own challenges. You may have heard the multiple news that keeps on coming up weeks and quarters in the US. So, I wouldn't say that the environment is changing that much, but I think the people are getting used to working in that environment. And so, the pipeline is good. The pipeline, I would say it's broad-based and that is reflecting in our order wins. And I'm hopeful that the industry should also be showing good order wins as we go along. So, from that perspective, things are changing. People are opening up a little bit more. And we should see across the various industry verticals. And we have said earlier as well, as far as we are concerned, we are seeing BFSI lead the growth based on the wins that we have, the ramp ups that we are seeing, the future pipeline that we are seeing, followed by hi-tech. We have some nice wins that we had in the quarter gone by and we have a good pipeline. And healthcare is going back to growth after one quarter of a dip, which was more kind of to do with few deals, offshoring and so on and so forth.

So overall, we are relatively confident. Within the same environment, we should be able to work closely with our customers. It's about execution. Whoever can execute better in this environment will do better. So, that's where it is.

Nitin Padmanabhan: Super, that's very helpful. Thank you so much, Sandeep, and all the very best.

Moderator: Thank you. The next question is from Ravi Menon.

Ravi Menon: Hi, thanks for the opportunity and congrats on a pretty broad-based growth. We wanted to understand what's the impact of AI on, especially the renewals where you're signing. Is there enough velocity to offset any productivity benefits that you're giving?

Sandeep Kalra: Yeah, so I would say it's early days for AI to be significantly impacting the renewals. The way it is happening is, yes, we are proactively, even before renewals come. So we are not waiting for renewals for someone to come and wake us up and say, hey, this is a renewal deal and now what will you do with AI? Wherever we can go proactively to our customers, and we have a program in the company where we are focused on the top 100 customers in a very rigorous manner, top 100 customers give us 82% plus of our revenues, we are proactively taking AI-led propositions, whether it is our existing book of business, whether it is newer ideas that we have. So, from that perspective, the proactivity has helped us. We are positioned very well to capture unfair market share of the AI initiatives in our customer base. And that's where if you look at our order wins as well, whether it's a TCV, ACV, and the consistency of converting that TCV and ACV to revenue over several, several quarters, that's where our efforts proactively, whether it's

AI or otherwise, has helped us. So far it has not negatively impacted us and we hope it remains that way by proactively approaching the customers.

Ravi Menon: Thanks so much for that. And given your margins have improved, I'd say, much better than we had expected and earlier, when do you think we need to cool down utilization a bit? Because where we are now, subcontracting has moved up a little bit right now. And if demand comes back, would you be still comfortable with this level of utilization?

Vinit Teredesai: So, Ravi, utilization is just a factor of the demand and supply situation. At this point of time, looking at the market, looking at our ability to hire from the market and deploy it back on these positions, I think we are very much comfortable. So, we will continue to remain in this range for quite a while. And we have mentioned that over a period of time, the comfortable utilization position will be somewhere between 83 to 85%. At this point of time, at least for the next few quarters, we anticipate the utilization levels to remain pretty much at that rate.

Ravi Menon: Thanks so much. Best of luck.

Moderator: Thank you. The next question is from Manik Taneja.

Manik Taneja: Hi, thank you for the opportunity and congratulations for the steady performance. I actually just wanted to get your thoughts on a couple of internals. If I look at our revenue split up, we had basically seen a significant increase in our software license revenues through the more recent quarters. And this quarter, that number essentially has come off. And with the comment that you made around completion of pass-through or software licenses with some large customer, are those two things related? That's question number one.

The second question was with regards to, while you called out for the quantum or the impact of wage hikes that you are implementing for your workforce, if you could help us with the quantum of wage hikes and how do they compare with, possibly, what you've given in the more recent past?

Vinit Teredesai: So, there are two things. When you are talking about the revenue reference to the software license, there are two components of it. One, as you know, that we have a couple of proprietary products and plus our SASVA licenses, which are sold in the form of licenses. So that constitutes the revenue part. Many times they are sold off in a direct fashion and that's where they are sort of visible there. Sometimes they are basically incorporated as a part and parcel of our overall large deal. So, it's not an apple-to-apple comparison necessarily on that. The aspect which I mentioned in reference to the cost, it is not linked to the revenue that you are getting. This is a part and parcel of a larger commitment that we had made a couple of years back as a part of the large deal. And that license commitment is now coming to an end. It's not necessarily that every license that we consume is basically in the form of a resell. Sometimes it's part and parcel of our own consumption also.

- Manik Taneja:** Vinit, just a clarification on this one. So, we've seen the purchase of software license and support charges go up to almost between 6.5% to 7% of revenues and 6% in the current quarter compared to possibly 2.5% to 3% in the prior years. Do we think this number goes back to those historical numbers?
- Vinit Teredesai:** It all depends upon how some of the deals get structured and the commercial construct around it works around. So, I don't want to right now call out that there is any specific trend that we need to focus upon. The current range what you have seen for the last couple of quarters is what you can assume will continue in the next few quarters also.
- Sandeep Kalra:** So Manik, let me just add to that. So, if you look at it, this entire tech services industry is moving in a slightly different manner going ahead. So, if you've heard of a concept called 'software as a service', now people are talking of 'service as a software'. What it means is if you are to do AI-led transformations, some of the things people will basically have where you will bundle an entire end-to-end solution, which includes a software. Software ARR will also flow through providers like us. The service is on top and you are responsible for the outcome. Maybe you are pricing on an outcome basis, but you're bringing the entire stack together, whether it's a Salesforce stack, whether it is a startup related stack, whether it's your own homegrown solutions that you're pricing as a part of the whole thing. So, the future is in that direction. Having said that, obviously that is the direction that will be over the next several quarters and years. So, right now, too early to say whether 6 goes to three or 6 goes to 16. That will depend on where the entire AI plus other transformation and the business models move.
- Manik Taneja:** Sure. Thank you, Sandeep, for those thoughts.
- Vinit Teredesai:** Yeah, with reference to your second question, with reference to the wage impact, as I said that the wages are in line with what we have provided. They are in line with the industry standard and pretty much in line with what we have provided to our employees last year.
- Manik Taneja:** Thanks, Vinit.
- Moderator:** Thank you. The next question is from Vibhor Singhal.
- Vibhor Singhal:** Yeah. Hi. Thanks for taking my question and congrats team for a very solid performance yet again. Sandeep, just wanted to pick your brain on the Healthcare vertical. It has been basically the cornerstone of our growth over the past few quarters. Going forward, of course, I'm sure it's going to pick up in momentum again. But at the macro level, there have been concerns about some of the headwinds that the vertical is facing, especially in the government spend front because of the big beautiful bill. What is our conversation in this vertical like with the clients? And how do you see the pipeline of deals in this vertical standing where we are today?

Sandeep Kalra: So Vibhor, you are right. So, this sector has been an impacted sector, if I may say so, in simple terms, from the various decisions under the Big Beautiful bill and other things that the new regime has undertaken. Now, the reaction from that from our customers is that's the hand that has been dealt to them. Now, they have to deal with that in the best possible way, whether it is about redoing their supply chains, whether it is about redoing their cost basis. Because if a number of our customers, let's say scientific instruments and medical devices, where these people, their equipment, their software is consumed by research labs, universities, many other systems, hospital systems and others who have grants and so on, which are impacted by whatever has happened in the last, you know, 3-6 months. Now, if they have to optimize for it, they need to be much more efficient. And that's where we are trying to be a part of the solution, working closely with them.

And so the pipeline is good. We have to execute. And overall, wherever... you know, in any industry, if there's a stress or there's an acceleration, there is good work for tech services. So, we'll have to figure out our own, you know, revenue pools, which we are working on, and they should work well for us.

Vibhor Singhal: Great, that's great to hear. So, any diversification strategy that you are planning, because of, let's say, this may be a temporary headwind? Maybe in healthcare vertical, you want to diversify into some other domains which we have not charted into, or some other vertical beyond the three verticals that we have already?

Sandeep Kalra: So, see, healthcare, again, it's not one monolithic vertical, there are four different, you know, segments in that. There's scientific instruments, medical devices. These are right from equipment makers for the hospitals and so on, so forth, to smaller medical devices. The second one is pharma. The third one is payer. The fourth one is provider. Each one of them has a different dynamic, somewhat cross-linked as well. So, we have distinct teams, as we had said on earlier earnings calls. Today, our healthcare vertical is at \$100 million a quarter. We are sub-verticalizing this. And as we get to our \$5 billion over the next 4-5 years, we should be at, you know, \$100 million per quarter in every sub-vertical. So, we are going deeper with respect to our capabilities, etc. And we are seeing a good response from our customers, good pipeline being developed. So, I don't think it is a question of now, in the shorter run, trying to have more verticals and being sub-scale in every vertical. It is about going deeper into verticals and sub-verticals and becoming more predominant. So that's where it is.

Vibhor Singhal: Got it, got it. Just one last quick question for Vinit. Vinit, with the strong margin performance that we have shown, our guidance of 200 to 300 basis point margin expansion over the next 2-3 years, does that also stand? Or basically, where are we on that?

Vinit Teredesai: Yeah, I would say, if you look at it, last year, we delivered a margin of 14.7%. If you look at that trajectory, we are probably in the 15 point... somewhere around 15.9 to 16%.

Next quarter, there might be a little bit of an impact on the account of the points I mentioned, particularly on the wage impact. But on an overall note, if we are looking at our current trajectory, we are looking at 100 basis point improvement in FY26, and probably another 100 basis point in FY27. That's what we have mentioned. So pretty much on track as far as that trajectory is concerned.

As Sandeep called out, after that, we'll take a call in terms of the focus and priority will be on growth. But at the same time, we'll try to see if there are any levers available and opportunities available, we'll try to optimize on the margins also, wherever possible.

Vibhor Singhal: Got it, got it. Great, thank you so much for taking my questions, and wish you all the best.

Moderator: Thank you. The next question is from Shrenik Mehta. Hi Shrenik, requesting you to unmute and ask your question.

Shrenik Mehta: Hi, so fantastic results. Thanks for such a great performance. Just wanted to ask how much of this margin expansion that we are seeing here is coming from your realized pricing piece versus other components like a mix or offshore or a pyramid kind of a rebuild piece?

Vinit Teredesai: So, if I understand your question correctly, you want a dissection in terms of how much is driven by offshoring and how much is driven by pricing, etc., right? Am I right?

Shrenik Mehta: Actual price increases that you do with your customers.

Vinit Teredesai: See, in terms of offshoring, if you look at it, our ratio in terms of our offshore headcount has been in the 85% range that has been largely driven... you know, that has remained in that range of more 85%. And we think it's at the optimum level and continue to remain at the optimum level.

Anything in terms of pricing, we continue to go. We have COLA clauses that are being defined as a part and parcel of our contract. We take the customer into confidence before we implement that. We go with the right role, right pricing strategy whereby we go and ask the customer for tenured resources who have been working with them for a longer period of time, go and ask for incremental pricing if these resources need to continue for even longer period of time. So, all of these levers are at play at multiple points of time. There is no specifically one focus area that continues to remain. I can only say, if you look at all the realization and the cash conversion that is happening, all of our profits are basically getting converted and getting realized also.

Shrenik Mehta: Yeah. I mean, your margins in the last 3-4 quarters have been improving. So, you see that trajectory in a similar manner in the next few quarters?

Vinit Teredesai: So, see, we don't give forward-looking guidance. We have mentioned, aspirationally, we wanted to improve our margin by 200 to 300 basis points. We are already running 100

basis points up this year. There's a possibility of another 100 basis point we will try to improve in FY27, which will bring us to that 200-300 basis point improvement range. After that, as Sandeep has called out, growth will be priority. And on the way, if we can improve the margins, we'll focus on that.

Moderator: Thank you. The next question is from Aditya Vikram. Hi, Aditya, requesting you to unmute and ask your question.

Aditya Vikram: No, all my questions are answered. Thank you very much.

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

Bhavik Mehta: Hi, thank you. So, a couple of questions. Firstly, we had very strong deal wins this time. So, do you expect that the growth momentum could accelerate in the second half because of that? Or do you think the normal season will be played out and hence we shouldn't expect much acceleration?

Sandeep Kalra: Bhavik, you know, we don't give forward-looking guidance. So, I won't kind of comment on that. Facts and figures are there in front of you.

Bhavik Mehta: Okay. The second question is on AI. I understand that you're proactively providing to clients with solutions, doing proactive reach-outs. I'm sure clients will be asking for productivity benefits leading to pricing deflation. Is that a fair assumption to make right now? Or you're not seeing much pricing deflation play out as of now?

Sandeep Kalra: I don't think it's a question of pricing deflation. So, the way it works in some other cases is it's the scope, inflation-deflation, that is the case. It is not about the pricing per unit. So, if you look at the overall scope, if we are able to impact that by doing AI-led transformations or by bringing in SASVA if we can do things better, faster, and lesser human manpower-related thing, it brings the overall cost there. But if you look at our billing rates as well, whatever we give us realization if you look at the details of whatever we share, it's fairly consistently moving up.

Bhavik Mehta: Okay. Got it. That's helpful. Thank you.

Moderator: The next question is from Abhishek Kumar. Okay. I think we have lost Abhishek. The next question is from Manik Taneja.

Manik Taneja: Hi. Thank you for the follow-up opportunity. This question was with regards to our segmental margins. When I look at our segmental margin trends over the course of last several quarters, it appears you've made a significant improvement on the tech side. If you could help us understand what may be driving that, that will be helpful.

Sandeep Kalra: So, I'll take a stab, and Vinit, if you want to add. So, if you look at the tech side, that is where if you look at the deal wins we have been announcing, we've been announcing deal wins which are based on our utilization of AI tool that we have developed, the platform that we have developed like SASVA. Now, when we do that, we are able to win

the deals against competitive landscape, use lesser manpower combined with technology, but we are able to get the realization which is better than just, you know, plain simple, what people realization would have been. So that's where our profitability improvement is coming. So hopefully that makes sense to you.

Manik Taneja: The last one, Sandeep, basically from my end is that, if I look at our headcount split across geographies, we see that over the course of last 12 months, we've seen a significant improvement or increase in our India-based headcount as compared to the trend that we are seeing in the prior 18 to 24 months when we stepped up the North American headcount. Given the current situation, do you think what we've seen in the course of last 12 months is what is going to continue over the foreseeable future?

Sandeep Kalra: Yeah, so look, there are structural changes that will happen in our industry, whether it is because of the H-1B regulations or otherwise. And if you look at Persistent, we were never dependent on H-1Bs. So having said that, the headcount in a geography like US also depends at points in time based on the larger deals that we win. Initially, we need higher headcount there, then we optimize, and then comes the next deal and so on and so forth. I don't foresee, as of this point in time, any major change for Persistent per se. We may invest in near-shore centers or onshore centers, but as we are growing in percentage terms, I don't think it will be structurally very far from where we are. The headcount may increase, but the percentage-wise, it may not increase significantly differently. It may have a few percentage points here or there.

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

Abhishek Kumar: Yeah, hi. Good evening, Sandeep and very good quarter. You know, all the larger peers are also talking a lot about investing in AI platform, AI-led services, etc. Now, we have won a large deal in financial services against a tier 1 incumbent. The question is, when it comes to taking on these larger peers, what is our right to win? Is it that our AI proposition is better than them, because they have the mindshare of those large customers, they have the domain expertise, and now they are talking about AI? Or is it just nimbleness and sales focus?

Sandeep Kalra: Yeah, so Abhishek, good question. But if you look at a slightly longer range, if you look at the last four years, our compounded annual growth rate is about 25%. So, if you look at that last 8 quarters, 16 quarters, CQGR, there's a significant outperformance Persistent has set. So, when I said four years, the reason I wanted to say four years is AI fever that we see everyone talking about AI is the last two years. And I would still believe that the AI-led revenues for everyone are not in double-digit percentages as of this point in time. So, so far, we have had the capability over the last several, several years, even from the time we went IPO till now, if you look at it, we have had 17%+ CAGR. So that is relatively much different than many of the others. So, whether it is traditional work or AI-related work or capabilities, whether it was software or OPD kind of work, or it is data and AI, we have been consistently building capabilities. So, I'm not worried about anybody and

everybody building AI capabilities. It has to be the way. That is the way the whole industry is going, so everyone has to build those capabilities. We have to build them faster than the fastest competition and move faster in terms of our go-to market, be closer to our customers and provide them differentiated services, differentiated experience. And that's what has led to us being brought in as a challenger in the Fortune 500 kind of landscape in the last several years. And if you look at the scaling we have done, it's all based on good customers for capabilities. So, everyone can build AI. We'll build it faster than them.

Abhishek Kumar: No, that's good to hear. Thank you. That's all from my side. Thank you so much.

Moderator: Thank you. In case there are any closing comments...

Sandeep Kalra: I think we are at end of hours. So, from our perspective, look, we are confident of delivering the growth that we have done over the last several years. And we look forward to giving you the updates as we go along in about three months. Thank you for your participation and a very Happy Diwali to all of you once again.

Moderator: Thank you very much to the Persistent 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.