"PERSISTENT SYSTEMS EARNINGS CONFERENCE CALL, FIRST QUARTER, FY27 ENDED JUNE 30, 2026"

8:00 AM IST, Monday, August 3, 2026

MANAGEMENT:

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 - Technology

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 first quarter of FY27, ended June 30, 2026.

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, Technology
- Mr. Saurabh Dwivedi, Corporate Vice President, Finance and Strategy.

Please note that all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after management's opening remarks.

Should you need any assistance during the conference call, please raise your hand from the participant tab on the screen. While asking questions, please identify yourself and your company. Please note that 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, 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 Q1 results, commentary on the business and update on our acquisition of Nagarro.
- Vinit will take you through the financial details and key operational metrics for Q1.
- Jaideep will provide details on expansion of our AI capabilities and representative AI wins in the quarter gone by.
- I will then provide an overview of our key deal wins and awards and recognitions for this quarter.
- Sandeep will then come back for a quick summary of the prepared remarks, post which we will open the conference for questions.

Let me talk about a couple of changes in the metrics that we disclose.

As we begin the new financial year, we have added year-on-year constant currency growth to our disclosures in addition to the quarter-on-quarter constant currency growth metric that we have reported historically.

We are also shifting from quarterly OCF to PAT ratio to TTM OCF to PAT ratio in our disclosures as TTM analysis smoothens out seasonality across quarters and also reflects the full year working capital cycle.

Let me also remind you that as part of our prepared remarks and during Q&A, we will make certain statements which are forward-looking and may involve significant uncertainty.

Persistent does not undertake 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: Thank you, Saurabh.

Good morning, good afternoon and good evening to all the folks depending on where you are joining from. I hope all of you are doing well.

Let me start with a quick **financial summary for the quarter** gone by.

- We achieved a healthy revenue growth of 3.8%, quarter-on-quarter and 16.1% year-on-year, delivering US$452.4 million in Q1 FY27. This marks our 25th sequential quarter of revenue growth.
- In rupee terms, the growth for the quarter came in at 6.1%, quarter-on-quarter and 29.1% year-on-year.
- In constant currency terms, this translates into 4.1%, quarter-on-quarter and 16.5% year-on-year.
- The EBIT margin for the quarter came in at 16%, translating to EBIT growth of 4.2%, quarter-on-quarter and 32.7% year-on-year.
- PAT for the quarter came in at 11.2%, translating to a decline of 8.7%, quarter-on-quarter and an increase of 13.7% year-on-year. The Q-on-Q PAT decline was on account of forex losses.

Vinit, our CFO, 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 for the quarter stood at US$1.146 billion, with total contract value of new bookings coming in at US$952.2 million.

- This is the highest ever quarterly TCV that we have reported till date. This comes on the back of US$650 million+ TCV over 6.5 years from a strategic services agreement with a global technology leader headquartered in the US. This deal encompasses product development, support, cloud operations across multiple SaaS products leveraging our advanced AI-powered platforms and capabilities.

- The annual contract value of bookings for the quarter came in at US$536.8 million, out of which the ACV value from new bookings contributed to US$386 million.

To remind everyone, both TCV and ACV numbers include all bookings, small and large, renewals as well as new bookings across existing and new customers. Also, as highlighted in our earlier calls, our revenue conversion on a quarterly basis is a function of ACV bookings closed in previous quarters as well as the conversion from multi-year deals booked in previous years which are included in our total contract value or TCV bookings that we announce on a quarterly basis.

With this, let me give you some color on our client movement across various reported categories.

This quarter, we witnessed healthy year-on-year growth among our various client buckets.

- Our **top 5** customer revenue grew by 21.2%,
- **Top 10** by 19.1%,
- **Top 20** by 15.8%,
- **Top 50** by 17.1% and
- **Top 100** by 17.4%.

Coming to the year-on-year movement of customers across various reported buckets.

- Customers with annual revenues **greater than US$75 million** remained stable at 4.
- Those with **US$50 million+** annual revenue remained stable at 4.
- Customers in **US$20 million+** category came in at 12.
- Those in **US$10 million+** category increased from 22 to 32, and
- Customers in **US$5 million+** category saw a significant increase from 56 to 60 over the last one year.
- Customers in **US$1 million+** category increased from 191 to 214.

This demonstrates our team's consistent ability in cultivating deeper, more resilient partnerships with our customers over time.

Coming to the details on our performance across various geographies.

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

- North America revenue grew by 15.1%,
- Europe by 9.5%,
- India by 15.8%, and
- Rest of the world grew by 117.2% although on a very small base.

Coming to industry verticals growth on year-on-year basis.

This quarter's growth was led by Healthcare Life Sciences vertical at 16.4%, followed by Banking Financial Services and Insurance at 16.3% and Software, Hi-Tech and Emerging verticals at 15.7% respectively on year-on-year basis.

Coming to the update on final dividend.

As we announced in the last quarter, our Board of Directors has recommended a final dividend of ₹18 per share on a face value of ₹5 per share. This brings the total dividend for FY26 at ₹40 as compared to ₹35 in FY25. The dividend recommended by the Board is subject to approval at the ensuing AGM which is scheduled for later today.

Let me now provide you an update on the agreement to acquire Nagarro that we announced earlier in June this year.

As you may be aware, we signed a business combination agreement in late June timeframe with Nagarro, a leading European digital engineering firm aimed at creating an AI-led global engineering powerhouse serving clients with end-to-end capabilities with over US$2.9 billion in revenue, run rate and 46,000+ professionals across 40 plus countries. We had earlier updated you on the transaction on June 28th as a part of our investor call. I will summarize some of those details again along with new updates and progress we have made since then.

As most of you may be aware, over the years we have been articulating our **M&A strategic priorities** on the following lines.

- **Strengthening forward-looking technology and domain capabilities,**
- **Service line diversification,**
- **Vertical augmentation,**

- **Europe business expansion and**
- **Near-shore Europe delivery presence.**

We have been consistently scanning the market over the last several years, scouting for potential M&A targets in line with our stated priorities. After evaluating multiple opportunities, we narrowed down on Nagarro and our transaction with Nagarro is an outcome of our proactive outreach and engagement with them.

Let me provide some details on Nagarro.

As I said before, Nagarro is a leading digital engineering firm with deep AI and digital engineering expertise across multiple industry verticals with approximately €1 billion revenue in CY 2025. It is headquartered in Munich, Germany, and listed on the Frankfurt Stock Exchange.

Let me spend a few minutes on why we are excited about this combination with Nagarro.

To highlight a few points, this combination provides us with:

- **More balanced geographic mix** with North America at 62%, Europe at 22% and rest of the world including Middle East, Japan, Southeast Asia, India at 16%.
- **Strengthened near-shore Europe delivery footprint** with presence across Romania, Portugal, Hungary and Poland. As you may recall, we have always said we wanted to increase Western European business and strengthen our near-shore delivery in Eastern Europe and this pretty much achieves that.
- It also **expands our capabilities** combining Nagarro's AI, digital product design, ERP and CX strengths complementing our own capabilities.
- On the vertical side, we achieve a **deeper vertical scale** with $750 million+ annual revenue in both BFSI and TMT verticals, $500 million+ in Healthcare Life Sciences, $400 million in Industrial and $300 million in Consumer. And as you may recall, Industrial and Consumer is not necessarily a scaled vertical at the Persistent today. So, we add two scaled verticals in addition to fortifying our presence in our existing verticals.
- This also brings a **strong cultural alignment** between two global organizations anchored in entrepreneurial ethos and engineering-first culture and decades of trust with marquee customers.

We are confident that this combination positions both Persistent and Nagarro for our next chapter of sustainable profitable growth together.

Let me now walk you through where we are on the process itself as some of you may be tracking the closure timelines closely.

- **Starting with the Open Offer:**

  We have submitted the Open Offer document to BaFin, Germany's Central Financial Regulatory Authority, akin to SEBI in India. This document is currently under their review and we expect the offer document to be published on our dedicated deal website in the coming week. Once we launch the Open Offer, the acceptance period will run for four weeks from the date of launch.

- We have submitted the application for RBI approval, the Reserve Bank of India, and are also making progress in terms of regulatory filings for FDI and merger control across different jurisdictions.

- In terms of financing, we already have a committed bridge loan and are in the process of securing long-term financing to replace the bridge loan.

In terms of our investor approvals, we have our AGM scheduled for later today and the results of the voting will be available by August 5th. We are optimistic about the investor approval in the AGM and are looking forward to your support towards the same.

To summarize, all the processes are going on at the expected pace.

We expect the deal closure by Q4-CY26 or at max by Q1-CY27 and we will keep you updated on the progress over time.

We would like to place on record our appreciation for Nagarro's management board and its supervisory board for their support and cooperation in this process. We strongly believe that we are inheriting an exceptional management team and leadership, and we look forward to working jointly with them to make our combination successful for all our stakeholders.

With this, I would like to invite Vint, our CFO, to provide more details on our financials for the quarter. Vinit, over to you.

Vinit Teredesai: Thank you, Sandeep.

Good morning and good day to all. Thank you for taking the time to join us today.

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

- Q1 FY27 revenue stood at US$452.4 million, registering a year-on-year growth of 16.1%.
- In Rupee terms, it translates to ₹43,032.3 million, a growth of 29.1% year-on-year.
- EBIT for this quarter was 6,868.8 million, translating to a growth of 32.7% year-on-year.
- EBIT margin for Q1-FI27 came in at 16%, 50 basis point increase year-on-year.

I will now talk about some operational updates for the quarter.

- At the end of Q1-FI27, our total headcount stood at 28,640, an increase of 1,138 from the previous quarter.
- Utilization stood at 86.5%, down 150 basis points sequentially, primarily reflecting proactive hiring to support ramp-up of large deals.
- Trading 12-months attrition stood at 12.3%, compared to 13% in the previous quarter, and continues to remain within our comfortable operating range of 12-15%.
- For FY26, the company performance bonus was paid at 103% in Q1.
- I am also happy to state that we have rolled out wage hikes globally to all our eligible employees effective July 1, 2026. This is in line with our annual wage hike cycle.

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

In terms of headwinds,

- Lower utilization impacted margin by 60 basis points. Most of the new hires were onboarded towards the end of the quarter to support the expected ramp-up of large deals, which we assigned in this quarter and expected to close in Q2.
- During the quarter, we continue to invest in AI-led delivery models, including a higher level of tool usage compared to Q4 of FY26. These tools are being used in delivery engagements as well as capability build to support AI-assisted code generation and improving engineering productivity.

The higher purchase costs were primarily offset by efficiencies in the personnel effort, resulting in a net 20 basis point headwind in direct costs, including both personnel and purchase costs.

In terms of tailwinds,

- Favourable currency movements contributed to a benefit of 30 basis points at EBIT level.
- Lower doubtful debt provision led to a 20-basis point improvement in margins.

All these headwinds and tailwinds put together have resulted in a decline of 30 basis points in our EBIT margin on a quarter-on-quarter basis.

Other income net of finance cost stood at ₹ 414.9 million against ₹ 136.3 million in Q4 of FY26. This increase is primarily on account of mark-to-market gains on mutual fund investments and reversal of earn-out credits for past acquisitions.

The foreign exchange loss of ₹ 1,052.7 million was primarily on account of rupee volatility during the quarter. As a result, outstanding receivables which were originally recorded at higher exchange rate were revalued at a lower rate as of June 30, 2026.

The reported loss also includes mark-to-market adjustments on hedging contracts. This compares with foreign exchange gain of ₹ 11.9 million in the previous quarter.

Forward contracts outstanding as of June 30, 2026 were $500 million at an average exchange rate of $93.3 per dollar.

Effective tax rate for the quarter came in at 22.5% versus 21.5% last quarter.

Profit after tax for the quarter was ₹ 4,830.4 million, a margin of 11.2% and year-on-year growth of 13.7%.

The lower PAT growth this quarter was mainly on account of foreign exchange loss as mentioned earlier.

Earnings per share was at ₹ 30.90 per share in Q1 of FY27 to ₹ 33.80 per share in the previous quarter.

Year-on-year growth in the EPS was 11.3%.

Excluding cash from capital employed, return on capital employed for Q1 FY27 came in at 43.7% versus 44.5% in the previous quarter.

Total cash and investments stood at ₹ 27,044.3 million as of June 30, 2026.

In this quarter, the billed DSO came in at 61 days while unbilled DSO came in at 25 days. Billed DSO increased by 8 days and unbilled DSO decreased by 2 days compared to Q4 of FY26.

Operating cash flow to PAT stood at 24.2% in Q1 of FY27 compared to 77% in the previous quarter. This decline was primarily on account of delayed collections to the tune of $23 million most of which were collected in the first week of July, delay in receipt of tax refunds of $10 million out of which $7 million were received during the first month of Q2.

Adjusted for the two above, the operating cash flow to PAT for Q1 would have been at 83.2%. We expect the operating cash flow to PAT ratio to normalize over the coming quarters. On a trailing 12-month basis, OCF to PAT stood at 76.2%.

Coming to updates on ESG.

We are pleased to announce the publication of Persistent's Financial Year 2025-26, ESG Report and Business Responsibility and Sustainability Report.

The ESG report has been prepared in accordance with GRI 2021 Standards and aligned with IFRS Sustainability Disclosure Standards S1 and S2 while the BRSR complies with the SEBI disclosure requirements.

Our ESG disclosures have also been independently assured in accordance with ISE 3000 reinforcing our commitment to transparency, accountability, strong governance, and high-quality sustainability reporting.

During the year, we achieved **carbon neutrality for the third consecutive year**, increased renewable energy consumption in India to **96.5%** and secured **zero-waste landfill certification to six old campuses**, underscoring our commitment to operational excellence, resource efficiency, and environmental stewardship.

Our sustainability efforts also received significant external recognition.

- Persistent was honored with the **BCIC Award for the Best Sustainability Practices in Climate Action.**
- Recognized by **CII as Best Employer Physical Accessibility under the CII Award for Excellence in Disability Services 2026**.

- And received **ESG recognition from DNV** for leveraging certified management systems to support our ESG commitments.

These achievements reflect our continued focus on integrating sustainability into business strategy and creating long-term value for stakeholders.

With this, let me now hand it over to Jaideep for commentary on our progress on the AI journey.

Jaideep, over to you.

Jaideep Dhok: Thank you, Vinit. Good morning and good day to everyone.

As you know, our AI strategy continues to be built around three pillars:

- **Engineering Hyper-Productivity**
- **Business Hyper-Productivity, and**
- **Enterprise Data Readiness with Responsible AI.**

We believe the next phase of enterprise AI will not be defined by access to better foundation models alone, it will be defined by how effectively enterprises combine those models with their own business knowledge, operational data, processes, human interactions, and governance to deliver trusted business outcomes at scale. We call that the **Enterprise Context.**

Just as **ERP** became the **system of record** and **CRM** became the **system of engagement**, we believe that the **Enterprise Context** is emerging as a **system of intelligence for the AI Enterprise**.

That belief underpins our **3C Architecture**, comprising **Core, Context, and Coordination.**

- **Core** establishes trust through security, identity, governance, responsible AI, and cost controls.
- **Context** creates intelligence by bringing together enterprise knowledge, business rules, and operational data into a unified enterprise context.
- **Coordination** turns intelligence into actions by enabling people, applications, and AI agents to collaborate through a governed execution layer.

Together, these capabilities enable enterprises to move beyond isolated AI pilots towards enterprise-wide AI adoption.

During this quarter, we continue to strengthen the platforms that power this 3C architecture.

SASVA introduced **Storyboard,** enabling architect-led orchestration of long-running agentic workflows along with the **Incognito Mode** for sovereign and private AI deployments.

GenAIHub expanded to support multi-cloud deployments across AWS, Azure, and Google Cloud.

iAURA added agentic data engineering capabilities integrated into GitHub Copilot and Cursor, further strengthening enterprise data readiness.

The best validation of this strategy is the measurable business outcomes we are now delivering across all the three pillars.

On **Business Hyper-Productivity**, we helped a leading value-based kidney care organization build a unified enterprise context across clinical, claims, and patient data. The platform has delivered approximately **30% lower acute hospital readmissions, 20% higher patient engagement, and about 15% lower overall cost of care.**

In **Engineering Hyper-Productivity**, our engineering framework SASVA is driving agentic modernization across leading private equity-owned organizations. For those organizations, we established AI Center of Excellence across six domains to run repeatable, parallel proof-of-acceleration initiatives. The objective was to drive the AI-led product development lifecycle adoption inside each organization's own environments. The outcomes include our clients compressing the modernization cycles up to 25% and lifting the new feature throughput map up to 40%. This also includes a European HR and payroll services company, with SASVA bringing all the models, compute, code, and data staying inside the European region to support sovereign AI requirements.

On **Enterprise Data Readiness**, we helped a leading global corporate travel management company build an AI-powered enterprise spend intelligence platform, delivering approximately **20% procurement savings** and further **10% operational improvement to enhance supplier intelligence**.

These examples reinforce an important point - **Models create possibilities. Enterprise Context creates business outcomes.**

Every successful AI engagement leaves behind something more valuable than an application. It leaves behind the Enterprise Context, and as that Enterprise Context grows, future AI initiatives become faster to deploy, become more accurate and more valuable, while deepening our strategic relationship with our clients. We believe that compounding effect is what creates durable value for our clients and sustainable differentiation for Persistent.

Our innovation strategy continues to gain momentum as well. During the quarter, we expanded our AI intellectual property portfolio to **139 patent filings**, including **18 new**.

We continue to invest in the enterprise context layer and the platforms that enable it, while maintaining an open ecosystem through partnerships with NVIDIA, Microsoft, Google, Databricks, Snowflake, Salesforce and Digital Ocean.

In summary, as AI models continue to evolve and commoditize, we believe the enduring source of differentiation will increasingly shift from models themselves to the enterprise context built around them. **That is the layer where Persistent is investing, where we are innovating and where we believe we can create disproportionate value for our clients and our shareholders.**

I will now invite Saurabh to talk about other key wins and awards for this quarter.

Saurabh Dwivedi: Thanks, Jaideep.

Let me now talk about the deal wins for the quarter by industry segments.

Starting off with Software, Hi-tech and Emerging Industry vertical.

Persistent was selected by a leading global urban mobility platform provider to support the transformation and scaling of its transport technology ecosystem. The engagement will strengthen security governance and establish a scalable global delivery model through the expansion of offshore engineering capabilities. This long-term strategic partnership positions Persistent as a trusted engineering partner embedded in the client's core product roadmap and further strengthens our delivery presence in Eastern Europe.

Moving on to Banking, Financial Services and Insurance.

Persistent was selected by a leading global insurance claims management and outsourcing services provider to manage and modernize more than 250 applications across its US and international operations. Additionally, the engagement will enable enterprise-wide AI adoption and data modernization across business and technology functions of the customer. This is a $50 million+ renewal plus expansion deal with a large insurance domain customer.

Moving next to our **Healthcare and Lifesciences vertical**.

Persistent was selected by a leading US-based Genomics and Life Sciences Company to drive the integration of Salesforce, SAP and commercial operations with a newly acquired business in the proteomics domain. This initiative will create a scalable and standardised customer engagement ecosystem enabling seamless business continuity, accelerated synergy realisation and enhanced operational governance.

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

- Persistent continued to receive multiple leadership recognitions from ISG this quarter and was named a leader in ‘ISG Provider Lens Digital Engineering Services Mid-Size Providers Report 2026’ for US and Europe.
- Persistent was recognised as the “Most Honoured Company” in Extel's 2026 Asia Executive Team survey and earned top honours across different categories including ‘Best CEO’, ‘Best CFO’ and ‘Best Investor Relations Program’ for the third consecutive year.
- Persistent received multiple awards for its commitment to ESG and people excellence.

The most prominent amongst them include –

- Persistent was included in the ‘Dow Jones Best-in-Class World Index’ and
- Recognised in the top 10 % of companies globally in the ‘S&P Global Sustainability Yearbook 2026.’
- Persistent received 5 awards at the ‘ETHRWorld Employee Experience Awards’ for excellence in inclusion, AI powered, People Analytics, Employee Growth, Voice of Employees and High-Performance Culture.

With this, let me hand it back to Sandeep.

Sandeep Kalra: Thank you, Saurabh. Let me conclude the prepared remarks by saying that we are happy with the consistent performance we have been able to deliver this quarter. The consistency of execution quarter after quarter is the testament to disciplined execution from our team along with a clear strategy. We're making steady progress on our AI capability build and client engagement.

With the Nagarro combination, we would be building a truly differentiated organization that will be uniquely positioned to lead in an AI-first world combining engineering depth with global scale to solve our clients most complex challenges and we are truly excited about the possibilities that lie ahead. I'd like to sincerely thank our employees, clients, partners and shareholders for their strong and sustained confidence in us.

With this, I would like to ask the operator to open the floor for questions. Operator, over to you.

Q&A Session

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 2 questions and return to the queue for more questions. Please raise your hand from the participant tab on the screen to ask the question. The first question is from Karan Uppal.

Karan Uppal: Yeah, I hope I am audible?

Sandeep Kalra: Yeah please.

Karan Uppal: So, the first question Sandeep is on the geographic performance. So, India revenue grew strongly for the second quarter in a row while North America was a bit muted. In Q4 you had mentioned that India revenue growth was due to Accelerite sales which happened through India GCC of a customer. So, a similar phenomenon happened in Q1 and also if you can provide an outlook on all the geos going ahead. So that's the question.

Sandeep Kalra: Yeah, so if you look at it the India revenue is a combination of what we sell to customers in India, which are India domiciled customers, versus the GCCs that are there for the global customers. And many of our global customers are increasingly looking to have the procurement done from the GCCs. So, there is nothing to worry in that and so this is just a phenomenon that will continue from that perspective. From a geographic perspective as you look at it, it's a fairly healthy growth across various geographies. If you combine what we do in India through the GCCs that are US parent GCCs, the US revenue growth is fairly significant and with the Nagarro combination over a period of time it will get broad-based. And as I've also said in the earlier call, we are inheriting a significant set of business in Europe as we integrate the Nagarro acquisition. And so, you will see both US and Europe grow at a fairly significant pace. And please keep in mind we have announced a significant large deal win and that should add to the US based revenue growth percentage in the coming quarter.

Karan Uppal: Sure, sure. And second is on that large deal which you are referring to, the $650 million deal with the Global Tech company. So, when are you expecting this deal to ramp up and will it have any impact on the margins of the company at the initial phase of the ramp up?

Sandeep Kalra: Yeah so, this deal in encompasses is taking over a significant number of products and product operations end to end. And we had announced this deal in the last quarter. This very small portion of that deal has already come in the last quarter. We don't need to do a significant ramp up, there is some amount of transition we will do from different geographies to India over a period of time. And if you look at our manpower figures, we have increased the team size. So, we are well positioned from that perspective. We have taken over teams in the interim, so there's no more ramp-up required from a revenue perspective. From a transition perspective we may do transition over a period of time.

Karan Uppal: Okay. Just one question to Vinit. The cash flow was a bit weak in Q1. You had mentioned some one-time impact which was there. So, going ahead for the full year how much are you targeting from OCF to PAT as well as FCF to PAT conversion?

Vinit Teredesai: We have always said that we are, like our Operating Cash Flow to PAT somewhere in the around 100 % range. In the last couple of quarters, we have been pretty close to that number and we anticipate, we are pretty confident actually that we will be able to come back to that during the year.

Karan Uppal: Great. Thanks and all the best.

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

Ravi Menon: Yes hi. So, you talked about how some of the revenue in India could be through GCC. So, is this quarter's significant increase about $8 million or so a shift from one of the US customers, you know, moving that billing to India?

Sandeep Kalra: Some of the things could be on those lines and some of these things could be a quarterly phenomenon as well. So, I wouldn't say that it is a thing that will happen every quarter at this level. So, these happen when some other customers decide and we do a number of transformation programs as well. If you're doing a carve out, if you're doing greenfield IT setup etc. and the procurement has to be done through India those may have bumps but if there are managed services etc. that get outsourced from India that will be more steady as it goes. So hopefully that gives you the colour.

Ravi Menon: Thank you. And this quarter even though the product revenue declined by about $6 million quarter on quarter there is a $8 million QoQ increase in the purchase of software licenses. What was this for?

Sandeep Kalra: Vinit you want to answer that.

Vinit Teredesai: Sir, see we have been always talking about investing into future technologies and we have been adding and making investment to AI-led tools and as a result of that plus the additional regular consumption of some of the regular seasonal consumption of our tool cycle that also contributes to it. So that's the reason why your overall purchase costs are on a higher side.

Ravi Menon: Thanks a lot, and this last deal when should we expect this to start contributing to revenue and, you know, how long will it take to hit the peak revenue?

Sandeep Kalra: Yeah, so it is already started. So, it will be nearly at the peak revenue, I would say about 75-80 % of the peak revenue should be there in this quarter and following the next quarter it should be in the peak part of it. So, you should see a significant conversion from that in this quarter.

Ravi Menon: Thanks so much. Best of luck.

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

Sandeep Shah: Yeah, thanks for the opportunity. Vinit sir just 2 clarifications. The intangibles under development in this quarter has gone to 50 Cr from 27 Cr last quarter. So, what is the nature of this? Is it the purchased intangibles or this is some capitalization we have done, because it's 50 bps of the first quarter revenue?

Vinit Teredesai: So, this is a combination of both. As you know that we have our homegrown tools SASVA, the GenAI, iAURA etc and we continue to make investments onto that and in addition to that we also have some of these software purchases that also go into them.

Sandeep Shah: Okay, okay. And just can you walk us through in terms of how the margin will look like in the coming quarters with the target of 16-17% with a priority on growth and investment? And that's it. All the best and congratulations on consistent execution.

Vinit Teredesai: We don't give any forward-looking guidance. We always said that for coming year we aspire ourselves to be in the 16-17% operating range and we are pretty confident we'll be able to maintain and manage that.

Sandeep Shah: Okay. Thanks and all the best.

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

Dipesh Mehta: Yeah thanks for the opportunity. Two questions. First on the wage hike, we intend to give wage hike from July. So, can you quantify what will be the expected impact from wage hike at gross level? And any sense you can provide on net level also?

Second question is on the purchase of software. I think you partly answered, but just want to get sense between internal, external, which we consume versus, let's say, which we use as a part of the deal delivery. If you can give some sense between these two breakups, this quarter? Thank you.

Vinit Teredesai: So, wage hike impact is in line with what we have been delivering for the last couple of years. So, the impact for the quarter is expected to be in the range of around 180 to 200 basis point and as we have been always looking at improving our operational efficiencies, we expect some portion of that to be recouped back in Q2 itself.

As far as the purchase of software, see at the end of the day it's not a specific trend that you should look at a particular quarter. It keeps on changing from quarter-to-quarter basis. It's a combination of both internal as well as external requirements and don't take the spend as any trend line or any indication of how this will look like in future.

Dipesh Mehta: Thank you.

Moderator: Hi Dipesh, request you to unmute.

Dipesh Mehta: No, thank you.

Moderator: Okay, thank you. The next question is from Nitin Padmanabhan.

Nitin Padmanabhan: Hi, good morning. Congrats on the quarter. During the quarter, clients 10 to 20 have sort of declined. Is there something that you think will be persistent there or this is just a one-off kind of an impact there?

Sandeep Kalra: Yeah, so Nitin, some of these things we'll keep moving a little bit here or there from a quarter-on-quarter perspective. While we come to the next quarter, you may see changes in a very positive direction or whatever else. So, I wouldn't read too much on a quarter-on-quarter basis of one or two customer movement here. Overall, look at it, we are confident of the pipeline, we are confident of the revenue growth and the large deal should support the growth as well.

Nitin Padmanabhan: Perfect. Just one thing on the large deal. Was there any accretion during this quarter or most of it will just come through next quarter?

Sandeep Kalra: So, there was part revenue recognition in the quarter gone by and significant amount will come in this quarter and a slight bit more ramp-up will happen in the next.

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

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

Vibhor Singhal: Yeah, hi. Thank you, sir. Thanks for taking my question and congrats on a very solid performance yet again. Sandeep just one quick question to follow on Nitin's last question. I mean, the top 10 to 20 bucket and the top 6 to 10 bucket also kind of showed a decline QoQ this quarter, almost a 4% and a 3.5% decline. And it appears that the very solid growth in top 5 bracket is also kind of overlapping with a very strong growth in the hi-tech vertical. So, is it correct to say that the top client in the hi-tech vertical basically grew very strongly this time? And as you said, nothing to worry about the top 6 to 10 or 11 to 20 buckets because those are seasonal factors and they will maybe correct over the period of time.

Sandeep Kalra: Yeah, so it's a combination of the top customer growing and a few other deals also running. So, it's not just the top customer growing, it's a combination of things. But yes, we'll see the top customer in the hi-tech vertical grow pretty strongly as we have talked about earlier in this call as well.

Vibhor Singhal: Got it. And just your outlook on the healthcare vertical Sandeep, I mean, not just for us, for the overall industry as such. I mean, we have been seeing a lot of basically peers actually spawning up their healthcare vertical in terms of looking at the demand per se. Then of course, there are basically allocation issues between the payers and providers and the government spending as well. How is the healthcare vertical looking for us? And which specific pockets do you think we will continue to target ahead?

Sandeep Kalra: Yeah. So, the healthcare vertical overall, if you look at it, for us, it has been groing very well over the last several years. Obviously, we are coming from a very high growth last several quarters and years. But if you look at the pipeline, the conversion, we have a fairly good set of deals in the healthcare vertical across payers, across the CRO/Pharma vertical and so on. So, from scientific instruments, medical devices, Pharma, and the pharma ecosystem, including the clinical research organizations, and the payers. Across these three segments, we see for at least ourselves, fairly good number of deals. The provider segment is a little, you know, tepid as compared to the other segments for us. But we do expect a healthy growth in healthcare for the year, on a full year basis.

Vibhor Singhal: Got it. Got it. And just one last bookkeeping question for Vinit. Vinit, the wage hike is from July onwards or is it in Q3?

Vinit Teredesai: No. That's from July 1 onwards.

Vibhor Singhal: July 1 onwards. Got it. Great. Thanks for taking my questions and wish you all the best.

Moderator: Thank you. Participants who wish to ask the question can raise their hand from the participant tab on the screen. We will wait for a few seconds to let the queue assemble.

The next question is from Raghavendra C.

Raghavendra C.: Yeah, thanks for the great results. And I would like to congratulate everyone for this great work. So, I just want to know how Persistent is well positioned when compared to other peers, because the AI is so dynamic. Just want to hear from management point of view.

Sandeep Kalra: First of all, thank you, Raghavendra. This question is much broad based. So, from our perspective, the good part about Persistent compared to many of our peers is, we are an organization which was started in the Product Engineering and the Data Analytics space. And from that perspective, for the last 35 years, we have been pretty much building our competencies around enterprise software, the platforms, etc., and taking that to the enterprises. And the data side has been very strong for us overall. Now, in the last 2, 3 years, as we came across Generative AI and Agentic AI, we have been building our capabilities on 3 different dimensions.

- First, on the AI-led product development life cycle, which for ISVs or enterprise software companies tends to be on the product or platform side. Similar capabilities on enterprise application and development is where we take this into large enterprises. And we have a number of Fortune 500 customers on those lines.

- Second part of it is where we are working with large enterprises on getting their data ready from an AI perspective, so that they can have pretty much, whether it is the enterprise platforms or it is their vertical or horizontal use cases from an AI perspective. That's a very strong proposition for us where we are able to modernise the data landscape, bring the companies onto a harmonised one or two hyperscaler plus a Databricks/ Snowflake kind of an environment.

- The third part of it is the business hyper productivity that Jaideep also talked about, which is building vertical specific use cases using domain knowledge and the technology expertise that we have.

And we are investing in all 3 dimensions and winning fairly good deals in this. And we are well poised. And on top of it, with Nagarro, you know, coming together with us, their capabilities on different industry verticals, consulting capabilities that they have will also make us more differentiated.

Raghavendra C.: Yeah, thanks, Sandeep and wish you all the best.

Sandeep Kalra: Thank you.

Moderator: Thank you. The next question is from Aditi Patil.

Aditi Patil: Yeah. Are you able to hear me?

Management: Yes, please.

Aditi Patil: Yes. Thank you for the opportunity and congratulations on consistent strong performance.

My first question was, what is the contribution of pass-through software license component to revenue this quarter?

And my second question is on, we had a high Forex Hedge losses in this quarter, whereas if you look at last quarter also, the INR had depreciated sharply, but we had a small Forex Hedge gain. So, can you help me understand the reason for this difference? And going forward, since INR is at 95 and we have hedged at 93.3, should we expect further hedge losses to continue?

And my third question is on, from the overall growth that we have done in last one year, and maybe also the deals that you see in pipeline, how much of it is led by winning market share from incumbents versus expanding wallet share within existing accounts? Can you provide a qualitative sense on the same?

Thank you.

Sandeep Kalra: Yeah. So, I'll answer a couple of these and then I'll have Vinit talk about it.

So, when you talk about the pass-through tool cost, so look at it in the AI world context. In the AI world context, when our customers are adopting AI, they are also using frontier models at times, and they're using open source model at times. A number of our customers are using frontier model and the likes. And some of the expectation is, if we are doing a fixed bid kind of a work or programmes that can lend themselves to those kinds of environments, we'll bring not just the manpower, we will own the manpower and the tooling to deliver outcomes. And some of the outcome-led deals that we are signing, there we are accountable for end-to-end. And that's going to be the case in the industry overall for people who are adopting AI and are moving towards the outcome-based thing. So, you will see these, while you look at it as a pass-through cost, it is a cost of service delivery, which is people, tool, expertise, whatever, and put together as one bid. So, keep that in mind while Vinit answers that.

Now, in terms of the growth and the pipeline that we see in terms of market share gain from incumbents versus wallet share gain in a particular customer. So, if you look at our trajectory for the last 16+ quarters, Persistent has outperformed the market, our peers from a listed landscape in India by about 3.5% or more. That means we are grabbing market share on a disproportionate basis. Some of these are vendor consolidation exercises where we have won against whether it is our bigger peers or mid-tiers or sometimes even the US-based or European-based providers. So, there is definitely a market share shift towards Persistent. And then there is the newer outsourcing where we go and we are proactively pitching to customers, including this large deal that we have done. It's a proactive pitch from our side where this is a new outsourcing. So, it's a combination of both. And I'm proud to say that we have been winning an unfair share of the outsourcing. Although we are a very small company, please keep that in mind, but we definitely are winning against competition big time.

Vinit, over to you for the pass-through and other parts.

Aditi Patil: Just one follow-up on the first question. So, do we have the responsibility of lowering the cost of the AI tools for clients when we do end-to-end deals?

Sandeep Kalra: So absolutely. And there are two or three parts there. When we do end-to-end deals, whether it is taking over a portfolio of products, the portfolio of products may also come together with some amount of tools that are used to deliver that, whether it is the Cloud spend that is in operating those and so on. And so, the customer is looking to us to bring our AI expertise, based on which the proof of concept of whatever we have done is on reducing the overall cost from ownership, which includes development, sustainence engineering, cloud operations, cloud cost. And if we are bringing any AI tools, whether it's SASVA or any other models, the tokenomics around it. So, it's all encompassing.

Vinit Teredesai: Yeah. Aditi, Sandeep has already walked through the pass-through part of it. I think that explains a lot. In terms of the Forex losses, I just wanted to clarify, these are not necessarily only hedging losses. Hedging losses have been there even in the past. The hedging policy is supposed to balance out the volatility in the Forex market during the quarter.

This quarter, there was, compared to the past quarters, this quarter had one major change. The rupee exchange rate at the closing of the last quarter versus the exchange rate at the closing of this quarter, there was a marginal appreciation in rupee. And as a result of that, there was a devaluation loss also that is added to the hedging losses. So, all that put together, it's a dynamic environment. It's not necessarily, this is how the trend you should be comparing. They're just giving you a comparative numbers. But please remember, the rupee volatility during the quarter also plays an important role in terms of how the Forex losses get calculated.

Aditi Patil: Okay, got it. Thank you for answering my questions.

Moderator: Thank you. The next question is from Rishi Jhunjhunwala.

Rishi Jhunjhunwala: Yeah, can you hear me?

Sandeep Kalra: Yes, Rishi.

Rishi Jhunjhunwala: Yeah, thanks for the opportunity.

Two questions. Firstly, can you talk a little bit about how much of your AI platforms are contributing to some of the new deal wins that are coming? And is it possible to call out if you actually get separate license revenues on your AI platforms as well?

Sandeep Kalra: Yeah. So, Rishi, the fact is, when we go to the customers, the number of the deals that we are fighting are what we proactively originate with our customers. And then there are a few that are RFPs and so on. When we go and pitch to our customers, we are going with our AI plays across industry verticals and across our service lines. Our service lines are across hyperscalers and things like Google practice, AWS, Microsoft, Salesforce, and so on. Now, when you go to a customer and pitch at the AI people, you're showcasing all your platforms. Platforms like SASVA for AI-driven PDLC, the Product Development Lifecycle, or your GenAI Hubs and iAURA's for modernization, data management of agents, and so on and so forth. So, a number of customers give us deals that may or may not use these. But the expertise that we show gives the customers the confidence that even if they were to use some of the frontier models and other technologies, we are the right partners for them to deliver.

The other thing that also happens is a number of customers are looking for challengers where they believe that these challengers, who may even be mid-size firms like us, are the right partners for their landscape for the future. So, we also win projects because of this, which may not necessarily be AI-driven, but which may have an AI component as we go along. So, it's very hard for us to quantify if you say how much is the win on this. The impact of this is across board and the impact of AI will be in every part of the thing that we do, whether it uses SASVA, GenAI Hub, iAURA or not. So hopefully that answers you and we believe that quantifying any of this is meaningless because everything will have AI-infused or it is getting AI-infused as of this point in time.

Rishi Jhunjhunwala: Understood. Yeah. Thank you. The second question is, there is a sharp increase in receivables in this quarter. I don't know whether you addressed it earlier as well, but just wanted to understand the nature of this. Was it driven by the large deal that we have won or anything other specific?

And the other thing you mentioned about focusing on trailing 12 months cash flows. So, does that mean some of this spike in receivables that we've seen in this quarter is going to normalize over the next 2, 3 quarters, or is it the new way in which deals are coming? And as a result, we should realign to that.

Sandeep Kalra: I'll just make one comment and I'll pass it over to Vinit as he's an expert on this. See, the thing that happens is this. In this quarter, as Vinit pointed out, there were a couple of things that happened. There were certain delays in collections, which happened in the first week.

And second part was there are some tax refunds that were due and they were delayed beyond the acceptable part for us, for no operational reason from our side. And that also came in the first few weeks.

But if you look at the standalone quarter, anyone only looking at the standalone quarter will possibly conjecture that there's something on the operational side. Whereas if you look at a longer period, the collections came in the first week, to the extent that, and the tax refunds also came in. If they had come in one week earlier, the whole quarter cash flow would have looked, the free cash flow or OCF to PAT would have looked very different.

Vinit, if you want to...

Vinit Teredesai: Yeah, no, no, Sandeep, I think so you clarified very nicely. See, we obviously work on a regular basis, following up with our customers in terms of collecting, doing our collections. Sometimes the payments do happen, but the payments do get also delayed sometimes. And this is just a one-off sort of thing. I won't read anything into that. I just wanted to clarify.

This is not a structural issue. We are pretty confident. OCF to PAT from a trailing 12 months gives you a perspective about consistency in terms of how do we do in terms of our collections and the cash improvement that happens on a quarter-on-quarter basis.

Rishi Jhunjhunwala: Fair enough. So, we expect this to normalize from 2Q,onwards. All right. Thank you so much. All the best.

Vandit: Thank you. Handing over back to Sandeep sir for closing remarks.

Sandeep Kalra: Thank you, Vandit. Thank you, everyone. We appreciate your spending time with us on the call today. We look forward to connecting with you again in 3 months' time to provide an update on our ongoing progress. With this, we would like to close the call for today. Thank you.

Moderator: Thank you very much to Persistent's 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.

(End of transcript)

Please note that this transcript has been edited for readability