


Top Sector Ideas: IT services

| Stock | Reco. | TP/CMP* | Recommendation Rationale |
|---|------------|-----------------------------------|---|
|  Persistent Systems | BUY | Rs 5,410 (CMP Rs 4,887) | <ul style="list-style-type: none"> ✓ Persistent Systems continues to exhibit strong growth despite challenging market conditions, driven by increasing client engagement. ✓ The company reported a solid TCV of \$462.8 Mn in Q1FY25, supported by robust deal wins. ✓ Management remains confident in capturing medium-term demand momentum, underpinned by deals secured in previous quarters. Additionally, margin improvement is anticipated moving forward. ✓ Strength in Medium-Term Demand: The UK market is witnessing higher demand for cost optimization deals with quicker decision-making cycles, while Europe remains impacted by ongoing macroeconomic challenges. However, as the environment stabilizes, the company expects decision-making to accelerate. ✓ Broad-Based Vertical Growth: The BFSI, Pharma, and Tech verticals delivered impressive QoQ growth of 5.9%, 16.5%, and 0.6% respectively. Most verticals demonstrated strong performance and are poised for further growth, supported by a robust deal pipeline in the near term. ✓ Persistent is well-positioned for sustained growth, bolstered by numerous long-term contracts with leading global brands. Improved revenue visibility strengthens confidence in the company's continued expansion. ✓ We assign a 43x P/E multiple to its FY26E earnings of Rs 125.8/share, resulting in a TP of Rs 5,410/share, indicating a 11% upside from the CMP. Accordingly, we recommend a BUY rating on the stock. |

•Note: We have upgraded the target price over and above our Q1FY25 result update TP
 •CMP as on 19th August 2024