

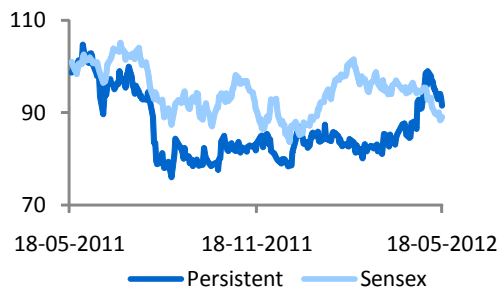
## CMP Rs. 381

May 18, 2012

BSE Code	533179
BSE ID	PERSISTENT
High/Low 1Y (Rs.)	399/ 290
Avg. vol (3m)	15,905
Market Cap (Rs Cr)	1,395
Net IB Debt (Rs Cr)	(321)
Enterprise value(Rs Cr)	1,074

Shareholding %	Dec-11	Mar-12
Promoters	38.95	38.95
MFs/ Fis/ Banks	26.54	30.30
FIIs	6.28	2.67
Public & Others	28.23	28.08

### Stock Chart (Relative to Sensex)



Stock Perfm.(%)	1M	3M	1 Yr
Absolute	4.3	8.7	-8.4
Rel. to Sensex	11.5	20.3	2.5

Financials (Rs.Cr)	03/10	03/11	03/12
Revenue	601	776	1,000
y-o-y	1.2%	29.1%	28.9%
EBITDA	146	158	224
y-o-y	60.2%	8.2%	41.7%
PAT	115	140	142
EPS (Dil.)	32.06	34.93	35.45
y-o-y	74.0%	9.0%	1.5%
EBITDA Margin	24.3%	20.4%	22.4%
PAT Margin	19.1%	18.0%	14.2%
D/E(x)	0.00	0.00	0.00
P/E(x)	10.9x	10.0x	9.8x
EV/EBITDA(x)	7.3x	6.8x	4.8x
ROCE	17.7%	15.5%	19.4%
ROE	18.0%	-0.9%	-17.6%

Financial year ends at March 31  
Annual Financials are on consolidated basis

Qtry Fin	06/11	09/11	12/11	03/12
Revenue	224	238	268	271
PAT	28	32	41	41
EPS	6.89	8.10	10.15	10.30

Quarterly Financials are on consolidated basis

## Persistent Systems Ltd.

### FY12 & Q4FY12 Results Review

Persistent Systems Ltd. (PSL) reported a strong growth in total revenue both for Q4FY12 and also for the full year FY12. The total revenue for FY12 grew 28.9% against FY11 and revenue for Q4FY12 grew 27.2% on Y-o-Y basis. In dollar terms, the top-line in FY12 grew 21.8% to \$207.4 million. In terms of revenue mix, T&E (time and expense) and IP (intellectual property) driven projects grew around 30%, which majorly contributed to revenue growth. All the three segments delivered more or less equal performance. The telecom segment saw highest growth of 33.9%, which contributed 21.4% of the revenue. During the year, the company expanded its reach in Europe and Asia Pacific, while business from North America declined. As business grew, EBITDA margin also improved due to control over employee expenses. However, sharp rise in tax outflows impacted the bottom-line. During FY12, diluted EPS declined marginally to Rs. 34.9 from Rs. 35.4 in FY11.

### Key Highlights of the Quarter

#### T&E and IP-the key growth drivers during Q4FY12

Decline in FPP (fixed price projects) was more than compensated by the rise in T&E and IP-driven projects. The share of T&E and IP projects rose to 80% and 12% from 74% and 10% respectively. Although T&E was the highest contributor, IP-driven segment has got more attention due to higher margin. Due to this, PSL posted strong growth in Q4FY12. Number of clients billed also increased to 283 from 229 in Q4FY11, which also supported growth.

#### Lower employee cost improved EBITDA margin

Strong revenue growth and reduction in the share of employee cost to revenue helped the company improve EBITDA margin. The employees' expenditure to total revenue dropped from 67.8% in Q4FY11 to 59.6% in Q4FY12. Sharp rise in other expenditure could not impact the EBITDA margin due to its lower contribution to the total revenue.

#### Net profit margin (NPM) plunged due to higher tax outflow

Significant rise in tax rate from Rs. 1.7 crore to Rs.14 crore impacted the net profit margin, which dropped 34 bps to 15.2%.

### Quarterly Financial Summary – Consolidated

Particulars (Rs in Crore)	4QFY12	4QFY11	3QFY12	Y-o-Y Gr %	Q-o-Q Gr %	FY12
Total Income	270.6	212.8	267.7	27.2%	1.1%	1000.3
EBITDA	60.8	38.1	64.8	59.6%	-6.2%	209.0
EBITDA Margin %	22.5%	17.9%	24.2%			20.9%
EBIT	42.2	26.2	48.9	61.2%	-13.7%	147.9
EBIT Margin %	15.6%	12.3%	18.3%			14.8%
Net Profit	41.2	33.1	40.6	24.4%	1.6%	141.8
Net Profit Margin %	15.2%	15.6%	15.2%			14.2%
EPS	10.3	8.3	10.2			35.4

Source: Company Financials, ICRA Online Research, TTM-trailing twelve months

### Valuations

PSL trades at a P/E multiple of 9.8x on its consolidated FY12 EPS of Rs. 35.45 and 4.8x EV/EBITDA multiple based on FY11 EBITDA of Rs. 224 crore.

15 clients increased in small category, while 1 client was added in large category which generates >\$3 million of revenue.

The highest revenue generating client gave more business, while business from top 5 clients declined marginally.

Sequentially, attrition rate increased while number of employee count declined by 78.

The yield person per month increased both on Q-o-Q and Y-o-Y basis in Q4FY12.

### Client Metrics

Particulars (In Nos.)	4QFY 12	3QFY 12	2QFY 12	1QFY 12	4QFY 11	FY 12
Large > \$ 3Mn	11	10	10	9	9	11
Medium > \$ 1Mn, < \$ 3Mn	26	27	32	26	26	26
Small Up to \$ 1 Mn	251	236	211	194	194	314
<b>Total</b>	<b>288</b>	<b>273</b>	<b>253</b>	<b>229</b>	<b>229</b>	<b>351</b>

Source: Company Factsheet

### Client Concentration

Particulars (In %)	4QFY 12	3QFY 12	2QFY 12	1QFY 12	4QFY 11	FY 12
Top 1	17.2%	15.9%	16.0%	15.1%	19.4%	16.1%
Top 5	36.6%	37.0%	38.6%	37.6%	41.5%	37.4%
Top 10	48.8%	48.3%	49.4%	48.2%	52.8%	48.6%

Source: Company Factsheet

### Employee Metrics

Particulars (In Nos.)	4QFY 12	3QFY 12	2QFY 12	1QFY 12	4QFY 11	FY 12
Technical	6,223	6,288	6,469	6,178	5,950	6223
Sales & Business Devp.	95	103	113	119	108	95
Rest	310	315	318	323	302	310
<b>Total</b>	<b>6,628</b>	<b>6,706</b>	<b>6,900</b>	<b>6,620</b>	<b>6,360</b>	<b>6,628</b>
Addition	-78	-194	280	260	900	
Utilization (%)	71.7%	74.1%	73.8%	72.7%	71.0%	73.1%
Attrition	18.3%	17.4%	17.7%	18.4%	19.6%	18.3%

Source: Company Factsheet

### Pricing Metrics

Particulars (USD/p.p.m)	4QFY 12	3QFY 12	2QFY 12	1QFY 12	4QFY 11	FY 12
Onsite	12,603	12,387	12,665	13,033	12,766	12,669
Offshore	3,895	3,778	3,771	3,770	3,709	3,803
Yield (USD/p.p.m)	3,350	3,247	3,208	3,147	3,238	3,238
Investment in IP led work (Technical time spent)	4.6%	6.0%	5.5%	4.7%	3.6%	5.2%

Source: Company Factsheet

### Onsite: Offshore Mix

Sequentially, the share of offshore business increased, while onsite declined. They stood at 79.7% and 20.3% respectively. Billing rates of both offsite and onsite improved by 3.10% and 1.74% Q-o-Q during the quarter. The person per month (p.p.m) yield rose by 3.17% to \$3,350.

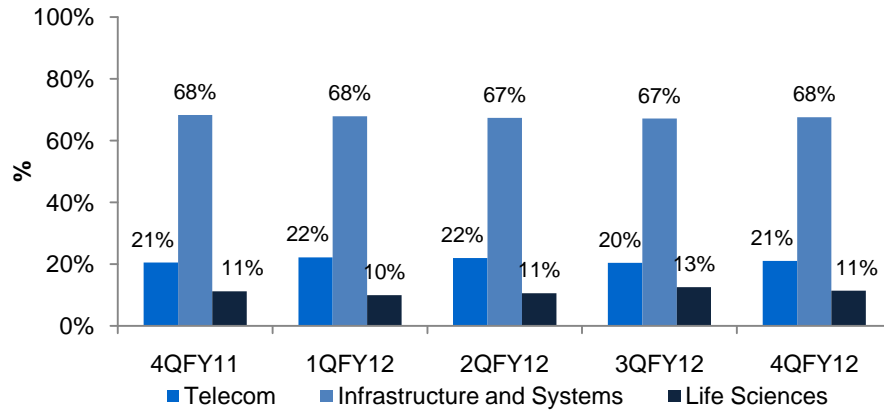
### Sequential Segment Wise Performance

The lowest contributor, life sciences segment, was the best performer during the quarter as its revenues increased 47.2% Y-o-Y. The major revenue contributor, infrastructure and systems segment grew 25.9% Y-o-Y. Telecom segment, having a share of 21%, grew at 30.3% Y-o-Y.

On the geographical front, except the North American market, the remaining two markets saw an increase in their contribution. The share of North American market dropped from 86% in Q4FY11 to 82% during the reported quarter. The share of European and Asia-Pacific markets increased from 6% and 8% to 7% and 11% respectively during the similar period.

**Segment wise performance**

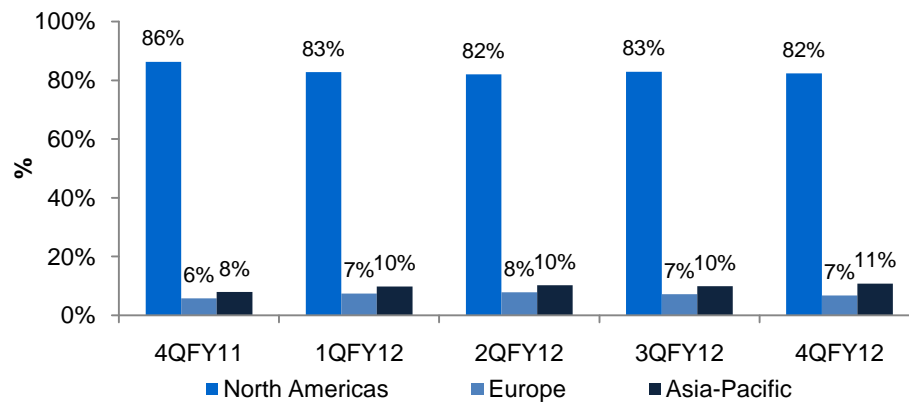
Infrastructure and Systems sector remains the major contributor to the company's revenue and also showed a strong growth.



Source: Company Factsheet

**Geography Mix**

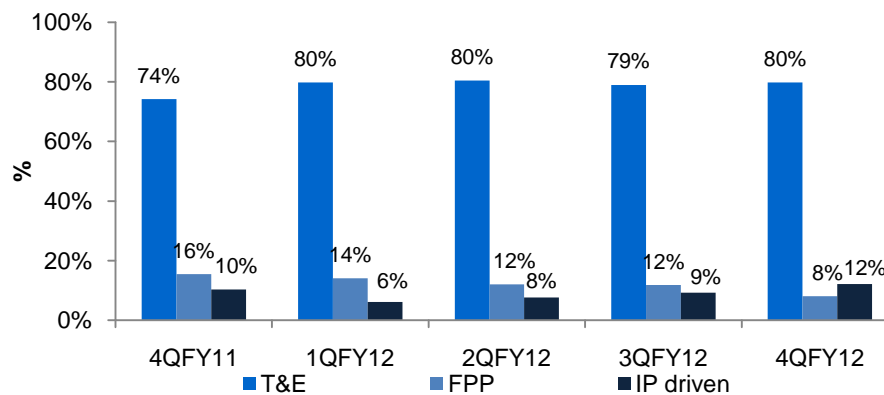
Contribution from North-America declined on Q-o-Q basis but contribution increased from Asia-Pacific region.



Source: Company Factsheet

**Revenue Mix**

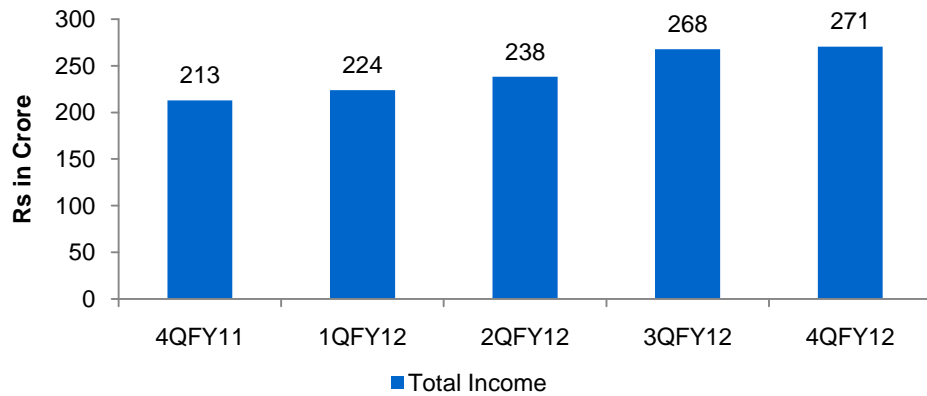
T&E projects remained the highest contributor to the company's revenue, but high margin IP-driven projects are growing at a faster rate.



Source: Company Factsheet

**Top-line demonstrates a rising trend**

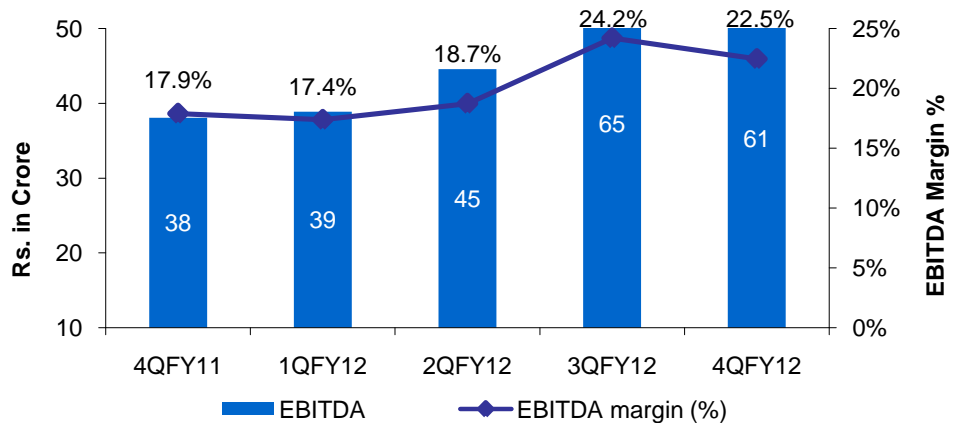
Revenue grew 27.2% Y-o-Y and 1.1% Q-o-Q during the quarter.



Source: Company Factsheet, ICRA Online Research

**Sequentially EBITDA margin dropped but looks healthy**

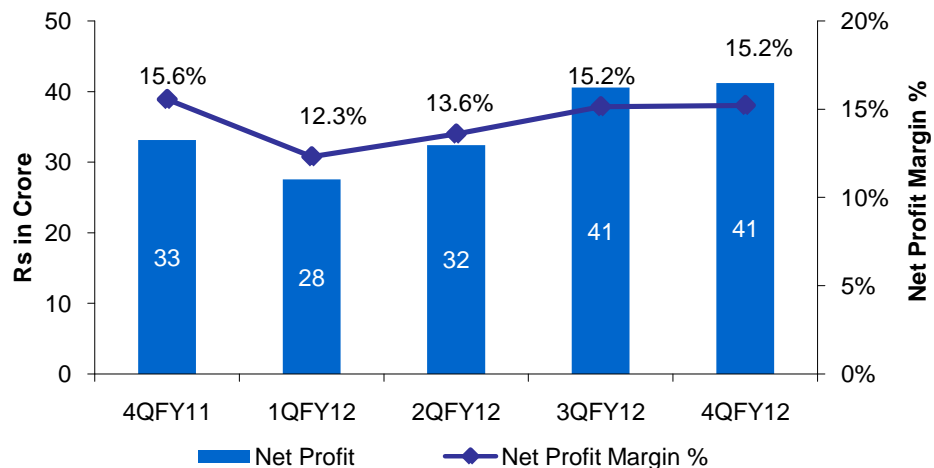
Strong revenue growth and lower employee expenses improved EBITDA margin on Y-o-Y basis.



Source: Company Factsheet, ICRA Online Research

**Net profit margin remained flat on Q-o-Q basis**

Significant rise in tax outflow dropped NPM during the quarter.



Source: Company Factsheet, ICRA Online Research

**Summary Financials (Consolidated)**
**Profit & Loss Statement**

Particulars (Rs. Crores)	4QFY12	4QFY11	3QFY12	Y-o-Y Gr%	Q-o-Q Gr%	FY11	FY12
Net Sales	270.6	212.8	267.7	27.2%	1.1%	775.8	1000.3
Other Op. Revenue	0.0	0.0	0.0			0.0	0.0
<b>Total Income</b>	<b>270.6</b>	<b>212.8</b>	<b>267.7</b>	27.2%	1.1%	<b>775.8</b>	<b>1000.3</b>
Personnel Expense	(161.3)	(144.3)	(164.3)	11.8%	-1.8%	(512.3)	(640.7)
<b>Gross Profit</b>	<b>109.3</b>	<b>68.5</b>	<b>103.4</b>	59.6%	5.7%	<b>263.5</b>	<b>359.6</b>
Other Expenditure	(48.5)	(30.4)	(38.6)	59.6%	25.6%	(105.2)	(150.5)
<b>EBITDA</b>	<b>60.8</b>	<b>38.1</b>	<b>64.8</b>	59.6%	-6.2%	<b>158.3</b>	<b>209.0</b>
Depreciation	(18.6)	(11.9)	(15.9)	55.9%	17.0%	(42.4)	(61.1)
<b>EBIT</b>	<b>42.2</b>	<b>26.2</b>	<b>48.9</b>	61.2%	-13.7%	<b>115.9</b>	<b>147.9</b>
Interest	0.0	0.0	0.0			0.0	0.0
Other Income	13.1	8.7	7.6	50.5%	72.2%	34.4	48.9
Exceptional Items	0.0	0.0	0.0			0.0	0.0
PBT	55.3	34.8	56.5	58.6%	-2.2%	150.4	196.9
Income Tax	(14.0)	(1.7)	(15.9)	719.7%	-11.7%	(10.8)	(55.1)
Profit after Tax	41.2	33.1	40.6	24.4%	1.6%	139.6	141.8
Extra Ordinary Items	0.0	0.0	0.0			0.0	0.0
Min. Interest & Others	0.0	0.0	0.0			0.0	0.0
<b>Net Profit</b>	<b>41.2</b>	<b>33.1</b>	<b>40.6</b>	24.4%	1.6%	<b>139.6</b>	<b>141.8</b>
Rep. Basic EPS	10.7	8.7	10.6			37.0	37.0
Rep. Diluted EPS	10.3	8.3	10.2			34.9	35.4
Equity Capital	40.0	40.0	40.0			40.0	40.0
Face value	10	10	10			10	10

**Ratio Analysis**

Particulars (Rs. Crores)	4QFY12	4QFY11	3QFY12	Y-o-Y (bps)	Q-o-Q (bps)	FY11	FY12
<b>Margins</b>							
Gross Margin (%)	40.4%	32.2%	38.6%	820	176	34.0%	35.9%
EBITDA Margin (%)	22.5%	17.9%	24.2%	456	(174)	20.4%	20.9%
EBIT Margin (%)	15.6%	12.3%	18.3%	329	(267)	14.9%	14.8%
Net Profit Margin (%)	15.2%	15.6%	15.2%	(34)	7	18.0%	14.2%
<b>Valuation</b>							
EPS	10.3	8.3	10.2			34.9	35.4
BVPS	210.1	186.8	194.9			186.8	210.1
P/BV (x)	1.7	1.9	1.8			1.9	1.7
P/E (x)						10	9.8
EV/ EBITDA (x)						6.7	5.1
EV/ Sales (x)						1.4	1.1

**Contact Details:****Rahul Jain**

ICRA Online Limited, Phone: +91-22-67816159, Email: rahul.jain@icraonline.com

**Disclaimer**

All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited shall not be liable for any losses incurred by users from any use of this document or its contents in any manner. Opinions expressed in this document are not the opinions of our holding company and of the subsidiary companies and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

---

Published on behalf of The Stock Exchange Investors' Protection Fund

**Bombay Stock Exchange Ltd.**P J Towers, Dalal Street, Mumbai. Tel: 22721233/34 [www.bseindia.com](http://www.bseindia.com)