



## In line results

<b>CMP:</b>	<b>Rs.978</b>
<b>Target Price:</b>	<b>Rs.862</b>
<b>Recommendation:</b>	<b>Reduce</b>

### Stock Info

BSE Group	B
BSE Code	533179
NSE Symbol	PERSISTENT
Bloomberg	PSYS IN
Reuters	PERS.BO
BSE Sensex	20498
NSE Nifty	6074

### Market Info

Market Capital	Rs.3913cr
Equity Capital	Rs.40cr
Avg. Trading Vol.	31610
52 Wk High/ Low	1058/477
Face Value	Rs.10

### Shareholding Pattern (%) (31st Dec 2013)

Promoters	38.9
Domestic Institutions	18.8
Foreign Institutions	18.3
Public & Others	24.0

#### ■ Inline with estimates:

Persistent has delivered its Q3FY14 results with a QoQ growth of 2.2% at USD 69.9mn largely inline with our estimates. In rupee terms revenues grew 0.1% qoq to Rs 433cr. IP business reported 4.9% qoq dip in revenues, while services revenues went up by 3.8%.

#### ■ Operating Profits increased by 8.8%:

Company has delivered 8.8% qoq growth in operating profit (EBIT) at Rs 93.5cr from Rs 85.9cr in Q2FY14 on lower operating cost. Company reported qoq decline in operating cost thereby increasing EBITDA margins qoq by 170bps to 27.7%. Other income remained flat qoq at Rs 7.7cr. Company reported currency exchange loss of ~Rs 14.6cr. Effectively Profit after tax rose 5.6% qoq to Rs 64.2cr.

#### Other highlights:

Share of European region in total revenues moved up by 160bps qoq to 6.0%. It also reported increase in billing rates in on-site and offshore segment, though increase was marginal. Blended utilization rates improved qoq from 71.7% to 72.9%. Attrition rate continue to see downward trend, with rate falling to 13.2% from 14.0% qoq.

#### Concall Updates:

Management has given positive commentary on business outlook and expects FY15 growth to be higher than industry rate. As per management higher growth likely to come from healthy deal pipeline, investment in new technologies and better billing rates.

#### ■ Outlook:

We firmly believe in Persistent's business model recording growth with its well articulated 4x4x4 matrix strategy that is keeping thrust on emerging technologies and IP business. We firmly believe in the company's outlook for FY15 to record an industry superior growth with its increasing traction from the IP business. At CMP of Rs 978, stock trades at 16.0(x)/13.1(x) its FY14E and FY15E earnings at which stock appears fairly valued in our view. We have valued stock on 11.5x its FY15E earnings and have arrived at fair value of Rs 862 per share. We recommend Reduce rating on the stock.

#### Financials:

Y/E March, (Rs in Cr)	FY12	FY13	FY14(E)	FY15(E)
Net Revenues	1000	1295	1658	2067
Growth (%)	28.9	29.4	28.1	24.6
Net Profit	142	188	245	300
Growth (%)	1.4	32.3	30.4	22.5
EPS	35.4	46.9	61.2	74.9
P/E(x)	27.6	20.9	16.0	13.1
P/BV(x)	4.7	4.0	3.3	2.8
EV/EBITDA(x)	15.4	10.4	7.8	5.7

Source: Company, Aриhant Research

30<sup>th</sup> Jan 2014

## Quarterly Financials:

Result Update	Quarter Ended				
	Particulars (Rs. mn)	Q3FY14	Q2FY14	Q-O-Q (%)	Q3FY13
IP Led Revenues	12.5	13.1	-4.9	11.0	13.0
IT Services	57.5	55.4	3.8	49.7	15.6
USD Revenues (mn)	69.9	68.5	2.2	60.8	15.1
Revenues	4328	4323.7	0.1	3330	30.0
Cost of services	2433	2425.7	0.3	1882	29.3
Gross Profits	1895	1898.0	-0.2	1448	30.8
SG & A. Expenses	697.5	775.9	-10.1	252.0	11.8
EBIDTA	1197	1121.1	6.7	824.1	45.3
Depreciation	112.5	262.9	1.5	101.5	10.8
EBIT	935.2	859.2	8.8	626.3	49.3
Exchange Loss/Gain	-146.6	-99.6	-47.2	18.0	-
Other Income	76.7	75.3	1.8	66.7	16.6
PBT	865.3	834.9	3.6	710.0	21.9
Income tax expense	223.3	227.1	-1.7	215.0	3.9
Deferred Tax Charge					
PAT	642.0	607.9	5.6	495.1	29.7
Minority Interest	-	-			
PAT	642.0	607.9	5.6	495.1	29.7

Source: Company, Aриhant Research

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### Stock Rating Scale

	<b>Absolute Return</b>
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

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