

NSE & BSE / 2024-25 / 023

April 25, 2024

The Manager
Corporate Services
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai 400 051

The Manager
Corporate Services
BSE Limited
14th Floor, P J Towers, Dalal Street,
Mumbai 400 001

Ref: Symbol: PERSISTENT

Ref: Scrip Code: 533179

Dear Sir/Madam,

Sub: Transcript of the investor/analyst call held on Monday, April 22, 2024
Ref: Our earlier intimations under reference no. NSE & BSE / 2024-25 / 016 titled as 'Outcome and Audio call Recording of investor/analyst call held on Monday, April 22, 2024'

In continuation to the above-referred intimations and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the investor/analyst call held on Monday, April 22, 2024, for the quarter and year ended on March 31, 2024.

The transcript of the investor/analyst call is also made available on the Company's website.

The link to access the same is as follows: [Analyst-Call-Transcript-Q4-FY24.pdf \(persistent.com\)](#)

This is for your information and records.

Please acknowledge the receipt.

Thanking you,

Yours Sincerely,
For **Persistent Systems Limited**

Amit Atre
Company Secretary
ICSI Membership No.: A20507
Encl: As above

“PERSISTENT SYSTEMS EARNINGS CONFERENCE CALL, FOURTH QUARTER, FY24, ENDED MARCH 31, 2024”

April 22, 2024

MANAGEMENT:

Dr. Anand Deshpande

Chairman and Managing Director

Mr. Sandeep Kalra

Executive Director and Chief Executive Officer

Mr. Sunil Sapre

Executive Director and Chief Financial Officer

Mr. Saurabh Dwivedi

Head, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to Persistent Systems Earning Conference Call for the 4th Quarter of FY24 ended March 31, 2024. We have with us on call today, Dr. Anand Deshpande - Chairman and Managing Director, Mr. Sandeep Kalra - Executive Director and Chief Executive Officer, Mr. Sunil Sapre - Executive Director and Chief Financial Officer and Mr. Saurabh Dwivedi - Head of Investor Relations. Please note, all participants line will be in 'listen only' mode and there will be an opportunity for you to ask questions after the 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, requesting you to please identify yourself and your company. Please note, this conference is being recorded.

I now hand the conference over to Mr. Sandeep Kalra. Thank you and over to you, sir.

Sandeep Kalra: Thank you, moderator. Good morning and good evening to all of you, depending on where you are joining from. I'm pleased to share that we concluded our board meeting today at our Bridgewater office in New Jersey, US. I'm joined today by our leadership team here for this call.

I would like to start by wishing a Happy New Year to all of you who are celebrating the start of a new year as per the Indian calendar. With this, let me start with a quick financial summary.

We delivered revenues of USD 310.9 million for Q4 FY24. This translates into a growth of 3.4% quarter-on-quarter and 13.2% on year-on-year basis. In Rupee terms, the growth for the quarter came in at 3.7% quarter-on-quarter and 14.9% on year-on-year basis. This is our first ever quarter wherein we crossed the quarterly revenue run rate of INR 2,500 crores, which translates into an annual run rate in excess of INR 10,000 crores.

On a constant currency basis, the growth for the quarter came in at 3.4%, same as the dollar revenue growth. For the full year FY24, we achieved a revenue of USD 1,186 million, giving us a growth of 14.5% on a year-on-year basis compared to FY23. I would like to emphasize, that this is purely an organic growth, which basically means that we did not have any acquisitions through the financial year.

Coming to the EBIT side, our EBIT margin for Q4 came in at 14.45%. The Q4 EBIT margin was in a narrow band compared to the last quarter. This was on account of ramp-up of larger vendor consolidation deals that we won over the last couple of quarters, with a relatively higher onsite proportion to start. The ramp-up in this quarter included a one-time transition cost along with lower utilization and higher travel cost. This impacted the EBIT, which was compensated by a reduction in earnout liability with respect to one of our acquisitions that did not perform in line with our business case. Sunil will provide more color on the EBIT margin movement later in this call.

During the next 12 months, given the challenging macro environment, our goal is to maintain top quartile growth, while maintaining margins at the current year. We will be working towards improving utilization, onsite-offshore mix, and other operational efficiencies to ensure we keep moving towards our medium-term target of improving margins by 200 to 300 basis points over the next 3 years.

Now coming to the order book for the quarter. The total contract value for the quarter came in at \$447.7 million, with TCV of new bookings being \$302 million. The annual contract component of this TCV is \$316.8 million, of which ACV from new bookings contributed \$184.5 million. As most of you are aware, we typically see higher quantum of renewals, and hence, overall bookings in the October-November-December quarter, which corresponds to end of financial year for our North American customers. The sequential

decline of bookings in this quarter is a reflection of the seasonality that we have observed for the last several years. Also, please note, that as always, these TCV and ACV numbers include all bookings, small and large, renewals, as well as new bookings across existing and new customers.

Coming to the client engagement size. Let me give you some colour on our client engagements by buckets. Our top one customer declined by \$3.2 million quarter on quarter. This was in line with a planned partial ramp down of a large five-year deal that we had announced in FY23. We witnessed healthy growth among various client buckets with our top five customer revenue up 7.9% quarter-on-quarter, top 10 up 5.4% quarter-on-quarter, top 20 up 2.9% quarter-on-quarter basis. Our top 50 customer portfolio delivered a robust growth of 4.3% in Q4, which is better than the overall revenue growth of the company in this quarter.

In Q4, we reported a total of 178 customers with trailing 12-month revenue in excess of USD 1 million. I'm happy to report the entry of new customers in the \$30 million plus, \$10 to \$20 million, and \$5 to \$10 million buckets. All of these have potential to scale up further in the future quarters.

From a client concentration perspective, the contribution from top 10 customers reached 40% in this quarter for the first time since Q1 FY23. This is partly on account of the growth in a couple of large customer relationships across Healthcare Life Sciences and BFSI industry verticals. This is a demonstration of our ability to scale customer relationships significantly, and oftentimes, in competition with larger IT services peers.

Coming to the geographical breakup. From a geography perspective for the full financial year '24, North America revenue grew by a healthy 16.8% year-on-year in US dollar terms, ahead of the company average. Europe grew 13.4% year-on-year, Rest of the World grew 4.3% year-on-year, while India grew by 0.6% year-on-year.

Coming to the people front. At the end of Q4, our total headcount stood at 23,850, a net increase of 514 from Q3. Most of the headcount increase in this quarter came from lateral hires. Onsite hiring was linked to revenue ramp-up, while offshore hiring is towards revenue ramp-up as well as build-up for capacity for future ramp-ups. With this, the blended utilization for the quarter came in at 80% against 81.5% in Q3. The trailing 12-month attrition for the quarter came in at 11.5%, compared to 11.9% in Q3. Attrition has come down to a comfortable band over the last few quarters, in line with the industry trend.

Moving on from operational metrics to certain strategic highlights for the quarter. First, on Generative AI. In Q3 FY24, we had provided you with a comprehensive update regarding our pivotal shift towards AI-powered digital engineering and enterprise modernization initiatives. As you may recall, Persistent has a long history with AI. While our experience goes beyond the current buzz around Generative AI, FY24 has helped lay a strong foundation in our journey, fueling our acceleration in this space.

I am happy to report, we continue to deliver transformative solutions for our customers, leveraging Generative AI and AI at broad. Over the course of the last quarter, multiple proof-of-concepts have been progressing towards scale production levels. AI is opening up significant opportunities for us at Persistent in two broad areas, - AI for product engineering and AI for the enterprises. Let me provide you some more details on our solution-centric approach in each of these opportunity themes.

On the engineering front, we are focusing on delivering value to our customers through productivity gains using AI and automation tools across the product development lifecycle. Over the last 30 plus years, we have been

leaders in product engineering, be it scaled engineering, modernization, or sustaining engineering.

As you may be aware, most enterprise software is complex, as over 60 to 70% of the code in any enterprise software comprises of third-party open-source components, customized kernels, and most importantly, code with interdependent repositories. Recent engineering solutions such as Copilot and code-assist tools powered by Large Language Models have succeeded in offering high-quality solutions to localized coding problems. However, repository-level coding is primarily a planning problem and cannot be solved directly using these code-assist tools.

That's where SASVA, our digital engineering-powered enterprise AI platform, comes in. This is a platform that's based on a novel combination of an incremental dependency, change impact analysis, and an adaptive planning algorithm, and much more. It addresses the repository-level coding and planning. The platform harnesses the power of hybrid language models, including fine-tuned small language models, machine learning, and advanced multidimensional models. SASVA delivers significant efficiencies, quality enhancements, improved security posture, and cost savings throughout the product development lifecycle.

The key highlights for SASVA include theme-based releases, which include end-to-end planning and execution of software updates such as porting and modernization, multidimensional knowledge base for insights on complex code to the Nth level of interdependencies, digital twin reflecting key resource capabilities enabling use cases such as de-risked knowledge transition. The challenge of higher costs related with Gen-AI has been addressed by SASVA using fine-tuned small language models that provide LLM-grade results, while being hosted on a relatively low-cost infrastructure.

As you are aware, we own a number of software products as a part of our Accelerite business. SASVA has been tested extensively with most of these products, yielding significant productivity gains over time and is a showcase for us and our customers' prospects alike.

Coming to the enterprise side. On the enterprise side, to accelerate GenAI-powered enterprise transformation, we continue to invest and strengthen our GenAI Hub, so that our customers can create faster, more efficient, and secure GenAI experiences at scale, anchored by the basic principles of responsible AI. Enterprises can adopt GenAI across Large Language Models and clouds with no provider lock-in, integrated with existing assets, and enabled by pre-built accelerators using our GenAI Hub.

Let me talk about the select deal wins in the GenAI Hub. First, on the engineering side. For a leading enterprise software company, we have won an outcome-linked deal encompassing sustaining engineering and feature enhancements for one of their key software products leveraging our SASVA platform. The organization wanted to address some of the challenges around slow product releases due to legacy technologies, high technical debt encompassing issues related to poor quality, security and user experience. The code repository for this product line has over 5.5 million lines of code, and a number of third-party open-source software components. These technical challenges were negatively impacting their business growth.

Leveraging SASVA and fine-tuned SLMs, we would be responsible for substantial reductions in technical debt, and the outcome metrics for us include shortened release cycles, as well as, overall lower cost of sustaining engineering, coupled with revenue acceleration metrics.

On the enterprise side, we won a three-year deal to develop and design GenAI-based straight-through processing platform for a listed insurance distribution corporation in the U.S. This firm specializes in advisory,

underwriting, and customized insurance solutions. Under this deal, we will be responsible for delivering enhanced end-user customer experiences, as well as, optimized straight-through processing of code, fine, and issue process, along with the operations of the same. The platform will support end-to-end processing of a variety of documents such as carrier downloads, policy contracts, employee records, and other policy administration documents. The code stack will be leveraging Azure OpenAI, Easy Vector, and multiple API gateways. This platform aims to deliver rapid expansion of the corporation across multiple lines of businesses spanning 50-plus states in the U.S.

The next win is with a large analytical instruments and specialty diagnostics corporation. Here, we are working collaboratively with them in building a GenAI-based recommendation engine. This engine will enable mapping of customer queries with a product catalog, for effective cross-sell and up-sell. The solution leverages Azure OpenAI, GPT-4 as the foundation model, and LangChain as the LLM.

The expected benefits from the solution include significant incremental revenue for the customer over a period of time as the solution gets deployed, as well as, a strong reduction in the number of FTEs required to perform these tasks over time. In addition to the above examples, there are multiple use cases of Generative AI being implemented within Persistent as a customer zero, making our operations more agile and enhancing our employee experience.

In summary, we remain steadfast in our approach to making AI and GenAI the way of working at Persistent, and with our customers. We will provide further progress on this topic in subsequent quarters.

Coming to the dividend side. I am pleased to share with you, that the Board of Directors recommended a final dividend of Rs. 10 per share on the face

value of Rs. 5 per share. This dividend payout will require shareholder approval during the Annual General Meeting as per statutory norms. As you may recall, in January 2024, the Board had declared an interim dividend of Rs. 32 per share on the face value of Rs. 10 per share pre-split. It is our endeavour to maintain a healthy balance in our capital allocation through a consistent dividend payout ratio, while augmenting our growth through capability-led acquisitions.

Coming to the ESG updates. I am happy to share that Persistent was named as one of India's leading listed ESG entities for 2024 by Dun & Bradstreet. As you may be aware, our aspiration is to achieve carbon neutrality for Scope 1 and Scope 2 emissions, and 100% renewable energy sourcing by the middle of FY25, and I am happy to say we are well on the way to do the same.

We are also committed to set near and long-term company-wide emission reductions in line with science-based net zero with the SPTI. In summary, we are pleased with our performance in FY24 in a challenging business environment. I would now like to invite Sunil, our CFO, to give more colour on quarterly financials in the related months. After that, Saurabh, our Investor Relations Head, will give you more details on key client wins, endless awards and other recognitions for the quarter. Sunil, over to you.

Sunil Sapre:

Thank you Sandeep and good morning, good day to all. Thanks a lot for taking the time to join us today. Sandeep has walked us through the market outlook. Let me walk you now through the financial performance for the quarter ended 31st March, 2024.

The revenue for the quarter at \$310.9 million effected quarter-on-quarter growth of 3.4% and YoY growth of 13.2%. Revenue for the quarter in INR terms was Rs. 25,905 million, which translates into growth of 3.7% quarter-on-quarter and 14.9% YoY. For the full year, the revenue was \$1,186 million

with a growth of 14.5% and in INR terms, the revenue was Rs. 98,215.9 million with a growth of 17.6%.

Coming to segmental growth for the quarter, Healthcare and Life Sciences grew by 15% quarter-on-quarter, BFSI grew by 2% while Hi-Tech and Emerging vertical declined by 0.9% on account of planned ramp-downs in a large multi-year program in the top 1 customer. Excluding this top 1 customer, the Hi-Tech and Emerging vertical segment grew by 1.6% quarter-on-quarter.

EBIT margin for the quarter largely remained flat compared to Q3. Let me now give you a walkthrough on the EBIT margin for the quarter. Revenue growth in Q4 has been led by higher on-site ramp-up in some of our large customers. This growth is driven by vendor consolidation, and we have leveraged contractors for this initial ramp-up. You will notice the contractor cost in this quarter has increased to 14.1% of revenues. There was one-time cost of transition related to this ramp-up in multiple deals, which impacted margins by 110 basis points.

During this quarter, we also added lateral hires at offshore to build capacity for future growth, and planned transition from on-site to offshore in certain projects. This impacted utilization, and in turn margins, by about 50 basis points. Further, the freshers who had joined us in Q2, are now part of the billable pool. So, while this doesn't have a cost impact directly, the utilization number gets adjusted, because of which, overall utilization is reduced from 81.5% to 80% in this quarter. But, you will observe, that this capacity of lateral hires and freshers will be a margin lever for us in the subsequent quarters.

There was an elevated travel cost on account of the planning and budgeting exercise for FY25 that we undertook in Q4, which impacted margins by about 40 basis points. All of these headwinds put together, impacted EBIT margins

cumulatively by 200 basis points, which was largely compensated by reduction in earn-out liability related to one of our acquisitions which did not perform as per business plan.

Coming to Depreciation and Amortization, it was almost similar at 3.1%, as the previous quarter. EBIT for the full fiscal year 2024 was 14.4% compared to 14.9% in FY23. And you will notice, that majority of EBIT decline is attributable to the investment we have made in building sales and marketing capacity, as well as building next-gen technology assets, including in the AI domain. These investments are critical from the perspective of driving future growth.

We are cognizant of the need to drive operational efficiencies to continue our growth journey in future and march towards the goal of expanding our margins in the medium term. To this end, we have focused initiatives that are being led by our operational leadership. Treasury income for the quarter was Rs. 226 million as against Rs. 181.1 million, mainly on account of higher cash balance. OCF to EBITDA for the quarter was 0.76, and for the full year OCF to EBITDA was 0.73. This compares with the last year OCF to EBITDA of 0.63. The free cash flow for the year was Rs. 7,325 million as compared to Rs. 925 million, as there were no acquisitions during the year. We had a forex loss of Rs. 15.5 million as against a gain of Rs. 80.9 million in the previous quarter.

Profit before tax for the quarter was Rs. 3,954.9 million at 15.3%, as against 15.6% in the previous quarter. ETR for the quarter was 20.3%, mainly due to the tax credit on account of ESOP perquisite income reported by our US employees, on which the company gets a tax credit. ETR for the year came in at 24.5%, and is likely to remain in the same range for the next year. PAT for the quarter was Rs. 3,153.2 million at 12.2%. PAT for the full year was Rs.

10,934.9 million at 11.1%. And this is the first year in which our PAT has crossed the important milestone of Rs. 1,000 crores.

EPS for the fiscal year 2024 was Rs. 144.87 as against Rs. 123.73 per share. This is on like-to-like comparison of Rs. 10 per share. The growth that this implies is 17.1% in EPS.

The Operational CapEx for the quarter was Rs. 295.5 million. Total cash and investments on the books are Rs. 18,585 million as compared to Rs 18,472 million at the end of previous quarter. DSO came in at 63 days as against 66 days in the previous quarter. Forward contracts outstanding at the end of March was \$260 million at an average rate of 84.16 per USD .

As Sandeep mentioned, the Board of Directors has recommended a final dividend of Rs. 10 on the face value of Rs. 5 each. It should be paid after the shareholder's approval at ensuing Annual General Meeting. So, on a total dividend payout basis, it translates to 36% dividend payout ratio which is in line with our Board guidance.

In FY23, the total dividend paid out to the shareholders was Rs. 50 per share on the face value of Rs. 10 per share including special dividend of ₹10 per share on reaching \$1 billion milestone and compared to that, the dividend for this year comes to Rs. 52.

Thank you all. I will hand it to Saurabh now for covering deal wins and awards and recognitions. Saurabh.

Saurabh Dwivedi: Thank you, Sunil. I will now talk about key deal wins for Q4 by industry segments. Let me begin with Software, Hi-Tech and Emerging Industries, our largest vertical. Persistent was selected by one of the largest global technology companies to enable open-source software porting and validation for its flagship infrastructure offering both On Prem and Cloud. This is a mission critical offering to support large volume of data workloads

for Fortune 500 companies. The benefit to the customer includes enhanced ecosystem play and accelerated support for various independent software vendors.

Persistent was selected by the Energy division of one of the largest European conglomerates to set up an Offshore Development Center to support research and development for its core energy instrumentation and control platform. This is the first large win for Persistent in the Energy sector in Europe. The benefit to the customer includes improved security posture and modernization of the core platform.

Persistent was selected by a leading consumer intelligence company as a strategic partner for its platform engineering and IT transformation initiatives. This includes migration from legacy middleware stack to open source technology as well as engineering, Artificial Intelligence, Machine Learning and security platforms. The benefit to the customer includes reduction in cost especially in the data capture and processing unit.

Coming to Banking, Financial Services and Insurance. Persistent was selected by the financial services subsidiary of one of the largest automobile companies globally to drive new CRM experiences including automation of workflows for customer sales journey, contact center and marketing automation with real time offers. The benefit to the customer includes improved agent productivity, sales application closure time and revenue gains from real time recommendation.

Persistent was selected by a leading Fintech organization in the U.K. to build the next generation banking platform that will be marketed to neobanks and building societies in the U.K. and other emerging markets globally. This engagement leverages Persistent's digital banking solution and its digital engineering capabilities in the BFSI domain. The benefit to

the customer includes revenue enhancements through new customer acquisitions.

Persistent was selected by one of the leading Indian banks to undertake transformation of its loan origination platform across different lines of businesses including vehicle finance, personal loans, consumer durable loans, housing loans, business loans and kisan credit schemes. This renewal deal is a significant testament to our capability in the digital transformation landscape in the Indian banking sector. The benefit to the customer includes substantial reduction in launching new products and cross sell and upsell of lending products. ~~No~~

And, finally, within our Healthcare and Life Sciences vertical, Persistent was selected by one of the largest biopharmaceutical companies to build and launch a centralized Patient Relationship Management System that enables business capabilities such as patient enrollment and onboarding, access and reimbursement, patient engagement and operational performance reporting. The benefit to the customer includes increase in patients served and reduce turnaround time for benefit verification.

Persistent was selected by one of the largest drug wholesale company and a contract research organization as a technology partner to develop a modern data ingestion and analytics platform to support intelligent and efficient data insights requirements of the business. This deal win is unique since it involves close collaboration with one of the largest data warehousing company as well as with a hyperscalers. The benefit to the customer includes improved supply chain effectiveness.

Persistent was selected by one of the largest renal care services providers to build and support patient digital initiatives such as migration of patient facing clinical applications to a hyperscalers Cloud platform and their integration with electronic medical record systems. The benefit to the

customer includes improved value based care to patients across all touch points.

Let me now talk about skill development and hyperscalers partnerships. We continue to invest in training our teams on AI, ML and Gen AI tools with the current tally at around 950+ hyperscalers and advanced certifications. 16,000+ of our developers and engineers are trained on code assist and productivity tools such as Microsoft GitHub Copilot, Amazon CodeWhisperer, Amazon Q and other modern application development tools.

Keeping up the momentum on our hyperscalers partnerships, we announced a population health management solution leveraging Microsoft Azure OpenAI service. Aligned with value based care models, the solution identifies social determinants of health to determine patients non-clinical needs and better predict the cost of care driven by clinical conditions. It helps patients receive quality care at the right time and in the right place while optimizing capacity and cost effectiveness for healthcare providers and organizations.

Lastly, we are thrilled to announce that we have expanded our partnership with IBM by signing the IBM Services Business Partner Agreement. This agreement will allow us to jointly work on deals with IBM as well as co-create end-to-end technology assets primarily focusing on the watsonx.data and AI platform.

Moving on to the awards and recognitions for the quarter from leading analyst firms. Q4 saw us get continued recognition from industry leading analyst firms and associations. To mention a few, Dr. Anand Deshpande received Ernst & Young Entrepreneur of the Year Award 2023 in the services category. Persistent has been recognized for significant achievement in HR Excellence at the 14th CII National HR Excellence Award

for the year 2023-2024. Persistent was ranked as a leader for the second year in a row and a star performer by Everest Group for Software Product Engineering Services. Persistent has been named a Market Leader in the HFS Horizons Assuring the Generative Enterprise 2024 Horizon study. And, finally, Persistent achieved Partner of the Year with OutSystems for the sixth consecutive year for collaboration with clients for long term success delivering ROI and creating new solutions.

This completes the section on key wins and awards and recognitions. With this, let me hand it back to Sandeep.

Sandeep Kalra:

Thank you, Saurabh. In summary, we continue to deliver robust revenue growth and healthy deal bookings in FY24 despite a difficult macro environment. We continue to work as a strategic partner with our customers enabling them to drive the ir key business imperatives. As we enter FY25, we remain confident in our ability to continue a healthy growth credit.

With this, we would like to conclude the prepared comments and would like to request the operator to open the floor for questions.

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 to 2 questions and then return to queue for more questions. Please raise your hand from the 'Participant' tab on the screen and ask the question.

The first question is from Mehta Bhavik.

Bhavik Mehta:

Hey, thank you and congrats for a good set of numbers. So, a couple of questions. Firstly, on the BFSI vertical, good to see growth coming back after a couple of quarters. I just want to understand was this broad based growth and should we expect that BFSI is bottomed out and we should see

growth acceleration from here on? Any comments over there will be helpful.

Secondly, on the top client, you know, we have seen a decline for the past two quarters very sharply. So, just want to understand is there further headwinds ahead or is this the last of the ramp down we have seen? And what is the trajectory going forward for that client?

And if a third question I may squeeze in on the margins. You know, we saw very strong growth this year but still the margins didn't expand. And, I think, for next year also we are aiming to maintain margins, so what kind of growth is required for us to see margin expansion come through? Thank you.

Sandeep Kalra:

Sure. So, Bhavik, multiple questions there, so I'll try and address specifically. So, as far as the largest customer is concerned, look, some of the ramp downs are planned ramp downs. So, when we do larger deals, there are productivity things built year-on-year and so these are not any surprises. So, if there was any surprises that would have been told very clearly. So, all of this is planned ramp downs. So, we have a good trajectory, we know where we are headed. So, I don't think there is anything to worry about in the top customer or for that matter it is not a pattern.

Second part, when you talk about the margins growth, so look it is not lost on us that the market is tough outside. So, if you look at our peer results, growth is difficult to get in these environments. So, our first job is to make sure that we grow and grow at the industry leading growth rates. For that we have to do investments in sales and marketing, which are at a heightened level, coupled with the Gen AI kind of initiatives where we are all learning, we are all deploying our manpower to build capabilities on top of the AI capabilities that we have. We have also opened Customer Experience Centers, as we announced in the last quarter across the U.S.,

London and in Pune and so on. So, there's a lot of investment that is going in from a capability build perspective and winning against the bigger tiers and the mid tiers in difficult times. So, from that perspective rest assured as the headwinds kind of from an industry perspective subside, we have built enough muscle and the growth should take care of the margin expansion. But having said that, first focus is to make sure growth at reasonable margins is where it is.

Now coming to the BFSI side, so, again, one bigger theme that if you look at Persistent overall, BFSI, Healthcare and Life Sciences put together and even in tech companies, we are gaining ground as a challenger to the bigger firms. More and more, we are seeing a pattern where bigger customers are not very happy with the large incumbent providers that they have. We are being invited in. We are winning against these in the larger landscape and some of the ramp ups that you're seeing in different industry verticals are based on that. So, same thing is happening in BFSI as well. We have opened some fairly large accounts and they are on the ramp up.

So, that is the overall kind of commentary on the questions you had.

Bhavik Mehta: Thank you and all the best.

Sandeep Kalra: Thank you.

Moderator: Thank you. Next question is from Manik Taneja.

Manik Taneja: Hi. Thank you for the opportunity and once again congratulations for the steady execution, Sandeep. Just wanted to get your thoughts around a couple of aspects. Number one, on the Healthcare side we've seen very steady, very strong growth through the course of the last few quarters. How should we be thinking about near term growth in the Healthcare side,

given this is largely being led by one large deal ramp up? That's question number one.

The second question was for Sunil. In terms of our revenue metrics break up, we see that the software license essentially has gone up in Q4 compared to Q3, which is unlike the usual seasonality. If you could help us understand what's driving that and how should we be thinking about this aspect? Thank you.

Sandeep Kalra:

Sure. So, I'll take the first question and hand over the Sunil for the second answer. So, as far as the Healthcare is concerned, so let me clarify. Yeah, we have had a fairly large win in a fairly large customer but that's not the only win that we have had. So, if you look at our Healthcare Life Sciences business, our team has been built over the last couple of years and we have put the muscle. I'm pretty happy with the way the team has shaped up and we have had multiple wins. So, one large win, multiple other wins in the middle kind of deal sizes is what is ramping up from our perspective. And I'm sure a lot of you would be curious, the pecking order for us for this financial year would be basically Healthcare Life Sciences followed by BFSI and Tech companies. BFSI and Tech companies will kind of, depending on the different quarters, be neck to neck or a little ahead of each other. So, that's where it is.

Sunil, over to you for the software license.

Sunil Sapre:

Yeah. So, Manik, what is happening from our revenue mix perspective is the deals that we have had in the recent couple of quarters have a trend where we are taking on managed services deals. We are setting up Infrastructure Lab which require us to buy licenses on behalf of the clients. That is one.

Second is, it's maybe a little too early and that has not reflected in the numbers but there is a trend in the market that the customers on their own, the enterprise customers are trying to convert CapEx into OpEx and when that happens that also becomes a software license cost which is coming in the purchase of software licences. So, not a heavy this one but, yes, this quarter did have all these transactions because of which you see higher cost.

Manik Taneja: Thank you. All the best for the future.

Moderator: Thank you. Next question is from Karan Uppal.

Karan Uppal: Yeah. Thanks for the opportunity. So, two questions from my side. Firstly, on M&A. The company is sitting on a decent cash balance, so any plans for M&A in FY25? And in what verticals and service lines are you looking out? That's one.

And second is on Europe. So, Europe has been soft for last you know 3-4 quarters, so what are the reasons for the same? And from strategic perspective also when management is targeting 2 billion revenue, how are you thinking about Europe's contribution in that?

Sandeep Kalra: Sure. So, from an M&A perspective, look, we have our focus on M&A. We definitely are looking at different assets at different points in time and, you know, depending on finding the right asset...And let me define our M&A strategy as well so that you can understand where we are going. So, we are looking at the cusp of Healthcare Life Sciences or BFSI and Data/AI. That's one part of it. Within Healthcare Life Sciences, we are predominantly looking at things like the payer-provider ecosystem or the payvider, if we may call it. That is one part where we are focused on. Similarly, within BFSI there are certain macro segments that we are focused on. In terms of geography, interestingly, we are looking at a

combination of Western Europe from a business perspective, Eastern Europe from a delivery perspective. And in the last couple of years, given the conflict in that region, we had slowed down our M&A activity in that region but we will pick it up as we go along. And even at this point in time, as I said, at any point in time we are evaluating multiple different tuck-in acquisitions. We are not going to do acquisitions for revenue aggregation. These are capabilities, whether Gen AI, AI, Micro verticals and so on and so forth or our delivery presence in Eastern Europe. So, if we have something to announce over the next few months and quarters, we'll definitely come back but that's definitely an area of focus and that should also address some part of the void that we have in the European growth side.

Karan Uppal: The second part was on Europe which has been soft for last 3-4 quarters. So, any comments on that?

Sandeep Kalra: Yeah. So, from a Europe perspective, look, there is definitely focus that we are bringing onto it. So, if you look at our senior hires, we had brought in Barath to lead Europe along with our BFSI vertical. So, that's one part.

And, second, organically also we have been reinforcing the team and there will be some amount of M&A focus there as well. So, over the next several quarters we do hope to turn the corner on Europe in terms of growth.

Karan Uppal: Thanks and all the best.

Sandeep Kalra: Thank you.

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

Abhishek Bhandari: Hi. Good morning to everyone. Sandeep, I have two questions. The first is on your growth distribution. If you look at the last two quarters, bulk of the growth is led by only Healthcare vertical. While, you know, we have seen some incremental improvement in BFSI, it is not really very material.

So, if you could share some light about how you see the growth pattern across verticals in FY25.

Sandeep Kalra: Sure. So, you want to have the next question as well or...?

Abhishek Bhandari: Yeah. The next question is on the margin profile. While we understand that your medium term aspiration of 200 basis point remains unchanged but now that has got, you know, seem to have shifted by one year given that we're talking about margin remaining at current levels in FY25. Having said that, your onsite effort on this large projects may have peaked out. Do you think that may give you some near term lever to continue to invest into sales and yet give back something to the investors in terms of improvement in margin?

Sandeep Kalra: Sure. So, I think, the second question you have partly answered yourself. So, if we look at it, yes, there are larger deals that we have won which start with certain amount of vendor consolidation at times onsite, which basically if you look at our financials and put a thread through the pattern there are some deals which are ramping up, contractor spend is going up and this is also a margin lever for us as we go ahead.

Look at the headcount that we have added. We've added significant headcount over the last two quarters, both on site and offshore. The offshore headcount is in the hope and expectation that as we do the offshore transitions, they will get deployed and so on.

So, there's a pattern if you put a thread through all this. Yes, there is a possibility of margin improvement. But, look, as I said before the market is tough, we don't expect it to be kind in terms of demand environments anytime soon and as we are also growing and as we are also competing with the largest peers that we have and doing vendor consolidations, etcetera we want to keep that decision to us in terms of improving margin

in this year versus doing the right thing by growth. Improving margin is an easier task versus getting higher growth. So, for this year we'll focus on growth and at any point in time if we can improve the margins, rest assured we'll do our best to improve the margins.

Now, in terms of the growth, while you said that HCLS is the only vertical with growth, yeah, predominantly yes. But BFSI also if you look at it, in an environment where most of our peer group, whoever you have seen the results from and what we see in the market, BFSI is a tough segment at this point in time. Squeezing out growth on a quarter on quarter basis means that there are more newer deals that are coming in. While we might be optimizing in the existing business as well, so rest assured, the focus is on different verticals, different service lines. Internally the way we are structured, there are different teams going after BFSI, different P/L leaders for Lifesciences, so and so. So focus is on growth across, will let the year pan out but high level, Healthcare will lead the growth even for this year because of the pipeline that we have, because of the provisions that we have done, followed by BFSI, followed by Tech.

Abhishek Bhandari: Thanks Sandeep. Sandeep, maybe one last question. You know historically, our portfolio has been very discretionary in nature. Maybe in the last 3-4yrs., we have made it more annuity-driven, long term contract driven. As things stand, in your assessment, you know how much left in discretionary amount is critical for you to hit a 14-15pc kind of growth. Do you think the pipeline is enough and the exit rate is enough for you to go to a double digit growth? Don't give me a number but you maintain that you will have an industrial rating growth in FY25. Some of your large peers are talking about a better FY25 than FY24.

Sandeep Kalra: So we have delivered, if you look at the financial year 24, we have delivered 14.5pc. If you look at the overall industry and take an average for our peers

in the industry, whether you look at the Indian space or otherwise, it will not be more than 3-4pc at an average of all the service providers that we track. Now if you look at the last 3yrs. as well, even before this, so the relative outperformance for Persistent has been fairly decent. And that has been in the same environment where we have been asked this question about discretionary, non-discretionary. So rest assured, discretionary or non-discretionary, we are not waiting for the demand to come back, where we can deliver relative outperformance, we will and we are confident that this year should also pan out relatively well.

Abhishek Bhandari: Thanks Sandeep and all the best for fiscal 25.

Sandeep Kalra: Thank you.

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

Ravi Menon: Thank you. Sandeep, congratulations at the end of a good quarter. What I want to ask you about the top client. You said that this is a planned ramp down and that this is the last deal that you had signed in FY23. Is there any re-negotiation as well in this or this was just productivity improvement and other things that were baked in right from the time you signed the contract? Contract will say yes but the client actually changed any part of the contract or restructured it?

Sandeep Kalra: So Ravi, there is no re-negotiation. There is no contract opening. This is as per the contract we signed, as per the planned revenue profile for the years. So there is no concern on any of those kinds of issues that you talked about. So this is fairly straight forward, what was planned is what is being done.

Ravi Menon: Thanks. On SASVA, are you licensing this or are you just using this as something to bake into your bids and improve your win rights?

Sandeep Kalra: Ya. Our clients have definitely asked us for the licensing order for this but our attempt here is not to use this as a product, but use this as an accelerator, as an IT that we will use so that we can retain the value and capture more value in services as we go around rather than just using it as another part of our Accelerite business or payments.

Ravi Menon: Thank you. Lastly on margins, can we think about margin improvement being possible when the demand environment improves? You were saying that you have over invested a bit, deliberately in sales. So can we see that normalize when demand comes back?

Sandeep Kalra: Yes absolutely and if you look at it, we have been saying this for some time and even if you were to follow our organization, if you look at the leaders that we have brought in, right from Ayon as the Chief Strategy and Growth Officer, Barath for Europe Financial Services, DB as the Chief Operating Officer and many others, so we are putting a muscle. Whether it is a bad economy or a good economy, we are preparing ourselves to go to \$2 bn and much beyond. And so from our perspective, if the market conditions have become more amenable and the growth becomes easier because the demand comes back, you should definitely see the leverage of all these investments come.

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

Sandeep Shah: Ya, thanks for the opportunity and congrats on the good set of numbers. Sandeep, the 1st question is, entering FY25 versus entering FY24, based on client discussion, do you foresee some change in terms of the client pattern, in terms of discretionary spend because some of your peers on the hyper scalers are saying, "Cost optimization effort on the workload migration has been bottoming out." Some of your other global MNC peers who are into software products engineering. They are saying that some of the projects which were once stalled in terms of discretionary pattern have

been coming back. Are you witnessing and if that turns out to be true, do you believe that FY25 could be better for us despite we are doing much better than the industry?

Sandeep Kalra: So we are not seeing any of that. We are seeing the same kind of demand environment that was there 2 quarters or 3 quarters back and we will be happy to see a change in the demand environment. And so should the demand environment change as I said earlier to Ravi as well, we will let it pan out but we are preparing ourselves for a status quo in terms of the demand environment and performing relatively well within that.

Sandeep Shah: And Sandeep, coming to the margins, I think in search of changing the growth profile, from just being project based and a discretionary based, we even a managed services player. That will lead to many contracts where we may have to schedule a planned ramp down, we have to do slightly higher onsite efforts, slightly higher sub-contracting cost, so why we call out this like a one-off cost and this may postpone your margin achievement target of 200-300bps. When do you expect that movement to start happening? Will it be FY26 or beyond that?

Sandeep Kalra: Look, there are multiple things that are happening. It is just not the large deal wins. If you look at it, we have been talking about how we are investing in Generative AI, how we have put labs together, how we have put customer experience centres together, how we have brought in overall management bandwidth and so on. So there are multiple things there and we are today preparing for an environment where we will increasingly fight for bigger deals against the bigger players. And this will become par for the course. Whatever the transaction costs are and so on and so forth. And as I said earlier, look, all these investments are to make sure we maintain our growth trajectory while maintaining the margins at where they are and as the demand environment makes itself amenable to more growth, I am

pretty sure, with that and with time, all of these will have a better leverage and margins should improve. We remain committed to the next 2-3yrs., 200-300 basis points and we have a line of sight to that.

Moderator: Thank you. The next question is from Mohit Jain.

Mohit Jain: Hi! First is on the TCV. It appears to me that TCV Y-o-Y is little on the slower side. If I look at ACV, TCV on both sides, so is there a spillover or something that you guys are expecting from 1Q? Or is this just a reflection of the current environment we are in and this is the new normal for TCV?

Sandeep Kalra: So if you look at the TCV, you are comparing it with the earlier years and so on and so forth. The demand environment should be kept in mind. I don't think we are concerned about any slippage that happened in the last quarter which will come in this quarter and so on and so forth. We are relatively ok with the TCV that we delivered. It can always be better and we will try to do better. But we are comfortable with where we landed with that and we have a decent pipeline.

Mohit Jay: And 2nd was on margins. You had 300 basis point margin benefit because of the earn-out reversal. But in the opening remark, I think there was this 200 basis points mentioned. So what is our recurring margin or true margin for this quarter?

Sandeep Kalra: Sunil, you want to take this?

Sunil Sapre: Ya, so the question over here is, how much of the earn-out reversal liability we have line of sight to recoup. So on multiple levers, both on the sub-contractor cost reduction because of onsite to offshore movement and purely the utilization improvement and some of the cost that we talked about were one time like the transition cost that we talked about and the travel cost that also happened in the last quarter. I think we have a good

line of sight to have EBIT margins in the normal operations at the level of 14.5pc.

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

Vibhor Singhal: Hi! Thanks for taking my question and congrats Sandeep and team for a very strong execution yet again. Just 2 questions from my side. One is, Sandeep, I just wanted to check on the hi-tech segment. You mentioned that ex of the top client, the Hi-tech segment did grow in this quarter as well. What is the overall outlook in this segment going forward in FY25, again excluding the top client. Are the clients coming back on the spends and what is the kind of demand that we are expecting from that segment? My 2nd question is a broader level question for Persistent as a company. Now that we are well over a billion dollars revenue in size, what are the challenges, company specific challenges that we see for ourselves? I mean we will keep aside the macro part which is of course same for everybody but as a company, I mean in terms of being able to win large managed services deal in terms of let's say, if there is more of past revenue which impacts our ability to expand margins, anything of those sorts which you believe are the things that you are probably taking at the top of your to-do list to tackle in the coming years?

Sandeep Kalra: As far as the hi-tech segment is concerned, you are right. Ex of the large customers, it definitely grew. Now Hi-tech segment is obviously facing the headwinds because of the enterprise customers. Enterprise customers face challenges in their business. Their downstream ability to buy from these enterprise software companies which is what comprises hi-tech for us pre-dominantly is under pressure. So we do expect that for the next few quarters, there will be pressure in this segment and we are trying to build our pipeline in a way that we can still deliver healthy growth and will let it pan out.

Now coming to the company specific challenges which is fairly interesting. So I would say that it is not about challenges. It is about, as we scale, as we are invited more and more to the party in terms of being a challenger, where there is a fatigue with the larger peers of ours, where people see a refreshing change in the technology capabilities that we have from bringing the product engineering tenets into the enterprise market or otherwise. Capabilities around generative AI, AI, other emerging technologies, where they really see the differentiation and they see a refreshing change in our agility in terms of our response. It's not just about what we do, how we do to the customer experience that we provide. It is definitely opening more doors for us. Now for us, obviously the challenge is to bring in the newer set of thinking, whether it is in terms of how do we mind our existing customers to become bigger and more relevant or we open newer accounts at scale where we are invited. So if you look at our management hires over the last 1yr., even in the last 2yrs., you will find that is where we have been incrementally building the muscle. I do think it's a very healthy challenge in your ~~newer~~ terminology and it is a very very good opportunity for us and that's where if you look at it, it is the 16th straight quarter of revenue increase and if you look at it, if you do a relative output performance in the sector, as I said, last year, the sector grew by about 3-4pc, we grew by about 14.5pc. And in the last 2yrs. and before that, we grew at 35pc each year, so I do think there is a great market opportunity for us and for us to grab it, bring the right skills, muscle and that's what we are focused on. It's all about execution now. Hopefully it answers your question.

Vibhor Singhal: Thank you.

Moderator: The next question is from Karan Danthi.

Karan Danthi: Hi Sandeep, hi Sunil, hi Saurabh, thanks for taking my questions. SO 2 questions from me. It is interesting that your Life Sciences vertical is the healthiest because when we speak to enterprises, it's the Life Sciences vertical that use AI as mission critical. I think 9 out of 10 Top Life Sciences companies want to build LLMs by year end. So perhaps you can address the TAM, the competitive position, you know and how many more of these big deals can we win because it does seem like a vertical that's quite right for, you know businesses like yours to come in and help, hand hold through that process. that's the 1st question. The 2nd question would be, it is quite evident, if you speak to those who are close to the Cloud business that there has been an acceleration of consumption within the Cloud and the degree of acceleration can be debated but no doubt there is acceleration. So how do we reconcile an AWS that could potentially re-accelerate to 20-25pc growth by year end. And the relative, I wouldn't say, it is just very neutral, I would say commentary from us on the lack of visibility ahead because it doesn't quite reconcile. Essentially there can't be that much of a delta in the conversion rates from POCs to production, for Amazon versus you. So I would just be curious as to why this stark delta – is it just because a lot of their revenue is driven by clusters which you do not monetize as in GPU clusters which you do not monetize and it gets porous. Is the sequencing argument or you are missing something else? It will help to understand.

Sandeep Kalra: So Karan, I will be respectful of time. We have 3 minutes before the call has to finish. So I will try and answer your 1st question. 2nd, I think we can take it offline because it is a fairly long debate there. So if you look at the Life Sciences healthcare vertical overall, Healthcare vertical for us is broken into pharma/bio-pharma, scientific instruments, medical devices, payer and providers. If you look at the use cases in terms of AI, we are involved in each one of these segments, whether it is in the research side with the

pharma set of companies, whether it is providers like radiology where we are working with some of the leading firms in that, where we are working on building AI/ML solutions for them to further enhance the quality of output that a radiologist for example can bring to the market and even reduce the cost of the entire value chain right from patient recruitment to their end resulting delivered and have them increase revenue on one hand, decrease the cost on the other. Similarly in payer provider, there are multiple used cases that we are working on using AI/ML and Gen AI as well and we have talked about a few of these in our earning call today and earlier. As well as the other things are concerned, look, all the more part of the hyper scalers. If their revenues increase, I am pretty sure our revenues will follow as well. -So we will closely watch that and we will take it offline in terms of the bigger discussion on consumption GPUs versus others and so on. Since we have only 2 minutes, I want to make sure that we take one more question before we close the call.

Moderator: Thank you and the next question is from Nitin Padmanabhan.

Nitin Padmanabhan: 3 questions – so one is, couple of players I think in the earlier results have been talking about re-scoping of existing contracts that are coming up in between, so what's your thought on that within your portfolio? The 2nd thing is on BFSI. If you could just contrast BFSI in your portfolio, what it was maybe a year ago. How have the things changed in terms of dynamics? You mentioned that it continues to be a tough area but I think people have also been talking about bottoming out there, just your thoughts there with reference to your portfolio. And finally on managed services, how has managed services sort of been on the portfolio, maybe let's say 3yrs ago versus now as a percentage of revenue. Is it meaningful today than what it was? 3 questions – thank you.

Sandeep Kalra: Nitin, we are really out of time so I will quickly go over all this. As far as re-scoping of contracts is concerned, I don't think we have seen any major re-scoping of contracts. There may be minor things which are part of the course. There is definitely you know at times, very large customers may come and, basically when your COLA is due, try to not give the COLA so on and so forth. We are seeing more of that rather than re-scoping. BFSI large customer dynamics, so we have been gainers of the phenomena where as I said before. Customers are not very happy with the larger incumbents. They are looking for challengers to come in and bring in the right technology capabilities and the agility that they need. That's where we have opened some fairly large logos and we are seeing some ramp-up there. That should only accelerate with time. Managed services, definitely if we were to look at it, simple things like what we are talking about, if you listen to our earnings call in the past as well, private equity for example, we have become a private equity carveout specialist. So if private equity goes in, carves out a new co from a large company, new green field IT and then there is a managed services for the next 3-5yrs. That's where we have won significant deals in the last 3yrs. And so there is a good proportion of managed services coming from things like that to our newer customers, existing customers and so on. So hopefully that gives you a colour. We are out of time. So I would want to, with this, take a pause here. So with this, I would like to close our call with the message that we are positive on our profits as we move into FY25. We would once again like to thank our 23,800+ team members, customers, partners, investors and all of you for support in our growth journey. Thank you for 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 progress. Thank you. Operator, you may now close the call.

Moderator: Thank you very much to the Persistent management. 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 line and exit the webinar. Thank you.
