SECTOR RATING: Overweight

Information Technology

Thematic Report

April 20, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Coforge	BUY	1,288	1,870
Cyient	BUY	948	950
Fractal Analytics	BUY	842	1,110
HCL Technologies	BUY	1,428	1,710
Infosys	BUY	1,313	1,740
KPIT Technologies	BUY	734	1,020
L&T Technology Services	BUY	3,572	3,920
Latent View Analytics	BUY	303	450
LTM	BUY	4,716	5,240
Mphasis	BUY	2,417	3,050
Persistent Systems	BUY	5,325	6,570
Tata Consultancy Services	BUY	2,580	3,450
Tata Elxsi	BUY	4,517	4,980
Tata Technologies	BUY	576	610
Tech Mahindra	BUY	1,504	1,660
Wipro	HOLD	202	200

AI Led repositioning underway for next demand cycle

Quick Pointers

- AI adoption to be net positive in the medium term
- Mid-caps to outperform large caps in the near term

The NIFTY IT index has corrected ~25% since the start of the calendar year, despite no material deterioration in IT companies' fundamentals. The correction is driven by market fears around AI disruption. Globally, enterprise AI adoption remains in the early stages. As per ISG, only ~30% of AI use cases reach the implementation stage. A large part of trials is excessively reliant upon probabilistic outcome, leading to rise in the "AI Death Valley," as the underlying data architecture and fragmented process still don't meet enterprise expectations. In this scenario, the role of integration partners becomes even more relevant for bridging the contextual gap between LLM providers and enterprise clients. Further, we expect AI adoption to act as a net positive for technology spending over the medium term, despite the near-term headwind, driven by both greenfield investments (AI and agentic AI-led initiatives) and brownfield programs (data modernization and legacy technology transformation).

As the pilot-to-production conversion rate improves and AI implementation democratizes, we expect mid-cap IT companies to outperform the large cap peers, like in the earlier cycle of cloud and digital. Tech cost reduction would enable SMEs (greenfield, incubators, etc.) to reduce not only capex but also opex to some extent, where the major beneficiaries would be mid-cap IT services vendors. Relatively smaller employee base for mid-cap IT vendors, vs. Tier 1s' talent debt, ensures faster reskilling/upskilling and repurposing employees. Mid-cap companies are flexible and quick to adopt technology stack, given their smaller scale and size. We believe PSYS, COFORGE, and MPHL are well-positioned to benefit from the changing landscape as their nimble operating models, focused domain expertise, and agile talent pools make them structurally placed better over Tier 1s.

Persistent: It delivered a strong 22.6% revenue CAGR in FY22–25, and 17.8% YoY growth in 9MFY26, despite Healthcare segment slowdown. Growth was driven by robust BFSI momentum, strong deal wins, and deepening AI-led product engineering capabilities. We expect Persistent to sustain revenue CAGR of 18.2% over FY26E–28E as the Healthcare segment recovers, AI investments translate into margin improvement, and the company progresses toward its target of US$2bn by FY27 and US$5bn by FY31.

Coforge: Its AI-first strategy anchored by its proprietary Quasar and Forge-X platforms, acquisitions of Cigniti and Encora, and a near four-fold expansion of the executable order book to US$1.7bn in 9MFY26, position Coforge for revenue CAGR of 30.2% over FY26E–28E. We expect margins to improve gradually from 13.4% in 9MFY26 to 14.0% in FY28E as integration headwinds are offset by operating leverage, AI-driven productivity gains, and declining RSU expenses.

Mphasis: It is well-positioned for a sustained business recovery, with USD revenue expected to grow at 9.7% CAGR over FY26E–28E, driven by US interest rate normalization, vertical diversification, and progressive scaling of its NeoIP AI platform, underpinned by a 2.5x pipeline expansion and an AI-led pipeline mix that surged to 69% in Q3FY26. We forecast margins to improve modestly from 15.3% in 9MFY26 to 15.6% in FY28E as productivity gains and operating leverage are partially reinvested to sustain the growth momentum.

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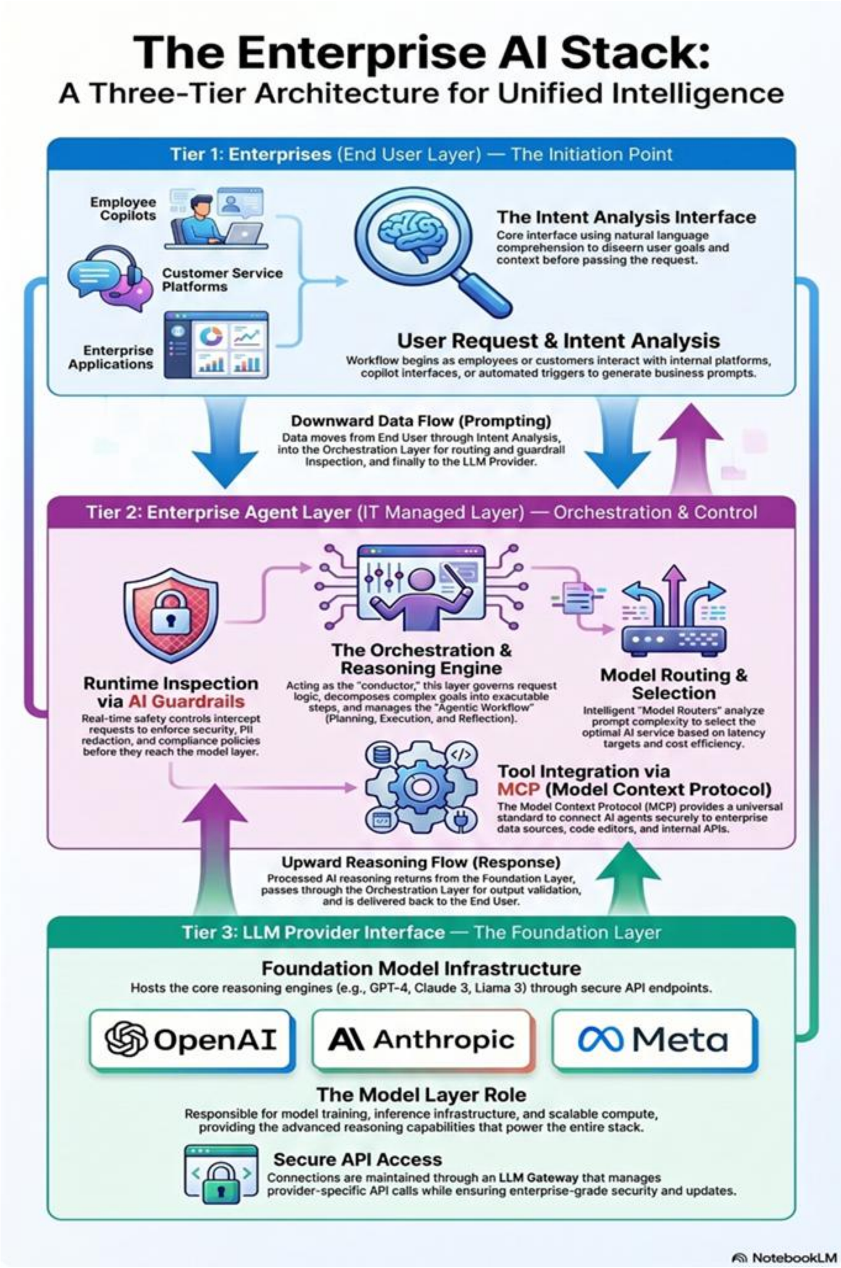
Changing role of IT services vendors in the new AI-native era

AI innovation has accelerated rapidly over the past two years following the public launch of ChatGPT in 2022, which marked a major inflection point in the adoption of generative AI (GenAI). Since then, several competing foundation models and AI copilots from hyperscalers and AI labs have expanded the ecosystem, driving strong enterprise interest in AI capabilities. However, enterprise adoption remains at an early stage, with most organizations still in the experimentation phase. According to ISG, only ~30% of AI pilots successfully scale to production; a significant share of initiatives fails to move beyond controlled environments due to challenges around enterprise integration, data quality, governance frameworks, and the need to redesign existing business workflows. Nevertheless, enterprise demand for AI continues to strengthen, with AI integration increasingly becoming a core component of large IT services deals, while enterprises, hyperscalers, and SaaS providers are investing heavily in AI infrastructure and GPU-led compute capacity to support large-scale model development and deployment.

Exhibit 1 : IT vendors – Key orchestrator between LLM models & enterprise clients



Source: Industry, ISG, PL, NotebookLM

Against this backdrop, the traditional IT services delivery model is undergoing a structural shift as the industry transitions toward an AI-native era. The role of IT services vendors is expected to evolve from traditional execution partners to AI transformation orchestrators, helping enterprises move beyond experimentation and operationalize AI at scale. The rapid advancement of GenAI, agentic AI systems, and domain-specific LLMs is reshaping the technology value chain and creating a layered AI architecture, comprising enterprise applications, orchestration or agent layers, and foundational AI models.

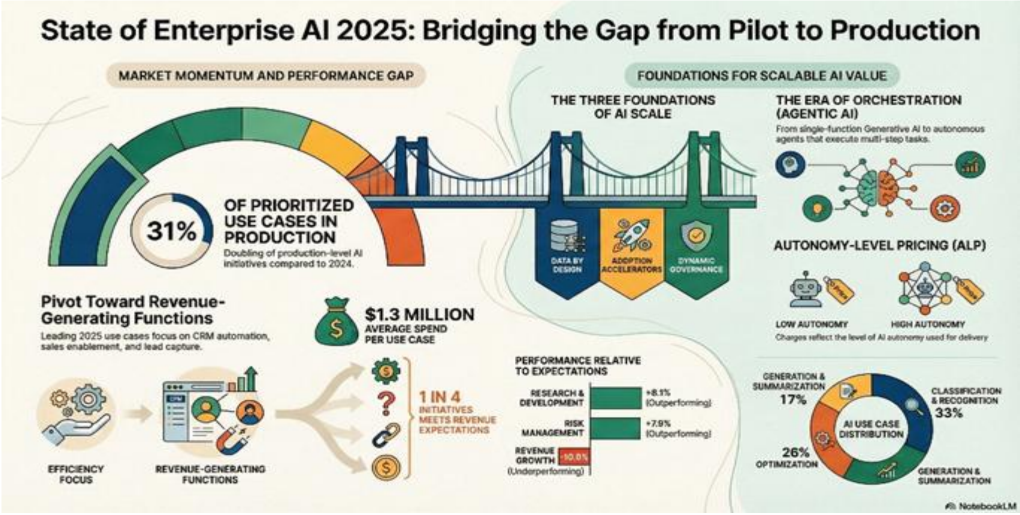
While the adoption of GenAI tools is likely to exert deflationary pressure on traditional labor-based services, IT services vendors remain well positioned to play a central role within this emerging stack. Their role will increasingly focus on integrating enterprise systems with external AI platforms, building orchestration and agent frameworks, embedding governance and guardrails, and redesigning enterprise workflows to enable scalable and production-grade AI adoption across organizations.

IT services vendors play a critical role in designing and managing the orchestration layer above, integrating AI models with enterprise systems, building agent frameworks and reusable accelerators, and implementing governance and scalability mechanisms. In this evolving architecture, vendors are increasingly acting as AI workflow architects and system integrators, enabling enterprises to operationalize AI across business processes while maintaining separation between enterprise orchestration and the external model infrastructure.

AI pilot scaling slower than expected

Enterprise AI adoption continues to gain traction with ~80% of organizations experimenting with AI tools, typically through internal pilots or PoCs. However, as organizations move toward implementation, the number of projects that successfully scale declines significantly as ~60% of the evaluated enterprise-grade AI solutions don’t yield the expected results.

Exhibit 2 : State of enterprise AI adoption, only 31% of pilots scale to production



Source: Industry, ISG, PL, NotebookLM

Though AI adoption is scaling up rapidly, it is slower than expected, with the share of use cases in production rising to ~30% in 2025 from 15–16% in 2024. Enterprises are also increasing investment intensity, with average spending per AI use case increasing to ~US$1.3mn, reflecting the growing complexity of deploying AI in operational environments.

Despite this acceleration, business outcomes remain mixed. AI is delivering consistent benefits in compliance, risk management and quality control, where it strengthens existing operational processes and decision frameworks. However, cost reduction and revenue generation outcomes have been more modest than expected. Only ~25% of AI initiatives are currently achieving their targeted revenue impact, while roughly half are delivering meaningful efficiency improvements, indicating that large-scale productivity gains are still evolving. Successful scaling of AI pilots to production requires:

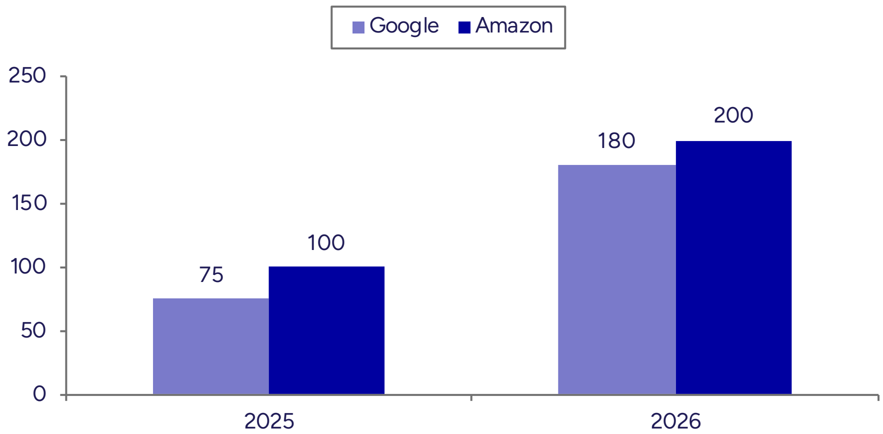
- Data by design - trusted, contextual and AI-ready enterprise data infrastructure
- Adoption of accelerators - embedding AI into workflows, operating models and employee skillsets
- Governance frameworks - adaptive risk controls and compliance mechanisms that allow innovation while managing regulatory and operational risks

As enterprises progress along this adoption curve, new commercial models emerge, with AI solutions increasingly shifting away from traditional effort-based pricing toward consumption-based or outcome-linked models tied to usage, model inference or business impact.

Hyperscalers pour capex to advance AI readiness

Nvidia has seen explosive growth in revenue (Exhibit 5) and hyperscalers' capex (Exhibit 3) due to the fundamental shift in enterprise AI adoption, from exploratory pilots to production scale deployment. Google's quarterly capex rose from US$12bn in Q3FY23 to US$28bn by Q4FY25, Amazon's from US$14bn to US$34bn, and Microsoft's from US$11bn to US$38bn, trajectories that track the enterprise AI adoption curve almost precisely. The forward commitments of US$180bn and US$200bn by Google and Amazon, respectively, for 2026 reflect the hyperscalers' conviction that enterprise production AI workloads are set to grow substantially, requiring infrastructure capacity to be built well ahead of the demand it will serve.

Exhibit 3 : Hyperscalers' committed capex (in US$ bn) continues to surge driven by AI demand



Source: Company, PL

Exhibit 4 : Quarterly capex of hyperscalers

Actual capex (US$ bn)	Q3CY23	Q4CY23	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25	Q4CY25
Google	8	11	12	13	13	14	17	22	24	28
Microsoft	11	12	14	19	20	23	21	24	35	38
Amazon	Not available	Not available	14	17	21	26	24	31	34	34

Source: Company, PL

Nvidia's revenue is the most direct result of this cycle, expanding from US$7.2bn in Q1FY24 to US$68.1bn in Q4FY26, with the Data Center segment growing 14x from US$4.3bn to US$62.3bn (over 91% of total revenue). The growth curve mirrors the enterprise AI journey: early acceleration through FY24 reflects training infrastructure built for first-generation pilots, while sustained expansion through FY25 and FY26 reflects the shift toward inference capacity as pilots reach the production stage.

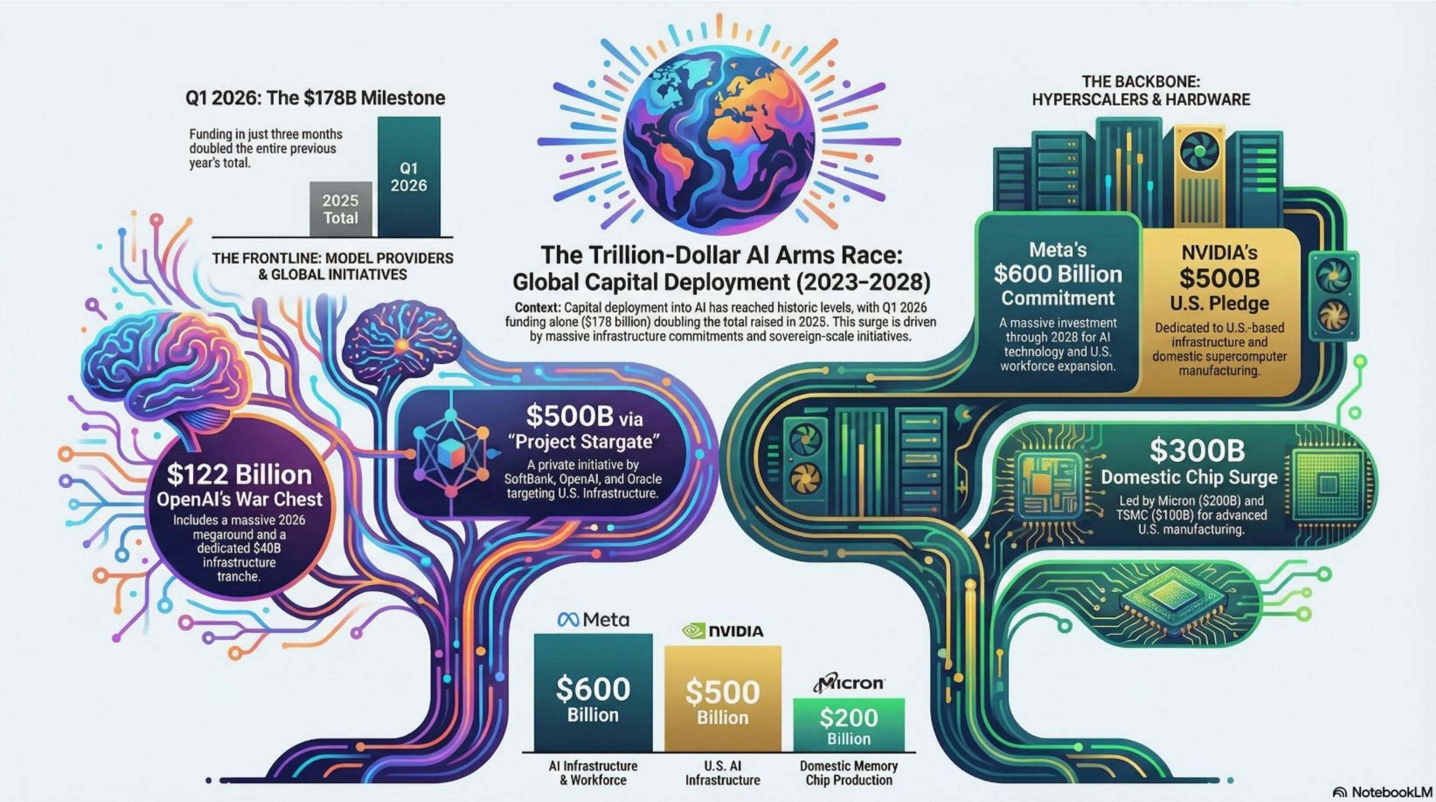
Exhibit 5 : Nvidia's revenue has beaten estimates with surge in AI demand

US$ bn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Revenue	7.2	13.5	18.1	22.1	26.0	30.0	35.1	39.3	44.1	46.7	57.0	68.1
Data Center revenue	4.3	10.3	14.5	18.4	22.3	26.3	30.7	35.6	39.1	41.1	51.2	62.3
Outlook for next quarter	11.0	16.0	20.0	24.0	28.0	32.5	37.5	43.0	45.0	54.0	65.0	78.0

Source: Company, PL

Notably, this growth has been achieved despite a modest pilot-to-production conversion rate due to integration complexity, data quality gaps, and workflow redesign challenges. As these barriers are addressed, a substantially larger wave of production workloads and the inference compute they require, is expected to grow exponentially. IT services vendors are central to unlocking this next leg of growth, resolving the integration, data readiness, and change management challenges that currently hold back majority pilots, and acting as the critical bridge between enterprise AI ambition and scalable production deployment. Their ability to accelerate pilot-to-production conversion is, in effect, the key variable that determines how quickly latent AI demand translates into the infrastructure-consuming workloads that hyperscalers and Nvidia are already pricing into their CY26 plans.

Exhibit 6 : Broad based Investment in AI technology stack



Source: Industry, PL, NotebookLM

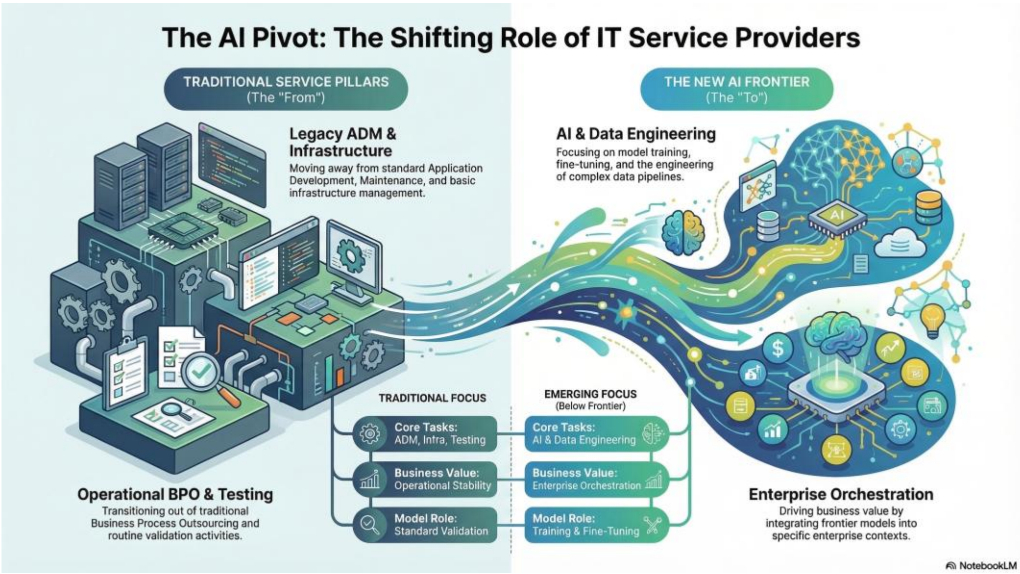
AI investment is expanding far beyond hyperscaler infrastructure into a full-stack ecosystem spanning semiconductors, advanced chips, foundation models, and application-layer startups. Capital is being deployed simultaneously across compute (GPUs, memory, fabs), model development (LLMs), and enterprise platforms, creating a reinforcing cycle of innovation and demand. This broad-based funding wave underscores that the AI opportunity is systemic, with value creation distributed across the entire technology stack.

IT Service vendors key for enterprise AI adoption

Despite the disruptive narrative of AI technology, IT services vendors still retain several structural advantages that make them indispensable for enterprise AI adoption, at least in the near-to-medium term, due to the following:

- **Integration imperative:** The biggest barrier to enterprise AI deployment is not model capability – it is integration complexity. Enterprises run thousands of heterogeneous systems, built over decades, often on-premises or in hybrid environments. IT vendors have institutional knowledge, certified talent, and client relationships to navigate this complexity. No foundation model provider has the domain depth or change management capability to replace IT vendors.

Exhibit 7 : Evolving role of IT services vendors



Source: Industry, PL, NotebookLM

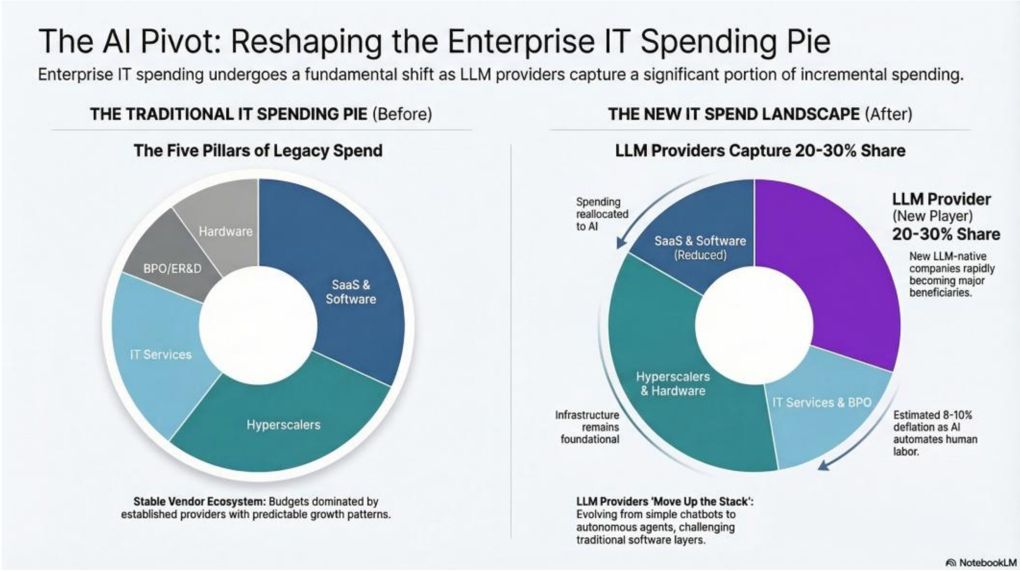
- Trust, compliance and risk management: In regulated industries (BFSI, healthcare, government, etc.), enterprises need partners who understand compliance frameworks, data residency requirements, and liability structures. IT vendors have built deep regulatory expertise over decades. This remains a genuine moat.

- Brownfield opportunities: A significant portion of the AI opportunity is not greenfield; it is modernizing legacy systems. Banks running COBOL, manufacturers on aging ERPs, insurers on mainframes – these represent trillions of dollars of technical debt. AI-assisted modernization (code translation, automated testing, legacy migration, etc.) is a natural domain for IT vendors with existing relationships with enterprise clients creating domain depth.

Is the IT vendor pie shrinking

The rapid advancement of GenAI has sparked a key debate across the IT services industry: will AI shrink the addressable revenue pool for IT vendors by compressing effort-based services, or will it expand the market through new demand. The answer will depend on how enterprise technology spending evolves in an AI-native environment.

Exhibit 8 : Enterprise budget remains same, but reshaping for AI readiness

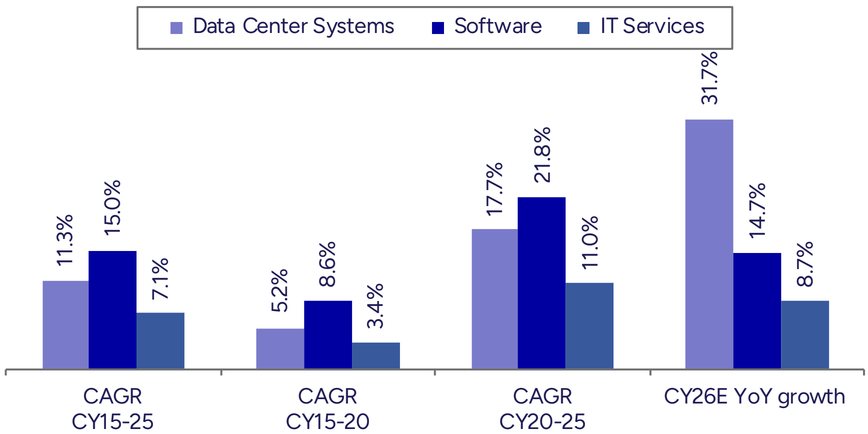


Source: Industry, PL, NotebookLM

Budget compression argument

Enterprise technology spending has undergone a structural reallocation over CY15–25, increasingly shifting toward digital infrastructure and enterprise applications as organizations accelerated cloud adoption and digital transformation. Software spending grew at a 15% CAGR, while data center systems expanded at 11.3% CAGR, significantly outpacing overall tech spending growth of ~5.1%. This growth came largely at the expense of devices (2% CAGR) and communication services (-0.7% CAGR), reflecting declining importance of end-user hardware and telecom services in enterprise technology priorities. IT services also benefited from this transition, growing at 7.1% CAGR, supported by demand for cloud migration, application modernization, integration and digital engineering.

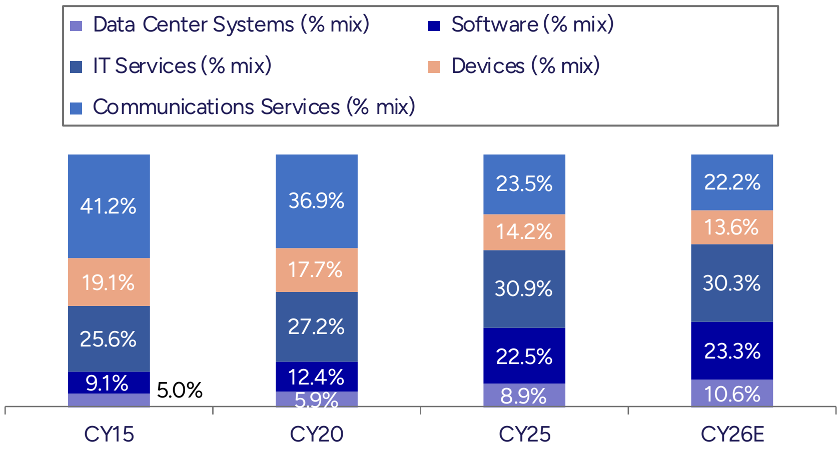
Exhibit 9 : Data center investment has surged in the last decade



Source: Gartner, Industry, PL

The shift became even more pronounced in the post-COVID investment cycle (CY20–25), when enterprises accelerated digital and cloud adoption. During this period, software spending grew at a sharp 21.8% CAGR and data center systems at 17.7% CAGR, reflecting heavy investments in cloud platforms, data infrastructure and enterprise applications. IT services growth also improved to 11.0% CAGR, driven by large-scale cloud migration, modernization programs and digital transformation initiatives, while devices (3.5% CAGR) and communication services (-1.2% CAGR) remained structurally weaker.

Exhibit 10 : Data center revenue mix has doubled in the last decade



Source: Gartner, Industry, PL

The AI investment cycle is beginning to reshape enterprise spending priorities once again. In CY26E, data center spending is expected to accelerate sharply (~31.7% YoY) as enterprises step up investments in GPUs, high-performance compute, and AI-ready data environments. At the same time, foundation model API consumption is emerging as a new category of enterprise technology spend, with LLM platforms enabling enterprises to access pre-trained models directly via APIs, rather than building models from scratch. In parallel, agentic compute and AI-driven workflow orchestration are increasingly running directly on hyperscalers' infrastructure, shifting a larger portion of the value pool toward cloud platforms.

As a result, incremental enterprise technology budgets are increasingly being absorbed by AI infrastructure and hyperscalers' platforms, leading to moderate growth in software (~14.7% YoY) and IT services (~8.7% YoY) in CY26E. Additionally, AI-driven productivity improvements are reducing the headcount intensity that traditionally anchors IT services billing models, particularly across application development and maintenance. Consequently, while overall enterprise technology spending continues to expand, IT vendors could face structural compression in their share of enterprise technology budgets, even as the total technology spending pool continues to grow.

Budget expansion argument

While AI-driven productivity gains could compress traditional IT services revenue, the technology is simultaneously expanding the overall enterprise technology budget by creating entirely new categories of spend. Historically, technology cost deflation has expanded adoption, rather than reduced total spending – a pattern observed during the cloud transition when lower compute costs significantly increased the total addressable market.

Exhibit 11 : IDC-SMB cloud adoption rate (%) by company size

Company Size	2012	2013	2014
<5 employees	6.3%	12.3%	37.4%
5-6 employees	17.3%	22.6%	31.2%
10-19 employees	30.1%	37.3%	36.9%
20-49 employees	36.3%	34.8%	51.4%
50-99 employees	59.5%	70.8%	75.9%
100-249 employees	50.5%	73.2%	75.6%

Source: IDC, Industry, PL

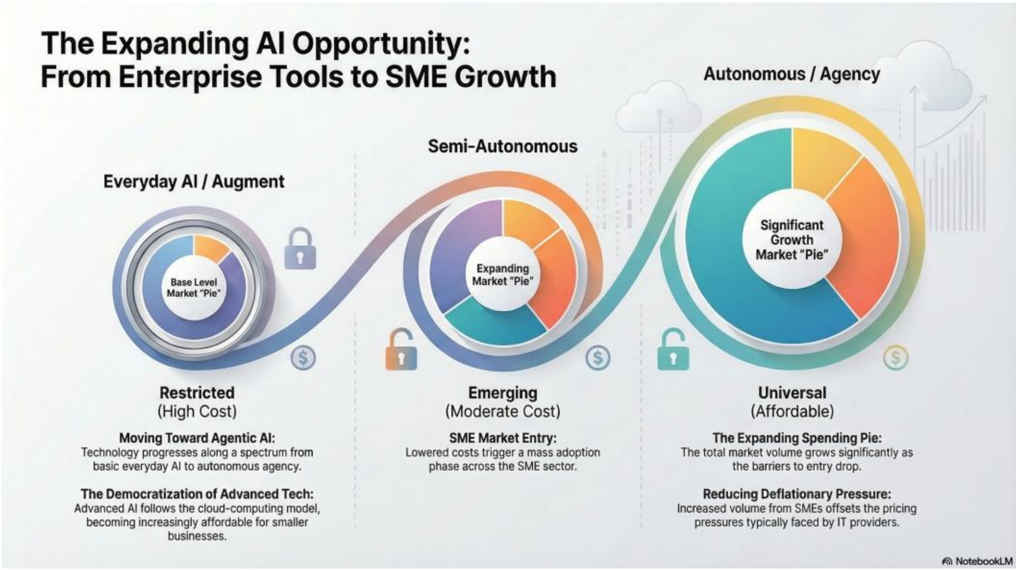
Exhibit 12 : AI spending to increase by US$ 1.6 trn over CY25-27

US$ bn	CY25	CY26E	CY27E
AI Services	439.4	588.6	761
AI Cybersecurity	25.9	51.3	86
AI Software	283.1	452.5	636.1
AI Models	14.4	26.4	43.4
AI Platforms for Data Science and Machine Learning	21.9	31.1	44.5
AI Application Development Platforms	6.6	8.4	10.9
AI Data	0.8	3.1	6.4
AI Infrastructure	965	1,366.40	1,748.20
Total	**1,757.20**	**2,527.80**	**3,336.70**

Source: Gartner, Industry, PL

AI could also follow a similar trajectory. Gartner forecasts indicate that the global AI technology market could expand from US$1.8trn in CY25 to US$3.3trn by CY27E, at ~38% CAGR. While AI infrastructure remains the largest spending category (rising from US$965bn to US$1.75trn) due to accelerated investment in GPUs, data centers and compute capacity, AI services are also expected to grow significantly from US$439bn to US$761bn as enterprises require implementation, integration and operationalization support.

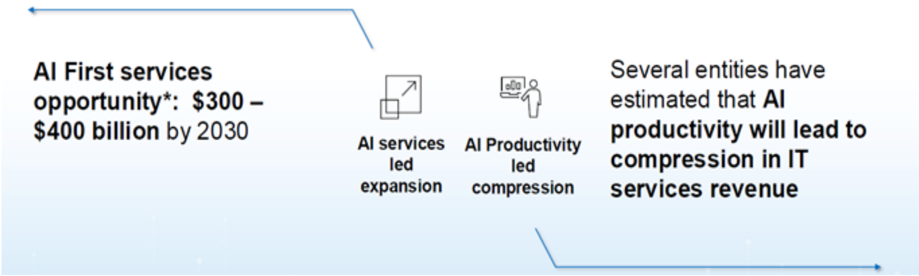
Exhibit 13 : SME spending an opportunity for IT vendors



Source: Industry, PL, NotebookLM

Importantly, lower AI deployment costs could also broaden the addressable customer base. SaaS-delivered AI tools and API-based model access are enabling SMEs and mid-market enterprises to adopt AI capabilities that were previously economically unviable, while AI-enabled cost reductions could also unlock brownfield modernization projects that were deferred due to budget constraints and hampering operations for a long duration.

Exhibit 14 : New AI market to offset the cannibalization of traditional services



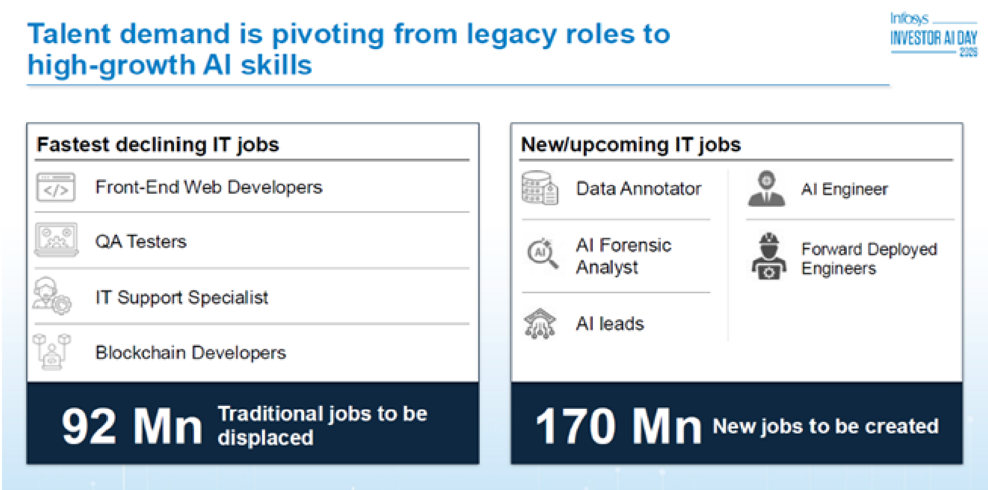
Source: Infosys Investor AI Day 2026, PL

For IT services vendors, this expansion across AI services, data engineering, governance, security and platform integration could create incremental demand pools that more than offset the deflationary pressure on traditional services. This would position AI as a potential net demand driver for the sector over the medium term, which as per INFO could be worth US$300-400bn by 2030.

Bridging the talent gap – Intense for IT vendors

The AI-native era is fundamentally restructuring the IT workforce, with traditional IT roles (e.g., front-end web developers, QA testers, and IT support specialists) facing rapid displacement as AI tools perform their core functions faster and at lower costs. An estimated 92mn traditional IT jobs (Exhibit 15) are expected to be displaced globally as this automation wave reaches mainstream enterprise adoption. The transition is simultaneously creating ~170mn new AI-native roles, nearly double the number displaced, spanning AI engineers, AI leads, data annotators, AI forensic analysts, and forward deployed engineers, reflecting the operational reality of building, deploying, and running AI systems in production enterprise environments at scale.

Exhibit 15 : More jobs to be created than those lost due to AI adoption



Source: Infosys Investor AI Day 2026, PL

However, the disruption in IT services is structurally different from product companies. Unlike product and software players, which are rationalizing headcount to fund AI investments and drive operating leverage, IT services firms operate as the execution layer for enterprise AI adoption and are therefore less exposed to abrupt workforce reductions. While AI will compress low-value, process-driven roles, accelerating enterprise AI adoption is expected to drive incremental demand across implementation, integration, and managed services, partly offsetting displacement. Moreover, higher value layers spanning architecture, orchestration, and governance remain less automatable given their reliance on human judgment, implying that the impact is more a pyramid and skill-mix shift, rather than a structural decline in headcount.

Exhibit 16 : Tech companies has witnessed sharp layoffs in the last year

	CY2025	YTD CY2026
Amazon	14,000	16,000
HP	4,000	-
Intel	27,000	-
Meta	700	1,700
Microsoft	15,000	-
Oracle	-	30,000
Salesforce	4,000	-

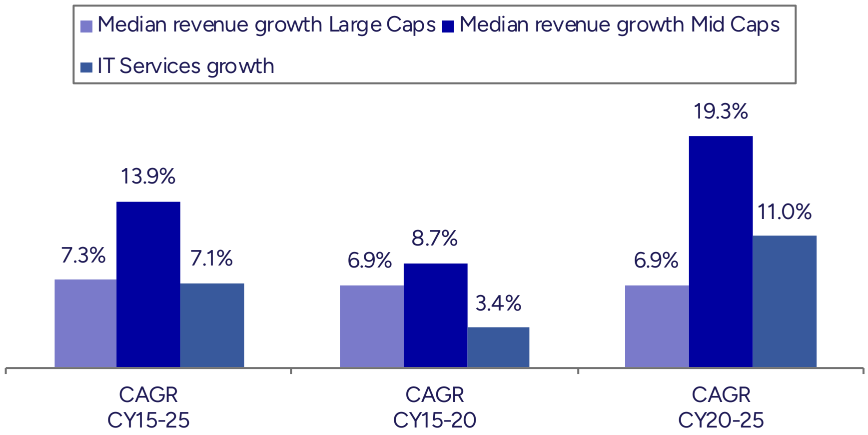
Source: Industry, layoffs.fyi, PL

The critical challenge for IT services vendors is bridging the gap between the traditional and new roles through reskilling and doing so at speed. Agentic AI and human-in-the-loop technology stacks require practitioners who understand how to design the boundaries of AI autonomy, define escalation paths, and apply human judgment at the right decision points within AI-driven workflows. This will, however, have an impact on margins as the vendors will have to make elevated upfront investments for reskilling employees and to hire premium cost AI talent.

Our view

While AI may create near-term deflationary pressure on traditional IT services through productivity gains, the medium-term impact could be structurally positive as new service layers emerge across the AI stack. Enterprise adoption requires integration between foundation models, enterprise data, applications, workflows and governance frameworks, positioning IT services vendors as the key orchestrators between hyperscalers' AI platforms and enterprise clients. As organizations move from pilots to scaled deployments, demand for data engineering, AI integration, model governance, security and lifecycle management could create new addressable markets that offset the deflationary impact on legacy services.

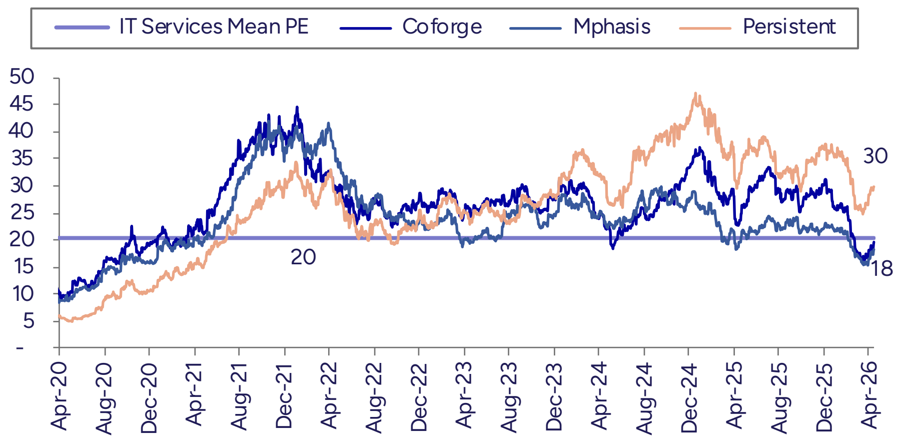
Exhibit 17 : Mid-caps outperforming large caps since last 5 years



Source: Gartner, Company, PL

The AI cycle could also reshape competitive dynamics within the sector. As automation reduces the relevance of the traditional labor-arbitrage moat and speed, specialization and engineering capability become more important than workforce scale, potentially benefiting mid-cap vendors. This dynamic was evident in the post-COVID technology spending cycle, where mid-caps captured a disproportionate share of growth, ~19.3% revenue CAGR during CY20–25 compared to ~6.9% for large caps, and outperforming overall IT services growth (~11%). A similar trend could emerge in the AI cycle, where nimble, engineering-led mid-cap vendors may be better positioned to capitalize on emerging AI-driven service opportunities.

Exhibit 18 : PE multiple (2-year forward) have corrected sharply due to fear of AI impact



Source: Gartner, Companies, PL

Exhibit 19 : Valuation Table

	Rating	CMP (INR)	MCap (US$ bn)	TP (INR)	EPS			PE			Rev growth (%) (CC)			EBIT Margin (%)			PEG
					FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26-28E
Coforge	BUY	1,288	4	1,870	45.7	55.5	66.9	28.2	23.2	19.3	29.9%	42.0%	20.9%	13.7%	13.8%	14.0%	0.9
Cyient	BUY	948	1	950	54.1	63.6	72.0	17.5	14.9	13.2	-0.1%	4.9%	5.7%	12.3%	13.5%	14.2%	0.9
Fractal	BUY	842	1	1,110	15.2	20.9	27.7	55.5	40.3	30.4	17.1%	15.3%	20.1%	10.8%	12.1%	13.1%	0.9
HCL Tech	BUY	1,428	44	1,710	66.5	76.9	85.5	21.5	18.6	16.7	4.3%	6.5%	7.1%	17.9%	18.0%	18.3%	1.2
Infosys	BUY	1,313	63	1,740	71.3	79.3	87.0	18.4	16.6	15.1	3.3%	6.0%	6.5%	21.0%	21.2%	21.5%	1.4
KPIT	BUY	734	2	1,020	24.0	30.3	36.4	30.6	24.2	20.2	2.4%	6.4%	11.0%	16.1%	16.5%	17.0%	0.9
Latent View	BUY	303	1	450	10.4	12.5	15.2	29.2	24.2	20.0	19.8%	17.1%	19.7%	20.0%	20.6%	20.8%	1.0
LTM	BUY	4,716	15	5,240	185.0	211.6	238.3	25.5	22.3	19.8	5.2%	8.1%	9.1%	15.3%	15.5%	15.7%	1.5
LTTS	BUY	3,573	4	3,920	123.7	142.9	163.3	28.9	25.0	21.9	4.7%	3.2%	9.0%	13.9%	15.0%	15.5%	1.5
Mphasis	BUY	2,417	5	3,050	99.0	115.8	132.7	24.4	20.9	18.2	6.9%	9.0%	10.7%	15.2%	15.4%	15.6%	1.2
Persistent	BUY	5,325	10	6,570	125.2	152.5	187.6	42.5	34.9	28.4	17.7%	17.9%	18.9%	16.3%	16.4%	16.6%	1.3
TCS	BUY	2,580	112	3,450	146.0	160.0	172.4	17.7	16.1	15.0	-2.5%	4.5%	5.1%	25.0%	25.3%	25.5%	1.7
Tata Tech	BUY	576	3	610	17.3	20.6	24.6	33.4	28.0	23.5	0.4%	14.1%	11.9%	13.1%	14.1%	14.9%	1.2
TechM	BUY	1,504	14	1,660	60.0	78.4	87.3	25.1	19.2	17.2	0.8%	4.8%	5.8%	12.5%	14.3%	14.7%	0.8
Tata Elxsi	BUY	4,517	3	4,980	105.2	140.2	166.0	42.9	32.2	27.2	-5.3%	8.4%	11.4%	19.7%	21.3%	22.4%	1.1
Wipro	HOLD	202	27	200	12.9	13.5	14.3	15.7	15.0	14.1	-1.4%	1.5%	2.5%	17.3%	16.9%	17.0%	2.6

Source: Company, PL

Coforge (COFORGE IN)

Company Update

April 20, 2026

■ Estimate Change | ■ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,870		1,870	
Sales (INR bn)	244	301	244	301
% Chng.	-	-		
EBITDA (INR bn)	46	57	46	57
% Chng.	-	-		
EPS (INR)	55.4	66.8	55.4	66.8
% Chng.	-	-		

Key Data	COFO.BO | COFORGE IN
BSE Code	532541
NSE Code	COFORGE
52-W High / Low	INR 1,994 / INR 1,008
Face Value	2
Sensex / Nifty	78,520 / 24,365
Market Cap	INR 433 bn / $ 4,645 mn
Shares Outstanding	335.81 mn
3M Avg. Daily Value	INR 4,634.20 mn

Shareholding Pattern (%)

Promoters	-
FIIs	34.53
MF	38.70
DII	14.97
Public	11.80
Promoter's Pledge	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	18.3	(23.9)	(26.3)	(2.4)
Relative	12.2	(20.4)	(20.8)	(2.4)

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (INR bn)	121	163	244	301
EBITDA (INR bn)	20	29	46	57
Margin (%)	*16.6*	*17.9*	*18.8*	*19.0*
PAT (INR bn)	10	15	23	30
EV (INR bn)	425	432	565	582
Total Debt (INR bn)	11	11	53	53
C&C Eq. (INR bn)	8	13	24	37
EPS (INR)	30.5	45.7	55.5	66.9
Gr. (%)	*10.5*	*49.9*	*21.4*	*20.5*
DPS (INR)	15.6	22.9	27.7	33.4
Yield (%)	*1.2*	*1.8*	*2.2*	*2.6*
RoE (%)	*20.1*	*23.1*	*14.4*	*11.4*
RoCE (%)	*21.3*	*22.9*	*13.1*	*10.2*
EV/Sales (x)	3.5	2.6	2.3	1.9
EV/EBITDA (x)	21.3	14.8	12.3	10.2
PE (x)	42.2	28.2	23.2	19.3
P/BV (x)	6.7	6.2	2.1	2.1

Acquisitions & AI strategy to power next growth phase

Quick Pointers

- Strong growth and steady margin expansion expected
- Strategic acquisitions expand services offering & geographic footprint

We expect Coforge to report revenue CAGR of 30.2% over FY26E–28E, driven by AI-led platform investments, strategic acquisitions, and a strengthening deal engine. The company's proprietary AI platforms, Quasar and Forge-X, have already been deployed across 54 clients and form the core of its AI growth strategy, with revenue momentum expected to accelerate as enterprise adoption scales. The acquisitions of Cigniti and Encora have meaningfully broadened Coforge's capability while expanding its exposure to Healthcare and Hi-tech segments and its geographic footprint into the Midwest and West Coast of the US, collectively widening the addressable opportunity. Also, a near four-fold expansion in the executable order book from US$468mn in FY20 to US$1.7bn in 9MFY26 underpins strong revenue visibility and the management's confidence in sustaining double-digit growth.

On the margins front, we forecast a gradual improvement from 13.4% in 9MFY26 to 13.8% in FY27E and 14.0% in FY28E, as the headwinds of integration costs and business investments are progressively offset by operating leverage, AI-driven productivity gains, and declining RSU expenses.

Investment in AI-led offerings: Coforge has positioned itself as an AI-first engineering services provider, embedding AI and GenAI across its delivery engine, platforms, and industry-specific solutions through investments in IP, talent, partnerships, and operating architecture. Its AI strategy is anchored by two proprietary platforms - Quasar, an enterprise-grade AI ecosystem that helps enterprises build, deploy, govern, and scale GenAI solutions, and Forge-X, an AI-augmented engineering platform that accelerates the full software development lifecycle through agentic AI, domain knowledge, and proprietary IP. With these platforms already deployed across 54 clients, Coforge has made them the centerpiece of its AI growth strategy and expects robust revenue momentum as enterprise adoption scales and client deployments deepen across its verticals.

Acquisitions to broaden offerings and accelerate growth: Coforge has used acquisitions strategically to broaden its offerings, fill capability gaps, and expand its geographic presence with both recent transactions directly strengthening its AI-led engineering proposition. The acquisition of Cigniti extends Coforge's engineering lifecycle coverage across build, modernize, test, and operate, adding quality engineering depth at a time when enterprises are accelerating their shift toward agile, cloud-native, and AI-driven environments. The acquisition of Encora strengthens Coforge's software product engineering, cloud-native development, and data and AI capabilities, while also expanding its exposure to the Healthcare and Hi-tech segments and its geographic footprint into the Midwest and West Coast of the US.

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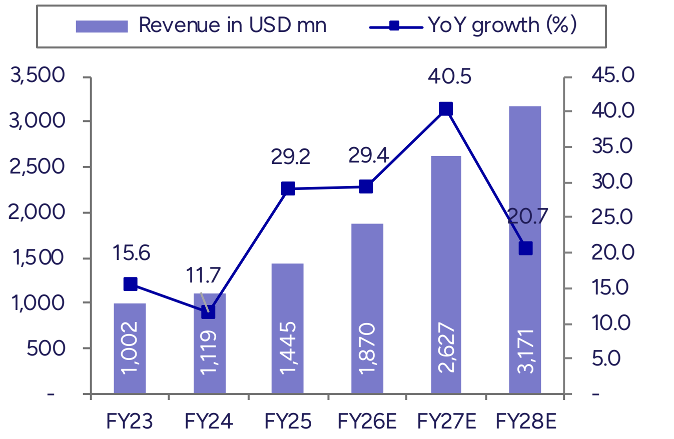
Strong order wins & executable order book to sustain growth: Coforge's investments in senior leadership and a strengthened sales engine have translated into improved large deal pursuit and conversion capability, expanding both deal sizes and contract tenures. The executable order book has grown steadily from ~US$468mn in FY20 to ~US$1.7bn in 9MFY26, a near four-fold expansion, reflecting not just scale but also an improvement in deal quality, duration, and revenue predictability. This growing order book provides strong forward revenue visibility and underpins the management's confidence in sustaining double-digit growth through near-term demand uncertainty.

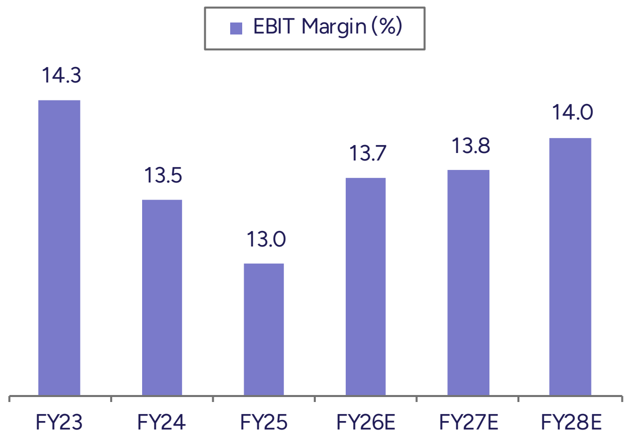
Valuation & outlook: We estimate USD revenue CAGR of 30.2% and INR earnings CAGR of 38.1% for FY26-28E. The stock is currently trading at 22x and 18x to its FY27E and FY28E earnings, respectively. We assign PE multiple of 28x to FY28E earnings to arrive at TP of INR1,870 and maintain our 'BUY' rating.

Exhibit 20 : Rev. to grow at 30.2% CAGR in FY26E-28E



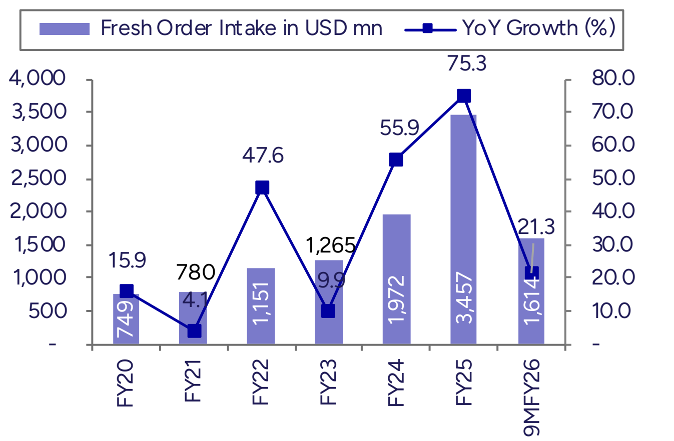
Source: Company, PL

Exhibit 21 : 30 bps margin expansion between FY26E-28E



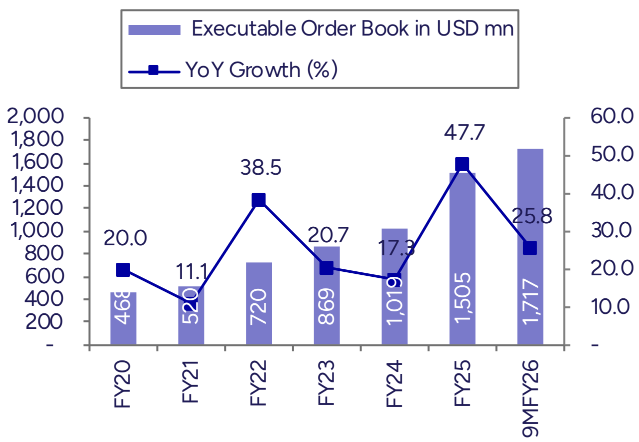
Source: Company, PL

Exhibit 22 : Order wins sustain momentum



Source: Company, PL

Exhibit 23 : Executable order book provides revenue visibility



Source: Company, PL

Financials

Income Statement (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**121**	**163**	**244**	**301**
YoY gr. (%)	*33.8*	*35.3*	*49.8*	*23.3*
Cost of Goods Sold	81	108	160	198
Gross Profit	40	55	84	103
Margin (%)	*32.8*	*33.7*	*35.0*	*35.0*
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**20**	**29**	**46**	**57**
YoY gr. (%)	*31.7*	*46.1*	*57.6*	*23.7*
Margin (%)	*16.6*	*17.9*	*18.8*	*19.0*
Depreciation and Amortization	4	7	12	15
EBIT	**16**	**22**	**34**	**42**
Margin (%)	*13.0*	*13.7*	*13.8*	*14.0*
Net Interest	-	-	-	-
Other Income	(1)	(1)	(1)	(1)
Profit Before Tax	**15**	**22**	**33**	**41**
Margin (%)	*12.1*	*13.3*	*13.5*	*13.7*
Total Tax	3	4	8	10
Effective Tax Rate (%)	*22.7*	*20.6*	*25.0*	*25.0*
Profit After Tax	**11**	**17**	**25**	**31**
Minority Interest	(1)	(2)	(1)	(2)
Share Profit from Associate	-	-	-	-
Adjusted PAT	**10**	**15**	**23**	**30**
YoY gr. (%)	*17.6*	*53.8*	*49.9*	*27.2*
Margin (%)	*8.3*	*9.5*	*9.5*	*9.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**8**	**14**	**23**	**30**
YoY gr. (%)	*1.2*	*66.2*	*66.2*	*27.2*
Margin (%)	*7.0*	*8.6*	*9.5*	*9.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8	14	23	30
Equity Shares O/s (m)	-	-	-	-
EPS (INR)	30.5	45.7	55.5	66.9

Source: Company, PL

Balance Sheet (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	38	43	92	101
Tangibles	17	22	30	39
Intangibles	20	20	62	62
Acc: Dep / Amortization	15	22	34	49
Tangibles	6	11	20	30
Intangibles	9	11	15	19
Net Fixed Assets	23	21	58	52
Tangibles	11	11	10	9
Intangibles	11	9	48	43
Capital Work In Progress	-	-	-	-
Goodwill	38	38	207	207
Non-Current Investments	5	5	5	5
Net Deferred Tax Assets	6	10	15	18
Other Non-Current Assets	6	8	12	15
Current Assets				
Investments	1	1	1	1
Inventories	-	-	-	-
Trade Receivables	26	27	38	51
Cash & Bank Balance	9	14	25	38
Other Current Assets	7	13	18	21
Total Assets	**125**	**141**	**382**	**412**
Equity				
Equity Share Capital	1	1	1	1
Other Equity	63	69	251	266
Total Networth	**64**	**70**	**252**	**267**
Non-Current Liabilities				
Long Term Borrowings	3	3	45	45
Provisions	-	-	-	-
Other Non Current Liabilities	11	13	20	24
Current Liabilities				
ST Debt / Current of LT Debt	8	8	8	8
Trade Payables	10	14	21	28
Other Current Liabilities	10	12	15	17
Total Equity & Liabilities	**125**	**141**	**382**	**412**

Source: Company, PL

Cash Flow (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	13	20	33	41
Add. Depreciation	5	7	12	15
Add. Interest	1	-	-	-
Less Financial Other Income	(1)	(1)	(1)	(1)
Add. Other	1	-	-	-
Op. Profit before WC Changes	19	27	45	56
Net Changes-WC	(3)	(7)	(15)	(13)
Direct Tax	(4)	(4)	(8)	(10)
Net Cash from Op. Activities	**13**	**15**	**22**	**32**
Capital Expenditures	(26)	(5)	(178)	(9)
Interest / Dividend Income	-	-	-	-
Others	2	-	-	-
Net Cash from Invt. Activities	**(24)**	**(5)**	**(178)**	**(9)**
Issue of Share Cap. / Premium	22	-	170	-
Debt Changes	1	2	8	5
Dividend Paid	(5)	(8)	(12)	(15)
Interest Paid	(1)	-	-	-
Others	-	-	-	-
Net Cash from Fin. Activities	**17**	**(6)**	**167**	**(10)**
Net Change in Cash	**5**	**5**	**11**	**13**
Free Cash Flow	6	11	15	23

Source: Company, PL

Quarterly Financials (INR bn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26E
Net Revenues	**37**	**40**	**42**	**44**
YoY gr. (%)	*8.2*	*8.1*	*5.1*	*6.1*
Raw Material Expenses	24	26	28	29
Gross Profit	12	14	14	15
Margin (%)	*33.7*	*34.0*	*32.9*	*34.1*
EBITDA	**6**	**7**	**7**	**8**
YoY gr. (%)	-	-	-	-
Margin (%)	*17.1*	*18.3*	*17.4*	*18.7*
Depreciation / Depletion	2	2	2	2
EBIT	**5**	**6**	**6**	**6**
Margin (%)	*12.8*	*14.0*	*13.4*	*14.6*
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	**4**	**6**	**5**	**6**
Margin (%)	*11.9*	*14.0*	*12.7*	*14.3*
Total Tax	1	1	1	1
Effective Tax Rate (%)	*18.0*	*23.8*	*16.5*	*23.0*
Profit After Tax	**4**	**4**	**4**	**5**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**3**	**4**	**4**	**5**
YoY gr. (%)	*12.6*	*16.7*	*5.9*	*13.6*
Margin (%)	*8.7*	*9.4*	*9.5*	*10.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**3**	**4**	**3**	**5**
YoY gr. (%)	*21.5*	*18.4*	*(33.4)*	*80.7*
Margin (%)	*8.6*	*9.4*	*6.0*	*10.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**3**	**4**	**3**	**5**
Avg. Shares O/s (m)	-	-	-	-
EPS (INR)	**9.6**	**12.0**	**11.9**	**13.0**

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share (INR)				
EPS	30.5	45.7	55.5	66.9
CEPS	43.4	65.9	85.1	100.2
BVPS	193.3	206.8	602.9	604.6
FCF	19.3	31.2	34.7	52.7
DPS	15.6	22.9	27.7	33.4
Return Ratio (%)				
RoCE	21.3	22.9	13.1	10.2
ROIC	13.0	16.9	8.4	9.7
RoE	20.1	23.1	14.4	11.4
Balance Sheet				
Net Debt : Equity (x)	-	-	0.1	0.1
Net Working Capital (Days)	48	29	26	28
Valuation (x)				
PER	43.0	29.0	24.0	20.0
P/B	7.0	7.0	3.0	3.0
P/CEPS	30.0	20.0	16.0	13.0
EV/EBITDA	22.0	15.0	13.0	11.0
EV/Sales	4.0	3.0	3.0	2.0
Dividend Yield (%)	2.0	2.0	3.0	3.0
FCFF Yield (%)	2.0	3.0	3.0	4.0
PEG Ratio	4.0	1.0	1.0	1.0

Source: Company, PL

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Revenue (in US$ mn)	1,445	1,870	2,627	3,171

Source: Company, PL

RATING BUY | CMP INR 2,417 | TP INR 3,050

PL Capital PRABHUDAS LILLADHER

Mphasis (MPHL IN)

Company Update

April 20, 2026

■ Estimate Change | ■ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	3,050		3,050	
Sales (INR bn)	180	204	180	204
% Chng.	-	-		
EBITDA (INR bn)	34	39	34	39
% Chng.	-	-		
EPS (INR)	115.8	132.6	115.8	132.6
% Chng.	-	-		

Key Data	MBFL.BO | MPHL IN
BSE Code	526299
NSE Code	MPHASIS
52-W High / Low	INR 3,037 / INR 2,013
Face Value	10
Sensex / Nifty	78,520 / 24,365
Market Cap	INR 461 bn / $ 4,953 mn
Shares Outstanding	190.82 mn
3M Avg. Daily Value	INR 1,616.66 mn

Shareholding Pattern (%)

Promoters	30.59
FIIs	19.79
MF	30.66
DII	14.59
Public	4.38
Promoter's Pledge	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	15.6	(14.2)	(12.0)	6.3
Relative	9.7	(10.2)	(5.5)	6.3

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (INR bn)	142	158	180	204
EBITDA (INR bn)	26	30	34	39
Margin (%)	*18.6*	*18.7*	*18.8*	*19.0*
PAT (INR bn)	17	19	22	25
EV (INR bn)	438	429	418	407
Total Debt (INR bn)	11	11	11	11
C&C Eq. (INR bn)	10	12	16	19
EPS (INR)	89.3	99.0	115.8	132.7
Gr. (%)	*9.2*	*10.9*	*17.0*	*14.5*
DPS (INR)	53.6	59.4	69.5	79.6
Yield (%)	*2.2*	*2.5*	*2.9*	*3.3*
RoE (%)	*18.5*	*18.9*	*20.5*	*21.6*
RoCE (%)	*15.5*	*16.2*	*17.7*	*18.8*
EV/Sales (x)	3.1	2.7	2.3	2.0
EV/EBITDA (x)	16.6	14.5	12.3	10.5
PE (x)	27.1	24.4	20.9	18.2
P/BV (x)	4.8	4.5	4.1	3.8

AI Driven pipeline strengthens outlook

Quick Pointers

- USD rev. to grow at 9.7% CAGR between FY26E-28E
- Strong growth in AI led pipeline in last 10 quarters

We expect Mphasis to report USD revenue CAGR of 9.7% during FY26E-28E after a muted 1.8% CAGR during FY22-25 due to macro headwinds of high inflation and interest rate in the US and sharp decline in the logistics business. However, with inflation and interest rate normalizing in the US and Logistics segment bottoming out, we expect Mphasis's business to recover aided by vertical diversification, strong deal wins and pipeline, and scaling of AI native offerings. TCV wins and no. of large deals have increased from US$1.4bn and 12 in FY22 to US$1.7bn and 11 large deals in 9MFY26, respectively. The deal pipeline also remains robust with overall pipeline increasing to 2.5x in Q3FY26 over the last 10 quarters with AI-led pipeline increasing to 69% from 12% Q2FY24, indicating that the momentum is expected to sustain.

On the margins front, we expect modest operating margin improvement to 15.4% in FY27E and 15.6% in FY28E from 15.3% in 9MFY26 as the company plans to continue its investment in its core business for sustaining the growth momentum.

Mphasis NeoIP Platform: The unified enterprise AI platform has been designed to enable continuous transformation and integrate multiple Mphasis AI solutions. At its core is Ontosphere, a dynamic knowledge base that collaborates with AI agents to build and sustain enterprise intelligence through evergreen knowledge graphs spanning legacy systems, data, and operations. The platform delivers across 4 domains – Modernization, Application Development, IT Operations, and Business Operations – through purpose-built AI agents, and natively connects with third-party agents.

Strong AI led pipeline and large deal wins: Mphasis's investments in its large-deal engine and next-generation capabilities spanning AI, cloud, automation, and digital transformation are translating into deal wins and pipeline momentum. The overall pipeline has expanded 2.5x over the last 10 quarters, while the AI-led pipeline mix has grown sharply from 12% in Q2FY24 to 69% in Q3FY26, reflecting the progressive embedding of NeoIP and AI-native solutions across its pursuit portfolio. Key inflection points – formation of a dedicated large deal team in Q4FY25 and launch of Mphasis NeoIP in Q1FY26 – have accelerated deal conversion. The sustained expansion in AI-led pipeline share positions Mphasis for robust revenue growth in the near-to-medium term as these wins convert to revenue.

Sustained growth momentum and steady operating margins: Strengthening AI-led pipeline and improving large-deal conversion have paved the way for sustained growth momentum for the company. We estimate CC revenue growth of 9.0% in FY27E and 10.7% in FY28E, as deal wins from the past quarters progressively convert to revenue and the NeoIP platform drives deeper client engagement. Further, we forecast operating margins of 15.4% in FY27E and 15.6% in FY28E a measured expansion trajectory, as the company re-invests productivity gains from AI-augmented delivery, a higher mix of fixed-price contracts, and emerging operating leverage back into the business to sustain revenue momentum.

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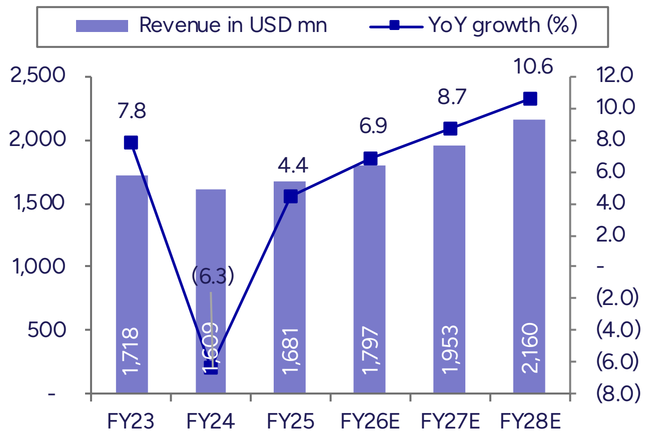
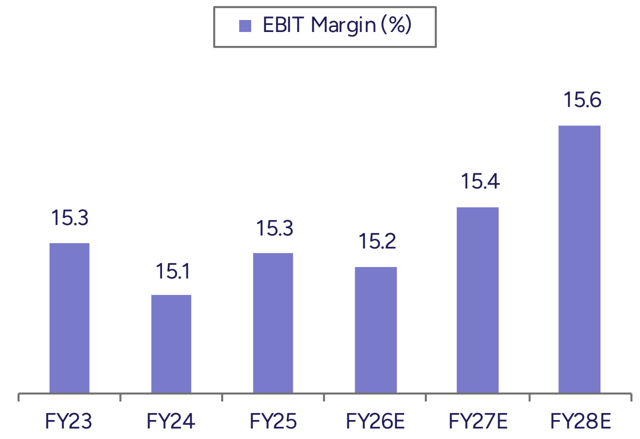
Valuation & outlook: We estimate USD revenue CAGR of 9.7% and INR earnings CAGR of 15.8% for FY26-28E. The stock is currently trading at 19x and 17x to its FY27E and FY28E earnings, respectively. We assign PE multiple of 23x to FY28E earnings to arrive at TP of INR3,050 and maintain our 'BUY' rating.

Exhibit 24 : Revenue to grow at 9.7% CAGR in FY26E-28E



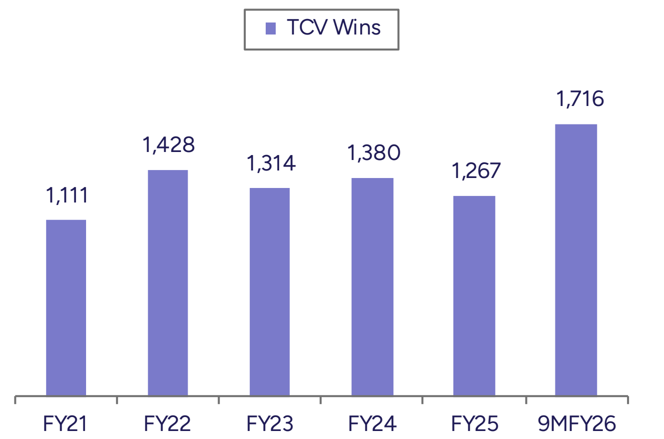
Source: Company, PL

Exhibit 25 : Margin to remain in a narrow band



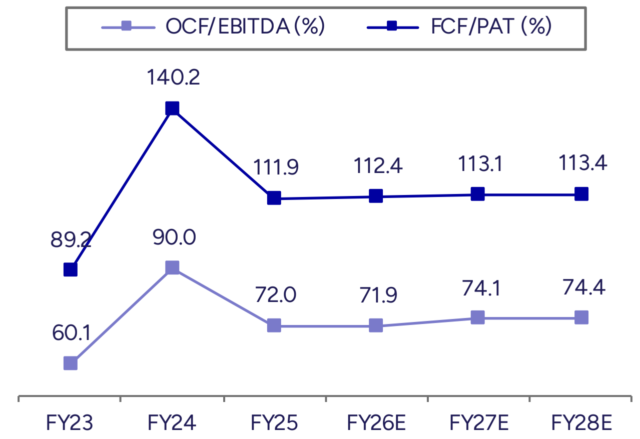
Source: Company, PL

Exhibit 26 : Strong TCV wins strengthens outlook



Source: Company, PL

Exhibit 27 : OCF & FCF to improve steadily



Source: Company, PL

Financials

Income Statement (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**142**	**158**	**180**	**204**
YoY gr. (%)	*7.2*	*11.2*	*13.9*	*13.1*
Cost of Goods Sold	98	109	124	140
Gross Profit	45	50	56	64
Margin (%)	*31.4*	*31.3*	*31.3*	*31.3*
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**26**	**30**	**34**	**39**
YoY gr. (%)	*9.3*	*11.7*	*14.4*	*14.3*
Margin (%)	*18.6*	*18.7*	*18.8*	*19.0*
Depreciation and Amortization	5	5	6	7
EBIT	**22**	**24**	**28**	**32**
Margin (%)	*15.3*	*15.2*	*15.4*	*15.6*
Net Interest	-	-	-	-
Other Income	1	1	1	2
Profit Before Tax	**23**	**25**	**29**	**33**
Margin (%)	*15.9*	*16.0*	*16.2*	*16.4*
Total Tax	6	6	7	8
Effective Tax Rate (%)	*24.7*	*25.1*	*24.0*	*24.0*
Profit After Tax	**17**	**19**	**22**	**25**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**17**	**19**	**22**	**25**
YoY gr. (%)	*9.5*	*11.1*	*17.1*	*14.5*
Margin (%)	*12.0*	*12.0*	*12.3*	*12.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**17**	**19**	**22**	**25**
YoY gr. (%)	*9.5*	*9.0*	*19.3*	*14.5*
Margin (%)	*12.0*	*11.7*	*12.3*	*12.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	17	19	22	25
Equity Shares O/s (m)	**-**	**-**	**-**	**-**
EPS (INR)	**89.3**	**99.0**	**115.8**	**132.7**

Source: Company, PL

Balance Sheet (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**23**	**24**	**26**	**30**
Tangibles	23	24	26	30
Intangibles	-	-	-	-
Acc: Dep / Amortization	**15**	**19**	**23**	**28**
Tangibles	15	19	23	28
Intangibles	-	-	-	-
Net Fixed Assets	**8**	**5**	**3**	**2**
Tangibles	8	5	3	2
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	43	43	43	43
Non-Current Investments	6	6	6	6
Net Deferred Tax Assets	2	2	3	3
Other Non-Current Assets	19	18	17	17
Current Assets				
Investments	18	26	34	42
Inventories	-	-	-	-
Trade Receivables	28	30	35	39
Cash & Bank Balance	16	18	22	25
Other Current Assets	5	6	7	8
Total Assets	**149**	**159**	**173**	**188**
Equity				
Equity Share Capital	2	2	2	2
Other Equity	94	102	110	121
Total Networth	**96**	**103**	**112**	**122**
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	-	-	-	-
Other Non Current Liabilities	6	6	6	6
Current Liabilities				
ST Debt / Current of LT Debt	11	11	11	11
Trade Payables	10	10	12	13
Other Current Liabilities	24	25	29	33
Total Equity & Liabilities	**149**	**159**	**173**	**188**

Source: Company, PL

Cash Flow (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	23	25	29	33
Add. Depreciation	5	5	6	7
Add. Interest	1	(1)	(1)	(2)
Less Financial Other Income	1	1	1	2
Add. Other	-	-	-	-
Op. Profit before WC Changes	29	29	34	39
Net Changes-WC	(2)	(2)	(2)	(2)
Direct Tax	(7)	(6)	(7)	(8)
Net Cash from Op. Activities	**19**	**21**	**25**	**29**
Capital Expenditures	(3)	(1)	(2)	(4)
Interest / Dividend Income	-	1	1	2
Others	3	(8)	(8)	(8)
Net Cash from Invt. Activities	**-**	**(8)**	**(8)**	**(10)**
Issue of Share Cap. / Premium	1	-	-	-
Debt Changes	(4)	-	-	-
Dividend Paid	(10)	(11)	(13)	(15)
Interest Paid	(2)	-	-	-
Others	(2)	-	-	-
Net Cash from Fin. Activities	**(18)**	**(11)**	**(13)**	**(15)**
Net Change in Cash	**2**	**2**	**3**	**3**
Free Cash Flow	18	20	23	25

Source: Company, PL

Quarterly Financials (INR bn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26E
Net Revenues	**37**	**39**	**40**	**42**
YoY gr. (%)	*0.6*	*4.5*	*2.6*	*4.6*
Raw Material Expenses	25	27	28	29
Gross Profit	12	12	13	13
Margin (%)	*31.9*	*30.9*	*31.3*	*31.3*
EBITDA	**7**	**7**	**8**	**8**
YoY gr. (%)	-	-	-	-
Margin (%)	*18.8*	*18.5*	*18.8*	*18.6*
Depreciation / Depletion	1	1	1	1
EBIT	**6**	**6**	**6**	**6**
Margin (%)	*15.3*	*15.3*	*15.2*	*15.1*
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	**6**	**6**	**6**	**7**
Margin (%)	*16.3*	*16.0*	*15.7*	*15.8*
Total Tax	2	2	2	2
Effective Tax Rate (%)	*27.6*	*24.9*	*24.0*	*24.0*
Profit After Tax	**4**	**5**	**5**	**5**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**4**	**5**	**4**	**5**
YoY gr. (%)	*(1.1)*	*6.2*	*(5.7)*	*13.8*
Margin (%)	*11.8*	*12.0*	*11.1*	*12.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**4**	**5**	**5**	**5**
YoY gr. (%)	*(1.1)*	*6.2*	*1.9*	*5.3*
Margin (%)	*11.8*	*12.0*	*11.9*	*12.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**4**	**5**	**5**	**5**
Avg. Shares O/s (m)	-	-	-	-
EPS (INR)	**23.1**	**24.5**	**23.1**	**26.3**

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share (INR)				
EPS	89.3	99.0	115.8	132.7
CEPS	114.2	127.7	147.9	168.9
BVPS	504.8	541.6	587.7	640.7
FCF	96.6	107.1	121.6	129.1
DPS	53.6	59.4	69.5	79.6
Return Ratio (%)				
RoCE	15.5	16.2	17.7	18.8
ROIC	13.5	13.8	14.5	15.0
RoE	18.5	18.9	20.5	21.6
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	48	46	46	46
Valuation (x)				
PER	27.0	25.0	21.0	19.0
P/B	5.0	5.0	5.0	4.0
P/CEPS	22.0	19.0	17.0	15.0
EV/EBITDA	17.0	15.0	13.0	11.0
EV/Sales	3.0	3.0	3.0	2.0
Dividend Yield (%)	3.0	3.0	3.0	4.0
FCFF Yield (%)	4.0	5.0	5.0	6.0
PEG Ratio	3.0	3.0	2.0	2.0

Source: Company, PL

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Revenue (in US$ mn)	1,681	1,797	1,953	2,160

Source: Company, PL

RATING BUY | CMP INR 5,325 | TP INR 6,570

PL Capital PRABHUDAS LILLADHER

Persistent Systems (PSYS IN)

Company Update

April 20, 2026

■ Estimate Change | ■ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	6,570		6,570	
Sales (INR bn)	182	220	182	220
% Chng.	-	-		
EBITDA (INR bn)	34	42	34	42
% Chng.	-	-		
EPS (INR)	152.4	187.5	152.4	187.5
% Chng.	-	-		

Key Data	PERS.BO | PSYS IN
BSE Code	533179
NSE Code	PERSISTENT
52-W High / Low	INR 6,599 / INR 4,449
Face Value	5
Sensex / Nifty	78,520 / 24,365
Market Cap	INR 840 bn / $ 9,021 mn
Shares Outstanding	157.75 mn
3M Avg. Daily Value	INR 4,551.11 mn

Shareholding Pattern (%)

Promoters	30.29
FIIs	22.80
MF	22.98
DII	6.84
Public	17.09
Promoter's Pledge	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	12.9	(16.0)	(8.9)	10.1
Relative	7.2	(12.1)	(2.1)	10.2

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (INR bn)	119	147	182	220
EBITDA (INR bn)	21	28	34	42
Margin (%)	*17.2*	*19.0*	*18.8*	*19.0*
PAT (INR bn)	14	20	24	29
EV (INR bn)	813	819	815	807
Total Debt (INR bn)	-	-	-	-
C&C Eq. (INR bn)	7	6	11	19
EPS (INR)	90.2	125.2	152.5	187.6
Gr. (%)	*21.7*	*38.8*	*21.8*	*23.0*
DPS (INR)	35.0	56.8	66.5	75.0
Yield (%)	*0.7*	*1.1*	*1.2*	*1.4*
RoE (%)	*24.8*	*28.7*	*29.9*	*30.8*
RoCE (%)	*23.8*	*27.3*	*28.5*	*29.4*
EV/Sales (x)	6.8	5.6	4.5	3.7
EV/EBITDA (x)	39.5	29.3	23.9	19.3
PE (x)	59.0	42.5	34.9	28.4
P/BV (x)	13.1	11.4	9.6	8.0

Strong momentum to continue backed by AI & deal wins

Quick Pointers

- On path to medium & long-term revenue goal
- Investment in AI for sustained growth and margin expansion

After a strong 22.6% CAGR during FY22-25, the revenue momentum continued into FY26 with 17.8% YoY growth in 9MFY26. This was despite slowdown in the Healthcare segment due to policy changes in the US, which was offset by robust growth in the BFSI segment. Growth momentum is expected to continue in the near term, despite macro uncertainties, driven by strong deal wins, the company's participation in AI-led product engineering, and recovery in the Healthcare segment. The company's investments in AI for IP, talent, and accelerators to expand its ecosystem partnerships and capabilities, are expected to result not only in sustained growth momentum but also in margin improvement. This will support the company as it continues to scale and achieve its revenue goal of US$2bn by FY27, while also positioning itself for its long-term goal of US$5bn by FY30.

On the margins front, Persistent has achieved majority of its 200bps margin improvement goal, with its operating margin improving from 14.7% in FY25 to 16.2% in 9MFY26. The improvement was driven by operating leverage, AI-led productivity, high-margin IP-led deals, and rupee depreciation. Hence, we bake in a modest margin improvement for FY27E and FY28E, with operating margins of 16.3% and 16.4%, respectively.

AI strategy & investments: Persistent's AI strategy is anchored around 3 pillars – AI for technology, AI for business, and enterprise data readiness – designed to drive hyper-productivity across software engineering and enterprise workflows. On the technology side, its proprietary SASVA platform accelerates the full software development lifecycle, from legacy modernization and code generation to testing and release management, delivering 60–75% cycle time reduction on key workstreams. Its iAURA platform complements this by powering agentic data operations and process intelligence, enabling enterprises to modernize data platforms and automate complex workflows with measurable effort reduction. Persistent has backed its platform strategy with meaningful capability investments growing its externally AI-certified workforce to 5,400, building a 105-patent AI IP portfolio, and deepening partnerships across the hyperscalers and AI ecosystem, establishing a differentiated, full-stack AI transformation capability.

Strong deal wins to sustain momentum: Persistent's strong deal momentum, supported by the rising share of platform-led deals, is reflected in the consistent improvement in both TCV and ACV over the years, indicating not only robust deal wins but also better quality of bookings with enhanced revenue visibility and conversion. This strong deal foundation, coupled with a healthy pipeline and effective execution, is projected to sustain its growth trajectory. We expect Persistent to deliver a revenue CAGR of ~18.2% over FY26E–28E, driven by continued deal traction and scalable platform-led opportunities.

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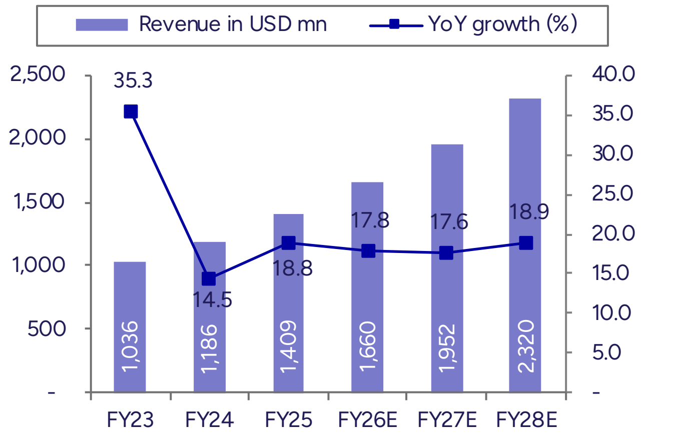
On track path for near- and long-term revenue goals: Persistent, supported by sustained revenue growth, is well positioned to achieve its near-term goal of reaching US$2bn revenue by FY27E, driven by continued deal wins, strong revenue conversion, and broad-based growth across segments. The company has also outlined a long-term aspiration to scale to US$5bn revenue by FY30, which it intends to achieve by deepening its presence within sub-verticals across BFSI, Healthcare, and Hi-Tech, alongside scaling relationships with its top 100 clients. The management has already identified the priority sub-segments and accounts for expansion, with execution underway, and remains open to strategic acquisitions to address capability gaps and complement organic investments.

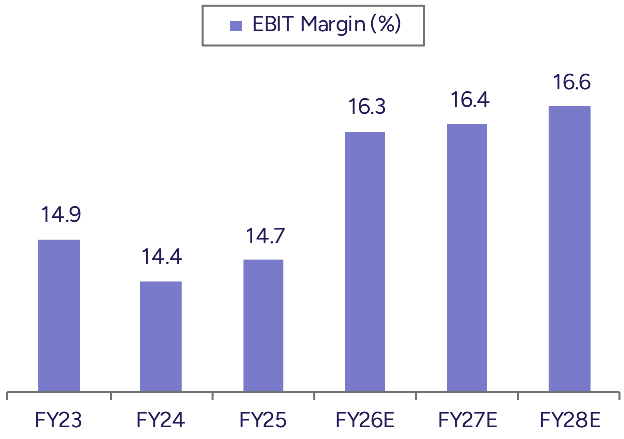
Valuation & outlook: We estimate USD revenue CAGR of 18.4% and INR earnings CAGR of 22.4% for FY26E-28E. The stock is currently trading at 35x and 28x to its FY27E and FY28E earnings, respectively. We assign PE multiple of 35x to FY28E earnings to arrive at TP of INR6,570 and maintain our 'BUY' rating.

Exhibit 28 : Rev. to grow at 18.2% CAGR in FY26E-28E



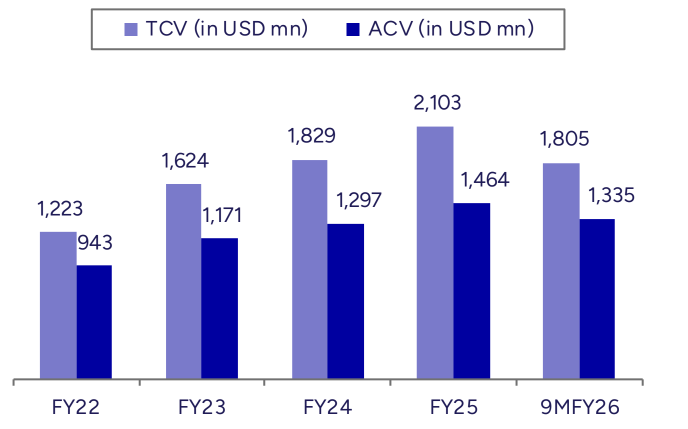
Source: Company, PL

Exhibit 29 : Margin to remain steady going ahead



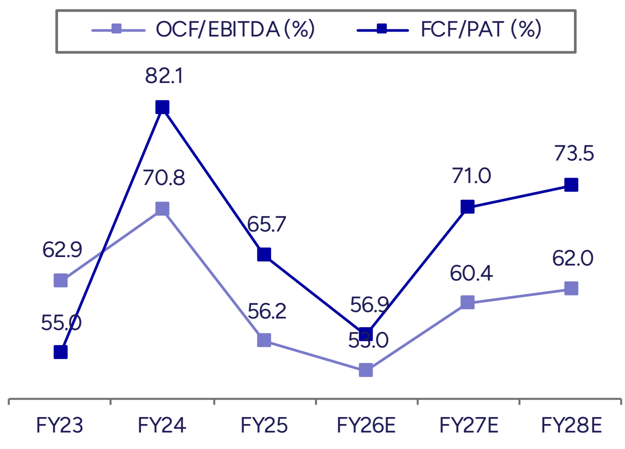
Source: Company, PL

Exhibit 30 : Strong deal wins provides revenue visibility



Source: Company, PL

Exhibit 31 : OCF & FCF to improve steadily



Source: Company, PL

Financials

Income Statement (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**119**	**147**	**182**	**220**
YoY gr. (%)	*21.6*	*23.3*	*23.3*	*21.4*
Cost of Goods Sold	79	94	118	143
Gross Profit	41	53	64	78
Margin (%)	*34.0*	*35.8*	*36.0*	*36.0*
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**21**	**28**	**34**	**42**
YoY gr. (%)	*19.4*	*35.9*	*21.9*	*22.9*
Margin (%)	*17.2*	*19.0*	*18.8*	*19.0*
Depreciation and Amortization	3	4	4	5
EBIT	**18**	**24**	**30**	**37**
Margin (%)	*14.7*	*16.3*	*16.4*	*17.0*
Net Interest	-	-	-	-
Other Income	1	1	1	2
Profit Before Tax	**18**	**25**	**31**	**38**
Margin (%)	*15.3*	*17.1*	*17.2*	*18.0*
Total Tax	4	6	7	9
Effective Tax Rate (%)	*23.2*	*22.4*	*24.0*	*24.0*
Profit After Tax	**14**	**20**	**24**	**29**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**14**	**20**	**24**	**29**
YoY gr. (%)	*22.6*	*39.8*	*21.8*	*23.0*
Margin (%)	*11.7*	*13.3*	*13.1*	*13.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**14**	**19**	**24**	**29**
YoY gr. (%)	*28.0*	*33.4*	*27.6*	*23.0*
Margin (%)	*11.7*	*12.7*	*13.1*	*13.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	19	24	29
Equity Shares O/s (m)	-	-	-	-
EPS (INR)	**90.2**	**125.2**	**152.5**	**187.6**

Source: Company, PL

Balance Sheet (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**37**	**41**	**45**	**49**
Tangibles	22	25	29	33
Intangibles	16	16	16	16
Acc: Dep / Amortization	**24**	**28**	**32**	**37**
Tangibles	12	16	21	26
Intangibles	11	11	11	11
Net Fixed Assets	**14**	**13**	**13**	**12**
Tangibles	9	9	8	7
Intangibles	5	5	5	5
Capital Work In Progress	-	-	-	-
Goodwill	12	12	12	12
Non-Current Investments	6	9	11	13
Net Deferred Tax Assets	2	4	5	6
Other Non-Current Assets	2	4	5	6
Current Assets				
Investments	7	7	7	7
Inventories	-	-	-	-
Trade Receivables	18	24	30	36
Cash & Bank Balance	7	6	11	19
Other Current Assets	18	22	28	33
Total Assets	**87**	**102**	**120**	**144**
Equity				
Equity Share Capital	1	1	1	1
Other Equity	62	72	86	103
Total Networth	**63**	**73**	**86**	**104**
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	-	-	-	-
Other Non Current Liabilities	3	4	4	5
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade Payables	9	12	15	18
Other Current Liabilities	12	13	15	16
Total Equity & Liabilities	**87**	**102**	**120**	**144**

Source: Company, PL

Cash Flow (INR bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	18	24	31	38
Add. Depreciation	3	4	4	5
Add. Interest	-	-	-	-
Less Financial Other Income	1	1	1	2
Add. Other	2	-	-	-
Op. Profit before WC Changes	23	28	36	44
Net Changes-WC	(6)	(8)	(8)	(9)
Direct Tax	(5)	(6)	(7)	(9)
Net Cash from Op. Activities	**12**	**15**	**21**	**26**
Capital Expenditures	(2)	(4)	(4)	(4)
Interest / Dividend Income	1	-	-	-
Others	(3)	(3)	(2)	(2)
Net Cash from Invt. Activities	**(4)**	**(6)**	**(5)**	**(7)**
Issue of Share Cap. / Premium	2	-	-	-
Debt Changes	(3)	-	-	-
Dividend Paid	(5)	(9)	(10)	(12)
Interest Paid	-	-	-	-
Others	-	-	-	-
Net Cash from Fin. Activities	**(6)**	**(9)**	**(10)**	**(12)**
Net Change in Cash	**1**	**-**	**5**	**8**
Free Cash Flow	9	11	17	22

Source: Company, PL

Quarterly Financials (INR bn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26E
Net Revenues	**33**	**36**	**38**	**40**
YoY gr. (%)	*2.8*	*7.4*	*5.5*	*6.5*
Raw Material Expenses	22	23	24	26
Gross Profit	12	13	14	14
Margin (%)	*35.3*	*36.0*	*36.1*	*36.0*
EBITDA	**6**	**7**	**7**	**8**
YoY gr. (%)	-	-	-	-
Margin (%)	*18.3*	*19.1*	*19.4*	*20.0*
Depreciation / Depletion	1	1	1	1
EBIT	**5**	**6**	**6**	**7**
Margin (%)	*15.5*	*16.3*	*16.7*	*17.0*
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	**6**	**6**	**7**	**7**
Margin (%)	*16.7*	*17.2*	*17.3*	*18.0*
Total Tax	1	1	1	2
Effective Tax Rate (%)	*23.5*	*23.6*	*19.2*	*24.0*
Profit After Tax	**4**	**5**	**5**	**5**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**4**	**5**	**5**	**5**
YoY gr. (%)	*7.4*	*10.9*	*12.1*	*0.8*
Margin (%)	*12.7*	*13.2*	*14.0*	*13.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**4**	**5**	**4**	**5**
YoY gr. (%)	*7.4*	*10.9*	*(6.8)*	*21.2*
Margin (%)	*12.7*	*13.2*	*11.6*	*13.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**4**	**5**	**4**	**5**
Avg. Shares O/s (m)	-	-	-	-
EPS (INR)	**27.2**	**30.1**	**33.8**	**34.1**

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share (INR)				
EPS	90.2	125.2	152.5	187.6
CEPS	110.0	150.7	180.3	221.4
BVPS	407.2	466.8	552.6	665.2
FCF	59.3	71.2	108.3	137.9
DPS	35.0	56.8	66.5	75.0
Return Ratio (%)				
RoCE	23.8	27.3	28.5	29.4
ROIC	18.7	22.9	23.7	24.3
RoE	24.8	28.7	29.9	30.8
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	29	30	30	30
Valuation (x)				
PER	59.0	43.0	35.0	29.0
P/B	13.0	12.0	10.0	8.0
P/CEPS	49.0	36.0	30.0	24.0
EV/EBITDA	40.0	30.0	24.0	20.0
EV/Sales	7.0	6.0	5.0	4.0
Dividend Yield (%)	1.0	1.0	2.0	2.0
FCFF Yield (%)	2.0	2.0	2.0	3.0
PEG Ratio	3.0	1.0	2.0	2.0

Source: Company, PL

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Revenue (in US$ mn)	1,409	1,660	1,952	2,320

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Coforge	BUY	1870	1154
2	Cyient	BUY	950	780
3	Fractal Analytics	BUY	1110	798
4	HCL Technologies	BUY	1710	1354
5	Infosys	BUY	1740	1276
6	KPIT Technologies	BUY	1020	674
7	L&T Technology Services	BUY	3920	3324
8	Latent View Analytics	BUY	450	261
9	LTM	BUY	5240	4107
10	Mphasis	BUY	3050	2137
11	Persistent Systems	BUY	6570	5049
12	Tata Consultancy Services	BUY	3450	2589
13	Tata Elxsi	BUY	4980	4127
14	Tata Technologies	BUY	610	531
15	Tech Mahindra	BUY	1660	1405
16	Wipro	HOLD	200	210

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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