



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

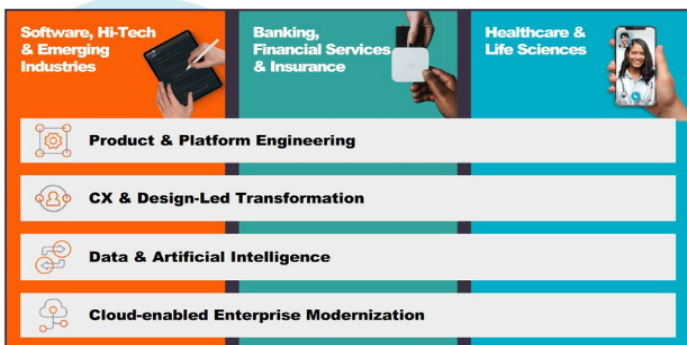
PERSISTENT SYSTEMS

WHAT WE LIKE

LONG TRACK RECORD

1990-2001	Tech provider to Database product companies
2001-2008	Outsourced Product Development
2009-2016	Strategic Partnership with IT biggies (IBM, Salesforce)
2017 & Beyond	Digital Transformation: Catering to Software driven businesses

INDUSTRY EXPERTISE



LARGE DEAL WINS & INDUSTRY PARTNERSHIPS

In Q2FY22, Large accounts (>USD 5 mn) increased to 22 from ~16 a year ago. The large deals team that was set up under the new leadership seems to have paid dividends. The company also boasts of multiple industry partnerships with industry giants like:



GREAT FINANCIALS & GOOD POTENTIAL FROM NEW ACQUISITIONS

Revenues: Grew @ CAGR of 18% in last 10 years
 Profits: Grew @ CAGR of 12% in last 10 years
 Debt-free Balance Sheet ROE: 17% Avg for last 10 yrs
 EBIT margin improved from 10.4% in Q1FY21 to 13.9% currently.

The company acquired SCI, Fusion 360 & Shree Partners in Q2FY22 which opens up the new market of Payment IT services which is a \$16.8 bn market with a CAGR of 12.5%. SCI also connects PS with 10 market-leading North American clients and other top 20 banking players in the region.

For More details: <http://smartsyncservices.com/persistent-systems/>

Terms & Conditions: <http://www.smartsyncservices.com/terms-and-conditions/>

WHAT WE DON'T LIKE

RISE IN ATTRITION IN THE INDUSTRY

Given the dearth of desirable talent in the industry and sudden spurt in demand in the IT industry has set off waves of attrition across the entire IT sector. Persistent is no stranger to this phenomenon and it is looking to counter its aftereffects by making increased fresher hiring of 2500-3000 a year and by instituting a novel ESOP program which will cover 80% of its workforce. This can turn out to be a big factor in retaining talent for the company in an industry where attrition is now at record high levels.

FOREIGN CURRENCY & GEOGRAPHICAL RISKS

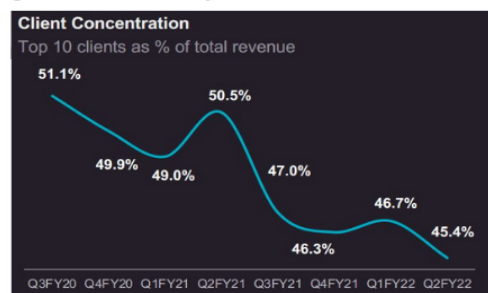
With close to 90% of revenues coming in foreign exchange, the risk of currency fluctuation is always there.

The Company holds plain-vanilla forward contracts against expected future sales in USD to mitigate the risk of changes in exchange rates.

But, the risks still persist as these mitigation exercises do not take into account wild fluctuations in market prices.

CLIENT & GEOGRAPHICAL CONCENTRATION

Around 78.7% of the company's revenues in Q2FY22 came from North America which makes PS vulnerable to any adverse events in this geography. Although the % of revenues derived from the top 10 clients is going down with time it is still very high at 45.4% in Q2FY22.



RISK OF OBSOLESCENCE IN OPD & HIGH COMPETITION IN EDT

Revenues from OPD work are lumpy with low visibility and often volatile. Technological obsolescence is high and client priorities can quickly change with software product development efforts being shut down. We, at SSS, believe that in the Enterprise Digital Transformation (EDT) business, there are strong incumbent competitors like TCS, Mindtree & Wipro which might make it difficult for PS to scale up and maintain decent margin.



Click here to
Subscribe