

Week Gone

- ⇒ In the week ended on Friday, 01 July 2022, the Sensex advanced 179.95 points or 0.34% to settle at 52,907.93. The Nifty 50 index gained 52.80 points or 0.34% to settle at 15,752.05.
- ⇒ The BSE Mid-Cap index rose 0.26% to settle at 21,858.93.
- ⇒ The BSE Small-Cap index gained 1.20% to settle at 24,807.74.

Week Ahead

- ⇒ On the macro front, the S&P Global Composite PMI and the S&P Global Services PMI for June will be declared on 5 July, 2022
- ⇒ The US ISM Non-Manufacturing PMI data for June will be announced on 6 July, 2022
- ⇒ China will announce Caixin Services PMI and Caixin Composite PMI for June, 2022 on 05 July, 2022.

Technical Overview

Index opened the week on a positive note with gap up, but as the week progressed index turned highly volatile and end the week with minor gains. Going ahead index has an immediate support around 15600-15450-15200. While on the other hand resistance is present around 15880-16050-16230.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	01-July-22	24-Jun-22	Weekly % Chg
Nifty 50	15,752.1	15,699.30	0.3
Nifty Next 50	36,901.2	36,616.30	0.8
Nifty 100	15,926.0	15,858.30	0.4
Nifty 500	13,394.5	13,322.50	0.5
NIFTY MIDCAP 100	26,587.3	26,449.10	0.5
S&P BSE SENSEX	52,907.9	52,728.00	0.3
S&P BSE 100	16,015.0	15,963.30	0.3
S&P BSE 200	6,816.0	6,782.40	0.5
S&P BSE 500	21,340.3	21,224.00	0.5
S&P BSE MidCap	21,858.9	21,803.20	0.3
S&P BSE SmallCap	24,807.7	24,521.90	1.2

WORLD INDICES

Index	01-July-22	24-Jun-22	Weekly % Chg
Nikkei Index	25,935.6	26,492.0	-2.1
Hang Seng Index	21,859.8	21,719.1	0.6
Kospi Index	2,305.4	2,366.6	-2.6
Shanghai SE Composite	3,387.6	3,349.8	1.1
Strait Times Index	3,095.6	3,111.7	-0.5
Dow Jones	31,097.3	31,500.7	-1.3
NASDAQ	11,127.8	11,607.6	-4.1
FTSE	7,168.7	7,208.8	-0.6

FOREX

Currency	01-Jul-22	24-Jun-22	Weekly % Chg
US\$ (Rs.)	79.0	78.3	1.0
GBP (Rs.)	96.1	96.0	0.1
Euro (Rs.)	82.7	82.5	0.3
Yen (Rs.) 100 Units	58.2	57.9	0.6

NIFTY TOP GAINERS (WEEKLY)

Scrip	01-Jul-22	24-Jun-22	Weekly % Chg
ITC	284.4	265.9	7.0%
Hindalco	341.2	322.3	5.8%
Larsen & Toubro	1572.2	1494.9	5.2%
Ultratech Cement	5691.7	5468.3	4.1%
Coal India	183.3	176.6	3.8%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
01-Jul-22	7,304.3	-2,324.7	-2,324.7
30-Jun-22	10,822.6	-1,138.1	-1,138.1
29-Jun-22	6,797.9	-851.1	-851.1
28-Jun-22	6,593.3	-1,244.4	-1,244.4
27-Jun-22	5,817.7	-1,278.4	-1,278.4
<u>MTD</u>	37,335.8	-6,836.7	-6,836.7

NIFTY TOP LOSERS (WEEKLY)

Scrip	01-Jul-22	24-Jun-22	Weekly % Chg
Indian Oil Corp.	74.55	108.5	-31.3%
Indiabulls Housing	95.9	100.95	-5.0%
Bajaj Auto	3624.6	3813.35	-4.9%
Titan Co	1946.2	2045.6	-4.9%
ONGC	131.05	137.35	-4.6%

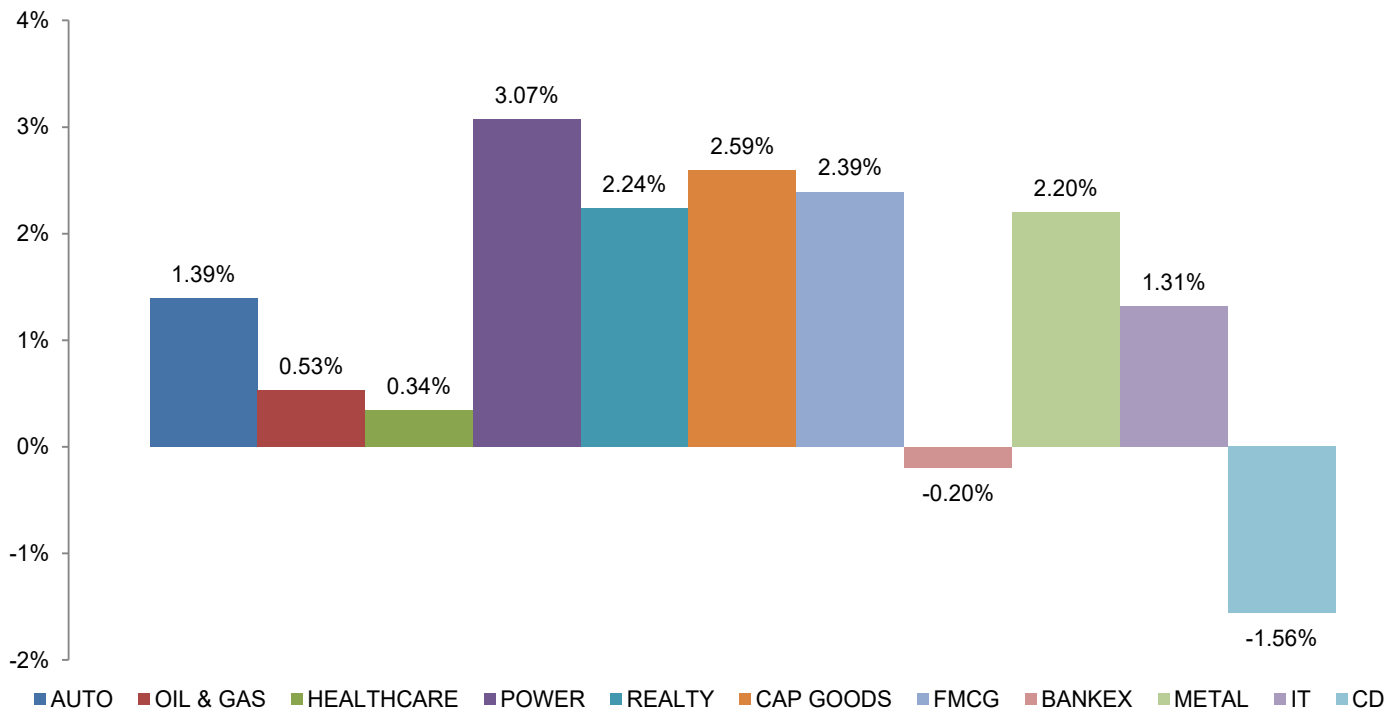
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
01-Jul-22	5,277.8	1,310.7	1,310.7
30-Jun-22	4,852.8	1,378.2	1,378.2
29-Jun-22	7,460.8	847.5	847.5
28-Jun-22	3,971.6	1,205.6	1,205.6
27-Jun-22	3,916.8	1,184.5	1,184.5
<u>MTD</u>	25,479.7	5,926.5	5,926.5

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	01/07/22	24/06/22	Weekly % Chg	01/07/22	24/06/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ADANI PORTS	674.55	687.15	1.9	27980000	50105000	79.1
COROMANDEL	959.6	928	-3.3	1205400	1681875	39.5
ULTRACEMCO	5664.3	5478.4	-3.3	2056300	2834800	37.9
SUNTV	424.75	414.25	-2.5	7564500	10384500	37.3
LT	1551.45	1499.2	-3.4	9717600	12825375	32.0

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	01/07/22	24/06/22	Weekly % Chg	01/07/22	24/06/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ONGC	130.15	137.65	5.8	77215600	39058250	-49.4
RELIANCE	2412.25	2506.35	3.9	37066750	20420750	-44.9
JSWSTEEL	561.9	569	1.3	50101200	28593000	-42.9
TITAN	1940.65	2051.1	5.7	8256750	5461125	-33.9
BAJAJFINSV	11369.6	11614.95	2.2	1294500	868900	-32.9

Company Background

Persistent Systems Ltd. (PSL) has had expertise in Digital Engineering for over 32 years that combines traditional software and product know-how with broader digital business and emerging technologies acumen. Persistent was named, for the first time, to Forbes Asia's "Best Under a Billion" list. PSL caters mainly to verticals like BFSI, Healthcare Life Sciences and Software, Hi-Tech & Emerging Industries. Their 80% of revenues across all the verticals come from North and Central America and their client portfolio consists of leading banks among top 5 banks. Along with the USA, they have a growing presence in Europe where they are focusing on providing digital solutions to leading companies across Banking and Healthcare Sector. The Company has been growing at an incredible pace both organically and inorganically through the acquisition of companies such as SCI, Fusion 360, Sureline, Shree Partners, Data Glove, and Media Agility. These strategic investments will bolster their capabilities in key hyperscaler domains, which are an integral part of their long-term strategy. Acceleration of cloud adoption by the clients in their digital transformation journey brought new opportunities in the product engineering space which helped the company achieve significant growth in FY22.

Investment Rationale

Strategic Acquisitions to aggressively capture the global market

FY22 was a banner year for Persistent Systems with 35.2% year-over-year growth. The organic revenue growth stood at a strong 32.8 percent. This was due to the company's ability to identify emerging industry and technology trends and deliver value to clients through its expertise which has given it a significant competitive advantage in the market. The key acquisitions during the year were in the Payments space (Charlotte-based Software Corporation International (SCI) and its affiliate, Fusion360), in the Microsoft ecosystem (New Jersey-based Data Glove, a Microsoft partner), and the digital transformation and technology solution space (New Jersey-based Shree Partners). Further, they recently concluded the acquisition of MediaAgility, a Google Cloud partner, in May 2022. The financial impact of these acquisitions will be manageable given the expected growth of the acquired businesses in the coming years. Also, these investments will make sure Persistent Systems is future-proofed and will be able to play in opportunities like Metaverse as these emerge at scale. With the acquisition of SCI, which is in the Payment domain two major deals happened, one of them was for a Payment Technology provider that the company along with the combined capability of SCI, was able to craft out a large deal and this deal is more than \$10 million on an annual contract value basis. In the cloud space, with the integrated capabilities of Data Glove and MediaAgility the company expects to go higher in terms of the capabilities and hence the deal sizes. Shree Partners has enabled the company to win large vendor consolidation which has helped PSL achieve the double-digit million mark on a Total Contract Value basis.

Sustainable margins despite Global slowdown

The new deals that PSL has achieved are long-term for 5 years which will not affect the company's margin if the market goes sideways or if it was to slow down. The EBIT margin was stable at 14% on a sequential basis despite various headwinds including higher amortization costs and one-time expenses related to M&A transactions and continued talent supply challenges. Although there is concern regarding wage hikes due to industry-specific higher attrition rates, the company is confident that it will sustain 14% EBIT margins based on higher recruitment of freshers and more deals.

Valuation and Outlook

PSL is a global company specializing in software products, services, and technology innovation. In an incredibly dynamic market environment, the company has a disciplined focus on execution and putting its clients first. PSL has trusted collaborators in the transformation agendas of their clients to engineer, deploy and integrate differentiating technologies that are driving industry innovation and unlocking new business value. In FY22, the revenue growth among top customers was very healthy, with top one customer contributing revenue growth of 10.6%, 2-5 client category grew by 43.1%, 6-10 category grew by 38.1%, and top 11-20 by 44.1%, respectively on a YoY basis. While there are recession fears and negative macro developments across the globe which may have an impact on IT budgets. PSL through its broad-based growth and long-term contracts with its clients shall achieve decent growth in its main verticals like BFSI, Healthcare Life Sciences and Software, Hi-Tech & Emerging Industries. Also, there may be less employee attrition rate as the company has granted ESOPs to 80 percent of eligible employees as a retention strategy. On the valuation front, we value the company based on 30x of FY24e earnings and arrived at a target price of INR 4069 (23% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	3,314
Target Price (INR)	4,069
NSE Symbol	PERSISTENT
BSE Code	533179
Bloomberg	PSYS IN
Reuters	PERS.BO

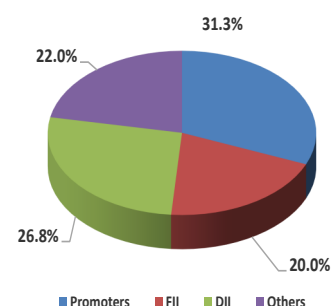
Key Data

Nifty	15,752
52WeekH/L(INR)	4,987/2,727
O/s Shares (Mn)	76
Market Cap (INR bn)	253
Face Value (INR)	10

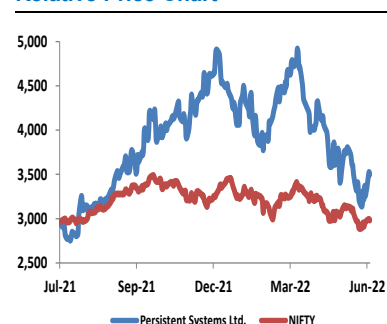
Average volume

3 months	29,261
6 months	31,766
1 year	31,913

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials						
YE March (INR. Mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	33,659.4	35,658.1	41,878.9	57,107.5	73,223.2	85,671.1
<i>Revenue Growth (Y-o-Y)</i>	11.0%	5.9%	17.4%	36.4%	28.2%	17.0%
EBIDTA	5,488.6	4,922.6	6,830.1	9,476.7	12,081.8	14,307.1
<i>EBIDTA Growth (Y-o-Y)</i>	21.5%	(10.3%)	(38.8%)	(38.7%)	27.5%	18.4%
Net Profit	3,516.8	3,402.9	4,506.8	6,903.9	8,567.1	10,366.2
<i>Net Profit Growth (Y-o-Y)</i>	8.8%	(3.2%)	32.4%	53.2%	24.1%	21.0%
Diluted EPS	46.0	44.5	59.0	90.3	112.1	135.6
<i>Diluted EPS Growth (Y-o-Y)</i>	8.8%	(3.2%)	32.4%	53.2%	24.1%	21.0%
Key Ratios						
EBIDTA margin (%)	16.3%	13.8%	16.3%	16.6%	16.5%	16.7%
NPM (%)	10.4%	9.5%	10.8%	12.1%	11.7%	12.1%
RoE (%)	15.0%	14.3%	16.1%	20.5%	24.2%	24.4%
RoCE (%)	23.4%	20.6%	24.4%	26.0%	31.6%	31.6%
Valuation Ratios						
P/E (x)	72.0x	74.4x	56.2x	36.7x	29.6x	24.4x
EV/EBITDA	44.9x	50.5x	35.7x	26.1x	20.3x	16.8x
P/BV (x)	10.8x	10.6x	9.1x	7.5x	7.2x	6.0x
Market Cap. / Sales (x)	7.5x	7.1x	6.0x	4.4x	3.5x	3.0x

Source: Company, BP Equities Research



Research Desk

Tel: +91 22 61596406

Institutional Sales Desk

Tel: +91 22 61596403/04/05

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392