FIRST LIGHT

21 January 2026

RESEARCH

BOB ECONOMICS RESEARCH | KEY IMPORT SOURCES

Oil Imports – India's story

BOB ECONOMICS RESEARCH | TRENDS IN GOLD PRICES

The shiniest of all

PERSISTENT SYSTEMS | TARGET: Rs 4,490 | -29% | SELL

Software license led margin surprise. Sustainability key.

AU SMALL FINANCE BANK | TARGET: Rs 1,035 | +3% | HOLD

Return profile improving with strong business momentum

SENORES PHARMA | TARGET: Rs 1,108 | +41% | BUY

Strong Quarter; Multiple growth levers remain intact

SUMMARY

INDIA ECONOMICS: KEY IMPORT SOURCES

Oil imports form a significant part of our overall import bill (23.5%). In this study, we have delved deeper into the key sources of these imports for India. We note that our traditional suppliers continue to remain major Middle Eastern countries (Iraq, Qatar, UAE, Saudi Arabia and Kuwait). However, their share has come down marginally over the past decade (FYTD basis). In contrast, Russia has emerged as a dominant player, displacing earlier suppliers (Brazil, Nigeria, Iran) since the outbreak of Russia-Ukraine war in Feb'22.

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INDIA ECONOMICS: TRENDS IN GOLD PRICES

The role of gold in the financial markets especially in the monetary system is well known. The Gold standard monetary system was used back in the 18th and 19th century where in the money supply used to be linked to gold. However, the system faced some disruption during the World war and was eventually out of place after the great depression of 1929. The international convertibility of gold to dollar was abandoned in 1971.

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PERSISTENT SYSTEMS

- Inline revenue. Margin surprise on sale of AI Software licenses. The US$2bn FY27 goal may require an acquisition
- While PSYS was an IP + Services player in the past which it abandoned, this new shift seems more AI related. Commercial models evolving
- Raise FY26/FY27 margins/EPS but maintain FY28. Retain Target PE at 27.1x (25% premium to TCS'). Believe 43x FY27 EPS is excessive

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AU SMALL FINANCE BANK

- PAT higher than estimates, mainly due to lower provisions. Business momentum stays strong
- Asset quality improved, driven by lower slippages across most of the segments
- Maintain HOLD with revised TP of Rs 1,035 (from Rs 829) and roll over the valuation to 3.0x Dec'27E ABV (2.5x earlier) vs 3Y avg of 3.0x

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SENORES PHARMA

- Sales/EBITDA /PAT were 6%/17%/ 4% above our estimates. Gross Margin was 240 bps lower, as only 2 products were launched in 3QFY26
- Apnar Pharma is expected to contribute Rs ~1.5bn in FY27E and Rs 2-2.5bn in FY28E in regulated markets; EMs EBITDA Margin to clock 20% in FY27E
- Product pipeline remains healthy. Maintain BUY. Continue to ascribe 26x PE on Dec'27 roll forward EPS to arrive at a PT of Rs 1108

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KEY IMPORT SOURCES

20 January 2026

Oil Imports – India's story

Sonal Badhan
Economist

Oil imports form a significant part of our overall import bill (23.5%). In this study, we have delved deeper into the key sources of these imports for India. We note that our traditional suppliers continue to remain major Middle Eastern countries (Iraq, Qatar, UAE, Saudi Arabia and Kuwait). However, their share has come down marginally over the past decade (FYTD basis). In contrast, Russia has emerged as a dominant player, displacing earlier suppliers (Brazil, Nigeria, Iran) since the outbreak of Russia-Ukraine war in Feb'22.

US had gained share in the post Covid-19 period but lost that to Russia due to price disadvantage. However, since last year, share of Russia in our total oil imports has come down to 27.6% (30.2% in FYTD25), while that of US (8.2% versus 5.8%) and UAE (13.3% versus 12.5%) has inched up. More recent data shows that even before US imposed additional tariffs on India from 27 Aug 2025, India's oil imports from Russia began coming down. This is on account of 2 factors: narrowing gap between oil price offered by Russia and US/Brent; and possible of rise in freight cost due US sanctions imposed upon Russian shipments.

Background:

India's overall imports in FYTD26 (Apr-Nov'25) have risen by 5.6% so far, following 9.2% increase recorded last year during the same period (Apr-Nov'24). In absolute terms, our imports are currently valued at US$ 515.2bn (FYTD26). Of this amount, oil imports account for nearly a quarter of the total imports (US$ 121bn; 23.5%). As a result, it is important to understand what is happening in this market.

For our analysis we have used Apr-Nov country wise product level data. In FYTD26, our oil imports have fallen by (-) 5.3% on YoY basis. This decline can be attributed to weaker average international oil prices this year till Nov'25 (-16.8%) versus last year (-3.3%). Past data shows that oil imports, Brent prices and our overall imports move in the same direction. However, since last year, we have observed some divergence (Fig 1). We are seeing that while the link between movement in brent prices and oil imports still remains intact (correlation coefficient of 0.93), overall imports and oil imports are moving in different directions. In both FYTD25 and FYTD26, while oil imports eased, our overall imports continued to pick up pace. One reason could be higher gold imports.

TRENDS IN GOLD PRICES

20 January 2026

The shiniest of all

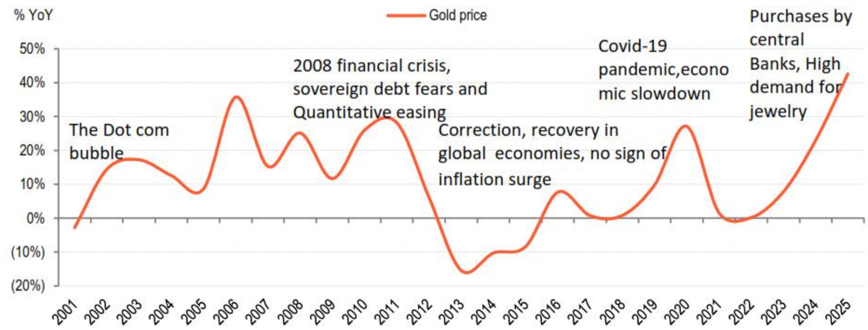
Jahnavi Prabhakar
Economist

The role of gold in the financial markets especially in the monetary system is well known. The Gold standard monetary system was used back in the 18th and 19th century where in the money supply used to be linked to gold. However, the system faced some disruption during the World war and was eventually out of place after the great depression of 1929. The international convertibility of gold to dollar was abandoned in 1971.

Despite this, gold remains a crucial commodity and continues to play an important role. Previous Fed Chairman, Ben Bernanke had once referred to the gold prices as an indicator that represents the health of the economy. Over the years, it has served as hedge against inflation and used for portfolio diversification especially in volatile times. It has been considered a safe haven asset.

Global gold prices in the last 25-years have hovered in the range of US$ 280 to US$ 3400 per ounce. This year, it has even crossed the US$ 4500/ounce mark. In terms of CAGR, gold prices have risen by 16% between CY00 to CY10. For the next 10 years, the growth was a marginal 3.7%, signaling the extreme volatility in the metals market. Since CY20, the global economic landscape has changed and in the last 5-years (till date), in terms of CAGR, prices have surged by 14% in this short span of time.

Figure 1: Global gold price movement



Source: Bloomberg, Bank of Baroda Research

Gold prices through the years:

In early CY00 and CY01, gold prices had plummeted down to (-) 2.8%. The US economy saw the dot-com bubble during this period and the prices fell during this period in a surprise move, given the stronger dollar and much against the general theory of save haven. However, these prices rebounded, with average growth of 15% between CY02-CY04, amidst the US Fed beginning with its rate cut cycle.

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SELL
TP: Rs 4,490 | ∀ 29%

PERSISTENT SYSTEMS | IT Services | 21 January 2026

Software license led margin surprise. Sustainability key.

- **Inline revenue. Margin surprise on sale of AI Software licenses. The US$2bn FY27 goal may require an acquisition**
- **While PSYS was an IP + Services player in the past which it abandoned, this new shift seems more AI related. Commercial models evolving**
- **Raise FY26/FY27 margins/EPS but maintain FY28. Retain Target PE at 27.1x (25% premium to TCS'). Believe 43x FY27 EPS is excessive**

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Revenue in line but margin a positive surprise: 4.1% QoQ CC revenue growth was in line but the adjusted EBIT margin of 16.7% against estimated 15.9% was a big surprise. Revenue was driven by BFSI and Healthcare verticals. A big driver on the positive side on margins (as there was a 180bps hit from wages QoQ) was +150bps from sales of AI platform and tools.

Sustainability of this new margin element is up in the air: Most Indian players have been saying that new commercial models are evolving in the post AI/Gen AI world, from a largely human labor based one. We are not sure what we saw with PSYS in 3QFY26 in terms of margin uplift from software sales is going to be a sustainable one. As PSYS itself indicated, the software license sales will be blended into services (which is probably how its peers are doing already or will likely do). We believe big margin upsides from here on due to this are suspect as competitive intensity will ensure that gains are passed back to clients. This has been the norm over the decades in the industry. In the short term, there could be an uplift.

PSYS has struggled to maintain/push up margins: With market largely driven by cost take out and vendor consolidation deals and clients wanting to work with vendors who can provide multi-tower services at the lowest cost, PSYS has been forced to bid aggressively and work to protect/improve margins. This is visible in the form of delayed salary hike in FY26, keeping utilization (including trainees) high at ~88-89%, reversing some earn out provisions (FY25), changing depreciation policy (FY25), etc. The currency has also come to the rescue in both 2QFY26 (60bps QoQ) and 3QFY26 (30bps).

At 43x FY27, valuation is not appealing: We raise margin estimates for FY26/FY27 but retain that on FY28. We attach a 27.1x (25% premium to that given to TCS) on Dec '27 EPS to arrive at TP of Rs4490. At 43x 12 forward multiple believe the current valuation is excessive and the street is being over optimistic about its earnings prospects in the medium to long term. PSYS has been executing well and is a very good company. But current valuations, in a highly competitive industry with modest growth prospects (industry's), could entail mediocre returns.

Key changes

Target	Rating
▲	◄►

Ticker/Price	PSYS IN/Rs 6,343
Market cap	US$ 10.9bn
Free float	69%
3M ADV	US$ 25.1mn
52wk high/low	Rs 6,599/Rs 4,149
Promoter/FPI/DII	30%/23%/30%

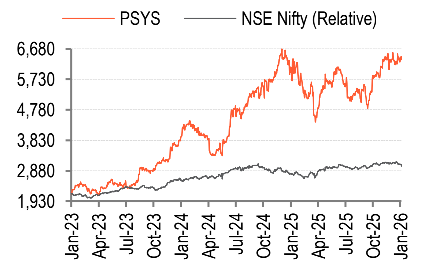
Source: NSE | Price as of 20 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	119,387	146,482	172,566
EBITDA (Rs mn)	20,581	28,002	33,171
Adj. net profit (Rs mn)	14,001	19,592	23,214
Adj. EPS (Rs)	90.2	119.3	147.6
Adj. ROAE (%)	24.8	27.1	26.3
Adj. P/E (x)	70.3	53.2	43.0
EV/EBITDA (x)	48.6	35.8	30.5
Adj. EPS growth (%)	26.7	32.2	23.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

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HOLD
TP: Rs 1,035 | ⮝ 3%

AU SMALL FINANCE BANK | Banking | 21 January 2026

Return profile improving with strong business momentum

- **PAT higher than estimates, mainly due to lower provisions. Business momentum stays strong**
- **Asset quality improved, driven by lower slippages across most of the segments**
- **Maintain HOLD with revised TP of Rs 1,035 (from Rs 829) and roll over the valuation to 3.0x Dec'27E ABV (2.5x earlier) vs 3Y avg of 3.0x**

Niraj Jalan
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PAT higher than estimates, mainly due to lower provisions: PAT at Rs 6.7bn (+26% YoY) was 4% higher than our estimates. This was mainly on the back of lower provisions at Rs 3.3bn (-34% YoY), which were -26% lower vs estimates. Hence, credit cost improved to 0.76% (-44bps QoQ) of ATA in Q3FY26, given the normalisation in unsecured businesses and seasonal recovery in secured assets. With the stress easing in MFI, management guided credit costs to be 100bps of ATA for FY26. However, PPoP missed our estimates by -5.9% to Rs 12.2bn (+1% YoY) towing to the rise in C/I ratio to 60.3% in Q3FY26 (57.7% in Q2FY26), which was partially offset by rise in NIMs to 5.7% (+25bps QoQ). Return ratios improved with RoA/RoE of 1.6%/14.3% (Q3FY26) vs 1.5%/13% (Q3FY25).

Business momentum stays strong: AUBANK witnessed net advance growth of 24% YoY, which was ~1.7x the system growth. Secured retail assets (wheels, MBL, HL and GL) accounted for 67.5% of total loans, followed by Commercial Banking (CB) (21.3%), unsecured (7.3%) and others (3.9%). Retail secured segment is positioned as the primary beneficiary of the bank's expanded distribution and universal banking transition. Deposit growth stays strong at 23.3% YoY (Dec'25).

Asset quality improved: GNPA ratio improved sequentially to 2.3% (-11bps QoQ), largely driven by lower slippage across most segments of Rs 7.9bn (-12.9% QoQ) or slippage ratio of 3.1% (-67 bps QoQ). Further, CE in non-overdue MFI loans improved to 99.3% (Q3FY26) vs 98.9% (Q2FY26). Also, SMA book in MFI improved to 1.9% (Dec'25) vs 2.9% (Sep'25), indicating improving early bucket delinquency with a high CGFMU cover of 83% (Dec'25) vs 69% (Sep'25).

Maintain HOLD: We expect the bank to deliver RoA of 1.8% by FY28E. Maintain HOLD, as the current valuations appear stretched relative to the underlying fundamentals with revised TP of Rs 1,035 (from Rs 829); and roll over the valuation to 3.0x Dec'27E ABV (2.5x earlier) vs 3Y avg P/ABV of 3.0x. The increase in valuation multiple is due to rise in our PAT estimate by ~3%/5% (FY27E/FY28E) driven by consistent high loan growth, improvement in return profile and visible recovery in unsecured book.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AUBANK IN/Rs 1,001
Market cap	US$ 8.2bn
Free float	77%
3M ADV	US$ 23.3mn
52wk high/low	Rs 1,030/Rs 478
Promoter/FPI/DII	23%/36%/31%

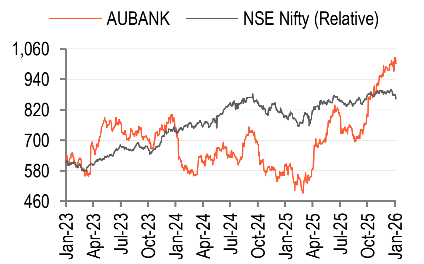
Source: NSE | Price as of 20 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	80,116	92,154	1,18,415
NII growth (%)	55.4	15.0	28.5
Adj. net profit (Rs mn)	21,059	25,758	36,495
EPS (Rs)	29.8	34.6	48.9
Consensus EPS (Rs)	28.2	34.5	46.1
P/E (x)	33.6	29.0	20.5
P/BV (x)	4.3	3.8	3.2
ROA (%)	1.6	1.5	1.7
ROE (%)	14.2	14.0	17.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
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BUY
TP: Rs 1,108 | ⮝ 41%

SENORES PHARMA | Pharmaceuticals | 20 January 2026

Strong Quarter; Multiple growth levers remain intact

- **Sales/EBITDA /PAT were 6%/17%/ 4% above our estimates. Gross Margin was 240 bps lower, as only 2 products were launched in 3QFY26**
- **Apnar Pharma is expected to contribute Rs ~1.5bn in FY27E and Rs 2-2.5bn in FY28E in regulated markets; EMs EBITDA Margin to clock 20% in FY27E**
- **Product pipeline remains healthy. Maintain BUY. Continue to ascribe 26x PE on Dec'27 roll forward EPS to arrive at a PT of Rs 1108**

Foram Parekh
Research Analyst
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Earnings exceed expectations - Senores reported 69% YoY sales growth to Rs 1.74bn driven by all round beat across segments. Regulated markets grew by 61% YoY driven by new launches; Emerging Markets grew by 47%YoY supported by better pricing and new launches while Branded Generics recorded 246% growth on a low base. A healthy product mix resulted in sustaining the highest-ever EBITDA margin of 30.9% in 3QFY26. EBITDA grew by 110% YoY to Rs 540 mn, and consequently, PAT increased by 104% to Rs 336 mn.

Regulated Market sales to be driven by own products – Senores reports regulated market sales from both its own ANDAs and CDMO/CMO products. The current mix comprises 55% from own products and 45% from CDMO. A higher contribution from own products, driven by the launch of 18 ANDAs across 35 strengths, resulted in sustaining an EBITDA margin of 40% during the quarter. Going forward, the company expects to launch 28 new products, including its own, Apnar's, and acquired ANDAs. Of these, 6–8 ANDAs are expected to be supplied to government business over the next six quarters. Accordingly, we expect the regulated markets segment to grow at a CAGR of 32% over FY26–28E to Rs 6.7 bn by FY28E, with the contribution from own ANDAs increasing to 65% of regulated market revenues.

Emerging Markets to witness peak EBITDA Margin of 20% - During the quarter, Emerging Markets witness 47% YoY growth to Rs 384mn driven by shift towards newer molecules and change in the revenue model to distribution- led approach, which resulted in higher dollar sales. Going forward, the company has strong visibility on new launches, including approvals for 56 products taking the total number of registered products to 450. Additionally, 850 products are currently under registration, which are expected to be launched in tranches over a period, resulting in peak EBITDA margins of 20% in FY27E compared to the current 13%.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SENORES IN/Rs 785
Market cap	US$ 84.7mn
Free float	31%
3M ADV	US$ 3.0mn
52wk high/low	Rs 877/Rs 440
Promoter/FPI/DII	66%/10%/15%

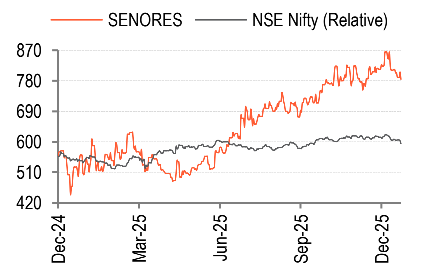
Source: NSE | Price as of 20 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,983	6,042	8,388
EBITDA (Rs mn)	897	1,752	2,516
Adj. net profit (Rs mn)	583	1,104	1,572
Adj. EPS (Rs)	12.7	24.0	34.1
Consensus EPS (Rs)	12.7	21.0	29.9
Adj. ROAE (%)	11.8	13.3	16.8
Adj. P/E (x)	61.9	32.7	23.0
EV/EBITDA (x)	8.7	6.1	4.8
Adj. EPS growth (%)	85.6	89.3	42.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY – Expected return >+15%

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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