Persistent Systems

Persistent growth momentum

Persistent Systems (PSYS) delivered a strong Q3FY26, beating expectations with +4.1% QoQ CC revenue growth and a +40bps QoQ adjusted margin expansion, driven by robust execution. Growth was broad-based, led by strong performance in the Healthcare and BFSI verticals and the Americas region. The order book remained healthy with a new TTM TCV of USD 369mn (+11% YoY) and new ACV of USD 256mn (+31% YoY), supporting a continued growth momentum. Key deal wins included a USD 100 mn cybersecurity and data provisioning contract from a Tier 1 US bank and a USD 50 mn healthcare deal for cloud infra and application modernization. The company remains on track to achieve a USD 2bn run rate by FY27E (~4% CQGR) and USD 5 bn by FY31E, underpinned by solid deal momentum and continued investments in GenAI and data modernization. PSYS is rapidly embedding AI across its offerings and internal operations, transitioning toward AI-led, platform-centric engagements. It continues to stand out in the mid-cap IT space with a strong combination of growth, quality client base, robust services portfolio, sales rigor combined with margin expansion. We maintain our ADD rating with a revised TP of INR 7,550, based on 42x Mar-28E EPS.

- **Q3FY26 highlights:** (1) PSYS's revenue at USD 422.5mn was up 4.1% QoQ CC (ahead of our estimate of 3.4% QoQ CC), with broad-based growth across verticals. (2) Within these verticals, Healthcare & Lifesciences grew +4.8% QoQ, followed by BFSI growing by +4.6% QoQ and tech growing +3% QoQ. (3) The total TCV grew 11% QoQ to USD 675mn, and total ACV grew 31% QoQ to USD 502mn. (4) New Labor Code Provisioning (-230bps), wage hike (-180bps), and furloughs (-20bps), were partially offset by AI Platforms and Tool-Driven Pricing (+150bps), operational efficiencies (+40bps), FX tailwind (+30bps) and lower sub-contracting (+20bps), resulting in a sequential net decline of 190bps in EBIT margin to 14.4%. Excluding the one-time impact of the new labor code, EBIT margin at 16.7% (+40bps QoQ) was higher than our estimate of 15.5%.
- **Outlook:** We have factored in USD revenue growth of 17.8/17.9/15.3% and EBITM of 15.9/16.8/17.4% for FY26/27/28E respectively, translating to a 25% EPS CAGR.

Quarterly Financial summary

YE Mar (INR bn)	Q3 FY26	Q3 FY25	YoY (%)	Q2 FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	423	360	*17.3*	406	*4.0*	1,186	1,409	1,660	1,957	2,256
Net Sales	37.78	30.62	*23.4*	35.81	*5.5*	98.22	119.39	146.43	175.17	204.20
EBIT	5.43	4.56	*19.1*	5.84	*(7.0)*	14.15	17.51	23.28	29.48	35.44
APAT	4.39	3.73	*17.8*	4.71	*(6.8)*	11.30	14.00	18.65	22.61	27.66
Diluted EPS (INR)	28.6	24.2	*17.8*	30.6	*(6.8)*	73.4	91.0	121.2	147.0	179.8
P/E (x)						86.4	69.7	52.3	43.2	35.3
EV / EBITDA (x)						55.6	46.4	35.6	27.7	22.9
RoE (%)						24.5	24.8	27.0	27.6	28.3

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %
Revenue (USD mn)	1,657	1,660	*0.2*	1,958	1,957	*(0.0)*	2,257	2,256	*(0.0)*
Revenue	146.04	146.43	*0.3*	175.23	175.17	*(0.0)*	204.27	204.20	*(0.0)*
EBIT	23.18	23.28	*0.4*	29.44	29.48	*0.1*	35.53	35.44	*(0.3)*
EBIT margin (%)	15.9	15.9	*3bps*	16.8	16.8	*2bps*	17.4	17.4	*-4bps*
APAT	17.80	18.65	*4.8*	22.59	22.61	*0.1*	27.74	27.66	*(0.3)*
EPS (INR)	115.7	121.2	*4.8*	146.8	147.0	*0.1*	180.3	179.8	*(0.3)*

Source: Company, HSIE Research

ADD

CMP *(as on 20 Jan 2026)*	INR 6,342
Target Price	INR 7,550
NIFTY	25,233

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 7,570	INR 7,550
	FY27E	FY28E
EPS %	+0.1	-0.3

KEY STOCK DATA	
Bloomberg code	PSYS IN
No. of Shares (mn)	158
MCap (INR bn) / ($ mn)	1,001/10,997
6m avg traded value (INR mn)	2,747
52 Week high / low	INR 6,599/4,149

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	8.5	14.3	4.1
Relative (%)	11.1	13.8	(2.5)

SHAREHOLDING PATTERN (%)	Sep-25	Dec-25
Promoters	30.56	30.29
FIs & Local MFs	30.60	29.82
FPIs	21.23	22.80
Public & Others	17.61	17.09
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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AU Small Finance Bank

Receding unsecured stress driving beat on earnings

AUBANK's Q3FY26 earnings beat estimates on the back of improvement in asset quality, reflation in margins, and healthy growth on both sides of the balance sheet, partly offset by higher opex intensity. Gross advances growth (~19% YoY) was led by secured retail assets and commercial banking, with a gradual uptick in the MFI book. Deposit growth (+23% YoY) was strong, while CASA ratio came in at 28.9% (-58bps QoQ). Asset quality improved significantly (0.8% of GLP) with lower delinquencies in the unsecured book as the management continues to guide for a credit cost of 1% of GLP for FY26. While we raise our FY26E/FY27E earnings by ~3%/5%, factoring in improvement in asset quality, we argue that management of the unsecured businesses (MFI+ credit cards) and rapid geographic expansion into new territories shall pose a challenge in the medium term. We maintain REDUCE with a revised TP of INR820 (2.6x Sep-27 ABVPS) v/s INR650 earlier.

- **Healthy growth coupled with margin reflation:** Loan growth (~19% YoY) was led by Wheels (+27%), MBL (+25%), and commercial segments (+25% YoY), with marginal uptick in MFI book and continued de-growth in credit card book. Our forecasts build ~20% loan CAGR over FY25-28E, lower than management guidance (2-2.5x of nominal GDP). Margins improved 25bps QoQ to 5.7%, as cost of funds improved by 22bps QoQ on the back of SA rate cut, better liquidity management, and deposit re-pricing.
- **Continued moderation of stress in unsecured segments:** Gross slippages came in lower at 2.6% (Q2FY26: 3.2%) coupled with lower credit costs in the MFI (Q3FY26: 1.3% v/s Q2FY26: 7.6%) and credit cards (Q3FY26: 5.6%v/s 9.7% in Q2FY26) portfolios. The management shall need another year to revive its credit card business. Our FY26 credit cost forecast (1.1% of average assets) is ~10bps higher than management guidance.
- **Unsecured book management and calibrated expansion key monitorable:** We believe the rescaling of the unsecured businesses and replicating the strengths of the northern market into the southern and eastern markets shall pose a challenge in the medium term. We build in an average RoA of ~1.65% for FY27E/FY28E against the RoA guidance of 1.8%.

Financial summary

(INR bn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	23.4	20.2	*15.7%*	21.4	*9.2%*	80.1	90.8	113.6	138.1
PPOP	12.2	12.0	*0.9%*	12.1	*0.5%*	45.8	52.4	64.9	77.8
PAT	6.7	5.3	*26.3%*	5.6	*19.0%*	21.1	25.4	33.6	40.6
EPS (INR)	8.9	7.1	*25.9%*	7.5	*19.5%*	28.3	34.2	45.1	54.5
ROAE (%)						14.2	13.9	15.9	16.4
ROAA (%)						1.6	1.5	1.6	1.7
ABVPS (INR)						219.4	246.7	289.0	343.0
P/ABV (x)						4.6	4.1	3.5	2.9
P/E (x)						35.4	29.3	22.2	18.4

Change in estimates

(INR bn)	FY26E			FY27E			FY28E		
	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net advances	1,315	1,280	2.8%	1,563	1,519	2.9%	1,854	1,795	3.3%
NIM (%)	5.6	5.6	-2 bps	5.8	5.8	3 bps	5.9	5.9	8 bps
NII	90.8	90.5	0.4%	113.6	110.6	2.6%	138.1	132.6	4.2%
PPOP	52.4	54.2	-3.3%	64.9	63.0	3.1%	77.8	72.7	7.1%
PAT	25.4	24.7	2.9%	33.6	31.8	5.5%	40.6	39.4	2.9%
Adj. BVPS (INR)	246.7	246.8	0.0%	289.0	289.1	0.0%	343.0	340.1	0.8%

Source: Company, HSIE Research

REDUCE

CMP *(as on 20 Jan 2026)*	INR 1,001
Target Price	INR 820
NIFTY	25,233

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR650	INR820
EPS %	FY26E	FY27E
	+2.9%	+5.5%

KEY STOCK DATA	
Bloomberg code	AUBANK IN
No. of Shares (mn)	747
MCap (INR bn) / ($ mn)	748/8,223
6m avg traded value (INR mn)	2,350
52 Week high / low	INR 1,030/478

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	15.7	26.0	65.2
Relative (%)	18.3	25.4	58.6

SHAREHOLDING PATTERN (%)	Sep-25	Dec-25
Promoters	22.8	22.8
FIs & Local MFs	31.9	31.3
FPIs	34.5	36.5
Public & Others	10.8	9.5
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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