BOBCAPS
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SELL
TP: Rs 418 | ▽ 20%

ZENSAR TECHNOLOGIES

| IT Services | 30 July 2026

Revenue Inline; margin under pressure

- **1QFY27 revenue grew 1.1% QoQ CC, while EBITDA margin declined to 14.6% due to mega deal and AI investments**
- **BFSI remained the only growth driver with the mega deal ramping as planned**
- **Demand remains mixed with continued weakness in Europe and MCS, while management expects 2QFY27 to improve QoQ**

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Mega deal remains the key growth lever: Revenue growth was primarily supported by the initial ramp-up of the US$210mn mega deal, while BFSI remained the only growth engine. Management expects the deal to ramp through 2Q with full revenue contribution in 3Q/4Q. However, order intake moderated to US$149.2mn (declining 63% QoQ and 13% YoY) after a strong 4Q

Broad-based recovery yet to emerge: Management remained cautious on Europe and Manufacturing & Consumer Services (MCS), while Healthcare & Life Sciences continues to be impacted by client consolidation despite partial recovery. Although management expects headwinds from the largest client to moderate, Telecommunication, Media and Technology remains under pressure. Competitive intensity also remains elevated

Investments weigh on near-term margins: EBITDA margin declined due to pre-staffing and transition costs for the mega deal, with management indicating margins should remain around 1QFY27 levels over the next two quarters as investments continue in capability building, SG&A and sales force expansion. While management continues to prioritize becoming an AI-native organization, sustained revenue acceleration will require broader demand recovery.

Cut revenue estimates and Maintain Sell: We have trimmed our margin estimates for FY27-FY29 to reflect near-term margin pressure. We maintain the Target PE at 11.3x (20% discount to benchmark) and the stock rating continues to be SELL.

Key changes

Target	Rating
▼	▼

Ticker/Price	ZENT IN/Rs 521
Market cap	US$ 1.2bn
Free float	50%
3M ADV	US$ 19.1mn
52wk high/low	Rs 869/Rs 423
Promoter/FPI/DII	49%/11%/22%

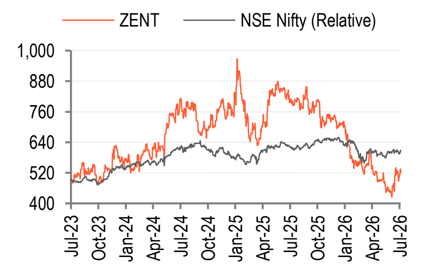
Source: NSE | Price as of 30 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	56,874	62,344	65,339
EBITDA (Rs mn)	9,162	8,990	9,846
Adj. net profit (Rs mn)	7,995	7,587	8,210
Adj. EPS (Rs)	33.7	33.4	36.2
Consensus EPS (Rs)	33.7	35.1	39.9
Adj. ROAE (%)	18.7	15.7	15.6
Adj. P/E (x)	15.5	15.6	14.4
EV/EBITDA (x)	13.8	14.2	13.2
Adj. EPS growth (%)	18.6	(0.9)	8.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$159.5mn (broadly in line with our estimate), growing 1.1% QoQ and declining 2% YoY in CC terms
- Vertical Growth (CC terms):
  - Banking and Financial Services: QoQ revenue growth of 8.3% and quarterly YoY growth of 14.7%
  - Healthcare and Life Sciences: QoQ revenue decline of 3.8% and quarterly YoY decline of 8.7%
  - Manufacturing and Consumer Services: QoQ revenue decline of 2.3% and quarterly YoY decline of 3.4%
  - Telecommunication, Media and Technology: QoQ revenue decline of 9.1% and quarterly YoY decline of 28.0%
- Geographical Growth (CC terms):
  - US region: QoQ revenue growth of 2.5% and quarterly YoY decline of 3.7%
  - Europe region: QoQ revenue decline of 1.4% and quarterly YoY growth of 3.0%
  - Africa region: QoQ revenue decline of 1.4% and quarterly YoY decline of 0.8%
- EBITDA margin stood at 14.6%, declining 160bps QoQ and 57bps YoY
  - EBITDA margin contracted due to ~2% impact from pre-staffing and transition costs for large deal setup and ~1.5% increase in other costs including travel, visa and training expenses. Margin decline was partly offset by 0.8% positive forex impact and 1.3% reversal of management bonuses
- EBIT Margin stood at 12.8% (against our estimate of 14.6%), declining 192 bps QoQ and 78bps YoY
- Investment priorities remain capability building, selective SG&A investments and ramp-up of the large deal. Margins are expected to remain at 1QFY27 levels in 2Q and 3Q due to these investments. Growth and execution of the large deal remain the immediate priority, with margin improvement expected thereafter
- Top management priority is to make Zensar an AI-native organization
- Order book stood at US$149.2 mn, declining 63% QoQ and 13% YoY
- Utilization stood at 85.1%; Attrition stood at 9.6%
- Total headcount stood at 11,342, net addition of 563
- BFSI growth was partly supported by the ramp-up of the US$210 mn deal. It delivered growth even excluding contribution from the large deal
- Large deal (defined as >US$25mn) execution is progressing as planned; 1Q reflected only a half-quarter contribution and was largely transition related. It is expected to continue ramping up in 2Q, with the full revenue expected to reflect in 3Q and 4Q
- Competitive intensity has increased due to prevailing market conditions

- Management said that larger peers entering the SMB segment are not viewed as a major concern, as operating models, processes and organizational structures are not designed for SMB clients. SMB clients require greater execution agility, while larger companies may have limited management bandwidth, leadership focus and talent allocation for smaller clients

- 1Q order intake of ~US$150 mn included the highest-ever proportion of new business from existing clients and net new clients
- 1Q is typically a seasonally weaker quarter for order bookings as most renewals occur in 3Q or 4Q based on clients' budget and financial year cycles
- Management is less bullish on Europe and the Manufacturing & Consumer Services vertical based on current trends
- Africa business continues to perform well
- BFSI continues to perform strongly and TMT is performing well excluding the largest client
- HLS decline due to consolidation was lower than initially expected, with nearly 75% of the decline already recovered. HLS is expected to continue growing in the coming quarters
- Healthcare & Life Sciences weakness is primarily driven by portfolio and client-specific issues rather than macro factors. Consolidation at one or two clients, where Zensar was consolidated out, was the primary reason for the Healthcare & Life Sciences decline
- Management continues to target book-to-bill in the 0.9x-1.1x range of projected revenue
- Slowdown in the largest client is expected to be more muted going forward as the business has limited room for further decline
- Payment terms are gradually getting stretched, with DSO in the 74-79 day range considered acceptable by management
- Client concentration risk has reduced, with the number of US$10 mn+ accounts increasing by four
- Sales cost have increased, particularly in SG&A. The company is investing heavily in revamping and adding to the sales force
- Headwind from the largest client has moderated
- The deal size of the mega deal equivalent to nearly one-third of company revenue
- Gross margin decline in 1QFY27 was primarily driven by the mega deal ramp-up
- 2QFY27 is expected to be better than 1QFY27
- Large deal was a significant contributor to gross headcount additions in 1QFY27. Headcount additions outside the large deal also improved QoQ
- Cash deployment strategy is focused on scaled acquisitions rather than tuck-in acquisitions. Acquisition focus is on assets with at least US$150 mn-200 mn in revenue

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

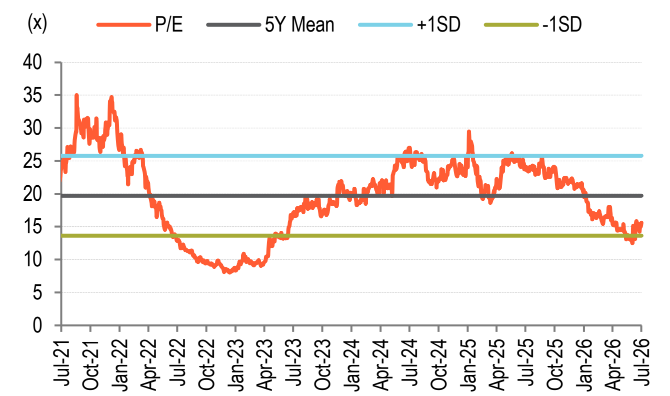
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsmn)	1QFY26	4QFY26	1QFY27	YoY (%)	QoQ (%)	1QFY27E	Deviation (%)
Net Sales (USD mn)	**162.0**	**158.4**	**159.5**	**(1.5)**	**0.7**	**160.1**	**(0.4)**
Net Sales	**13,850**	**14,504**	**15,083**	**8.9**	**4.0**	**15,166**	**(0.5)**
Direct Cost	9,627	9,754	10,600	10.1	8.7	10,272	3.2
Gross Profit	4,223	4,750	4,483	6.2	(5.6)	4,893	(8.4)
% of Sales	30.5	32.7	29.7			32.3	
SG&A	2,117	2,394	2,275	7.5	(5.0)	2,442	(6.8)
% of Sales	15.3	16.5	15.1			16.1	
EBITDA	2,106	2,356	2,208	4.8	(6.3)	2,451	(9.9)
EBITDA Margin (%)	15.2	16.2	14.6			16.2	(9.4)
Depreciation	231	227	284	22.9	25.1	235	20.9
EBIT	**1,875**	**2,129**	**1,924**	**2.6**	**(9.6)**	**2,216**	**(13.2)**
EBIT Margin (%)	**13.5**	**14.7**	**12.8**	**(78)**	**(192)**	**14.6**	
Finance Costs	36	25	35	(2.8)	40.0	20	75.0
Other Income (net)	567	650	573	1.1	(11.8)	436	31.5
Profit Before Tax	2,406	2,754	2,462	2.3	(10.6)	2,632	(6.5)
Provision for Taxation - Current & Deferred	586	653	624	6.5	(4.4)	671	(7.0)
Effective Tax Rate (%)	24.4	23.7	25.3			25.5	
Net Profit	1,820	2,101	1,838	1.0	(12.5)	1,961	(6.3)
Minority Share of Net Profit	-	-	-			-	
PAT attributable to equity shareholders after Minority Interest	**1,820**	**2,101**	**1,838**	**1.0**	**(12.5)**	**1,961**	**(6.3)**
NPM (%)	**13.1**	**14.5**	**12.2**			**12.9**	

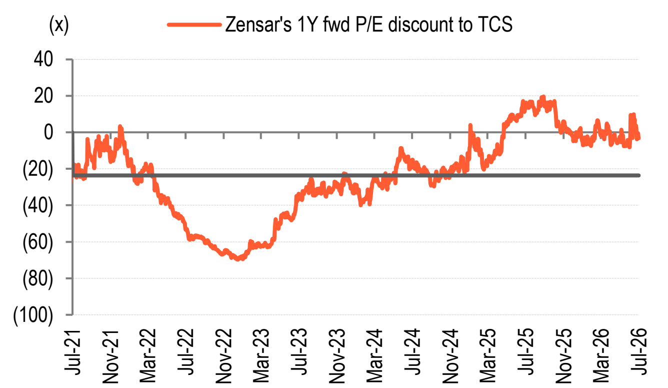
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Company, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Company, BOBCAPS Research

Fig 4 – Revised Estimates

Zensar	New			Old			Change (%)		
Change in estimates	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.0	96.1	97.1	95.1	96.1	97.1	(0.1)	-	-
USD Revenue (USD mn)	656	680	702	657	681	703	(0.2)	(0.1)	(0.1)
USD revenue growth (%)	1.9	3.7	3.3	2.1	3.6	3.3			
Revenue (Rsmn)	62,344	65,339	68,194	62,476	65,407	68,265	(0.2)	(0.1)	(0.1)
EBIT (Rsmn)	7,963	8,747	9,289	8,755	9,027	9,430	(9.1)	(3.1)	(1.5)
EBIT Margin (%)	12.8	13.4	13.6	14.0	13.8	13.8			
PAT (Rsmn)	7,587	8,210	8,939	7,880	8,356	9,100	(3.7)	(1.8)	(1.8)
FDEPS (Rs)	33.4	36.2	39.4	34.8	36.9	40.1	(4.0)	(1.7)	(1.7)

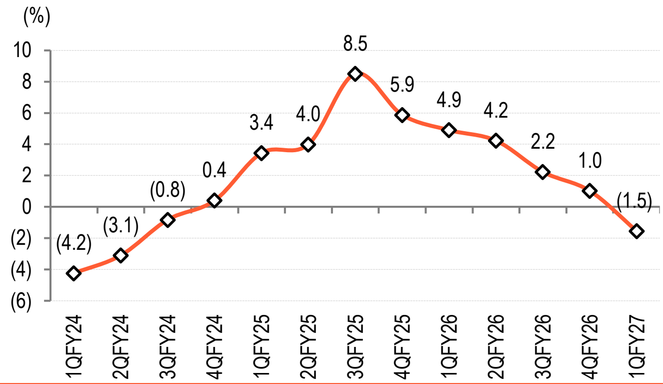
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	67.1	64.4	70.0	70.9	74.3	74.5	80.2	82.8	84.6	88.3	95.0	96.1	97.1
Net sales (US$mn)	**455.6**	**482.2**	**566.9**	**589.5**	**494.0**	**569.4**	**604.3**	**592.3**	**624.4**	**643.7**	**655.9**	**680.1**	**702.5**
-Growth (%)	**0.6**	**5.8**	**17.6**	**4.0**	**(16.2)**	**15.3**	**6.1**	**(2.0)**	**5.4**	**3.1**	**1.9**	**3.7**	**3.3**
Net Sales	30,556	31,077	39,663	41,768	36,682	42,437	48,483	49,018	52,806	56,874	62,344	65,339	68,194
-Growth (%)	3.1	1.7	27.6	5.3	(12.2)	15.7	14.2	1.1	7.7	7.7	9.6	4.8	4.4
Direct cost	21,603	22,068	28,286	30,159	24,417	29,214	35,000	33,434	37,111	38,657	44,086	45,693	47,546
Gross Profit	8,953	9,009	11,377	11,608	12,264	13,222	13,483	15,584	15,695	18,217	18,259	19,645	20,647
Gross Margin (%)	29.3	29.0	28.7	27.8	33.4	31.2	27.8	31.8	29.7	32.0	29.3	30.1	30.3
SGA Expenses	5,135	5,360	6,611	6,482	5,423	6,659	7,960	6,868	7,529	9,055	9,269	9,799	10,135
% of sales	16.8	17.2	16.7	15.5	14.8	15.7	16.4	14.0	14.3	15.9	14.9	15.0	14.9
Other operating income	48	79	162	2	-	-	-	-	-	-	-	-	-
EBITDA	3,866	3,728	4,928	5,128	6,841	6,564	5,523	8,716	8,166	9,162	8,990	9,846	10,512
% of sales	12.7	12.0	12.4	12.3	18.7	15.5	11.4	17.8	15.5	16.1	14.4	15.1	15.4
Depreciation & Amortisation	486	651	894	1,592	1,733	1,849	1,830	1,338	1,019	913	1,027	1,099	1,223
% of sales	1.6	2.1	2.3	3.8	4.7	4.4	3.8	2.7	1.9	1.6	1.6	1.7	1.8
EBIT	**3,381**	**3,078**	**4,034**	**3,536**	**5,109**	**4,715**	**3,693**	**7,378**	**7,147**	**8,249**	**7,963**	**8,747**	**9,289**
% of sales	**11.1**	**9.9**	**10.2**	**8.5**	**13.9**	**11.1**	**7.6**	**15.1**	**13.5**	**14.5**	**12.8**	**13.4**	**13.6**
Other income (net)	105	438	420	279	(281)	1,023	750	1,379	1,429	2,217	2,200	2,250	2,685
PBT	3,486	3,515	4,454	3,815	4,828	5,738	4,443	8,757	8,577	10,466	10,162	10,997	11,974
-PBT margin (%)	11.4	11.3	11.2	9.1	13.2	13.5	9.2	17.9	16.2	18.4	16.3	16.8	17.6
Provision for tax	1,103	1,051	1,267	1,057	1,262	1,525	1,166	2,107	2,079	2,471	2,576	2,787	3,035
Effective tax rate (%)	31.6	29.9	28.5	27.7	26.1	26.6	26.2	24.1	24.2	23.6	25.3	25.3	25.3
Net profit	2,383	2,464	3,186	2,758	3,566	4,213	3,277	6,650	6,498	7,995	7,587	8,210	8,939
Minority Interest	35	50	51	82	70	53	0	0	0	0	0	0	0
Net reported profit	**2,348**	**2,414**	**3,136**	**2,676**	**3,497**	**4,161**	**3,277**	**6,650**	**6,498**	**7,995**	**7,587**	**8,210**	**8,939**
-Growth (%)	**(24.0)**	**2.8**	**29.9**	**(14.7)**	**30.7**	**19.0**	**(21.2)**	**102.9**	**(2.3)**	**23.0**	**(5.1)**	**8.2**	**8.9**
-Net profit margin (%)	**7.7**	**7.8**	**7.9**	**6.4**	**9.5**	**9.8**	**6.8**	**13.6**	**12.3**	**14.1**	**12.2**	**12.6**	**13.1**

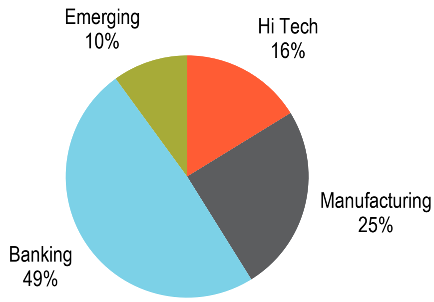
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth (YoY)



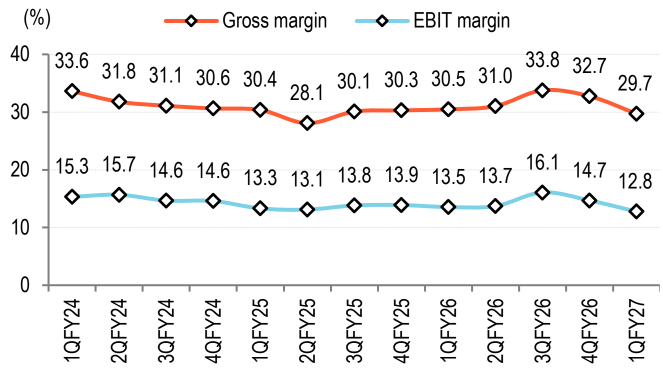
Source: Company, BOBCAPS Research

Fig 7 – Vertical mix for 1QFY27



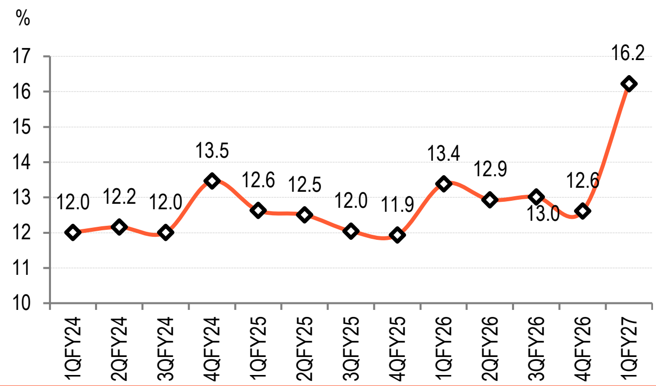
Source: Company, BOBCAPS Research

Fig 8 – Gross Margin and EBIT Margin



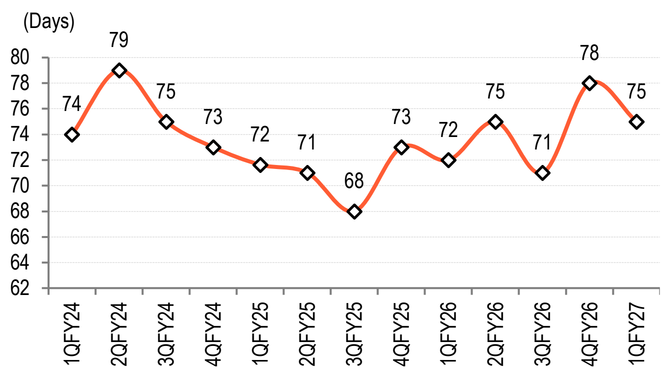
Source: Company, BOBCAPS Research

Fig 9 – Subcontracting charges (as % of revenue)



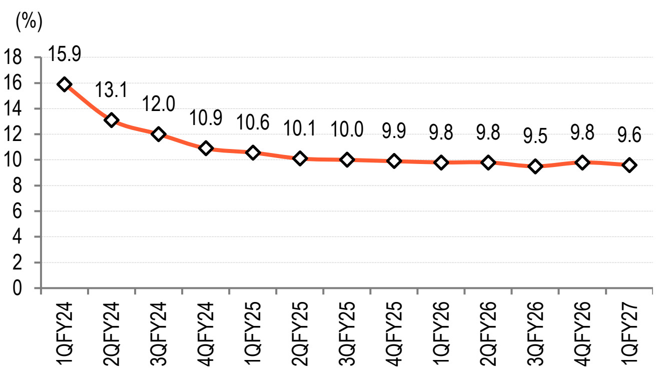
Source: Company, BOBCAPS Research

Fig 10 – DSO trend



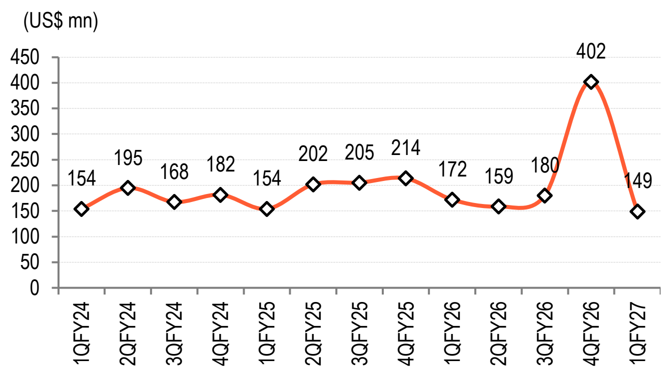
Source: Company, BOBCAPS Research

Fig 11 – Attrition trend



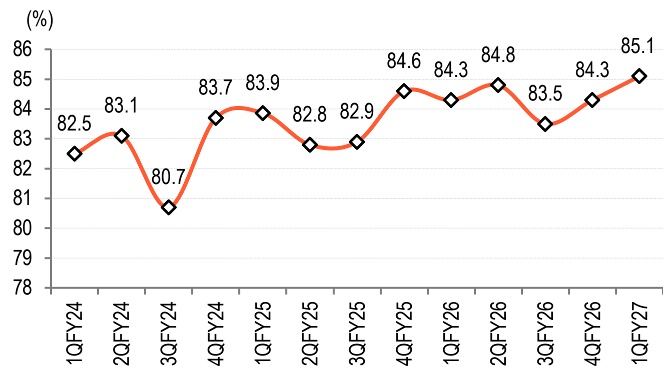
Source: Company, BOBCAPS Research

Fig 12 – TCV trend



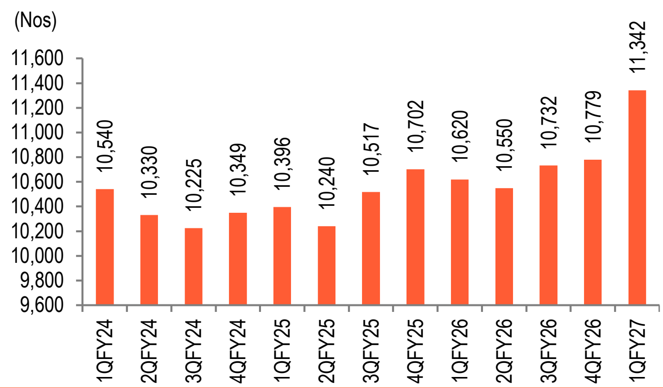
Source: Company, BOBCAPS Research

Fig 13 – Utilization (%) – excluding trainees



Source: Company, BOBCAPS Research

Fig 14 – No. of employees



Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
INR/USD	82.20	82.61	83.21	83.03	83.40	83.70	84.40	86.70	85.50	87.20	89.10	91.40	94.50
Revenue (in USDmn)	149	150	145	148	154	156	157	157	162	163	161	158	160
(Rsmn)													
Revenue	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213	14,307	14,504	15,083
Gross margin	4,126	3,945	3,745	3,768	3,913	3,674	3,990	4,118	4,223	4,412	4,832	4,750	4,483
SGA	1,825	1,637	1,669	1,738	1,952	1,663	1,921	1,993	2,117	2,212	2,332	2,394	2,275
EBITDA	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200	2,500	2,356	2,208
Depreciation and Amortisation	423	366	312	237	247	297	237	238	231	252	203	227	284
EBIT	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948	2,297	2,129	1,924
Forex gain/loss	5	-	60	(60)	(19)	(181)	(109)	(50)	89	80	29	72	37
Other income	279	363	360	581	444	592	416	510	478	411	601	578	536
Interest	60	57	64	28	42	45	37	49	36	37	23	25	35
PBT	2,102	2,248	2,120	2,286	2,097	2,080	2,102	2,298	2,406	2,402	2,650	2,759	2,462
Tax	540	510	504	553	518	522	505	534	586	580	652	653	624
PAT	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822	1,998	2,106	1,838
EPS	6.90	7.67	7.13	7.65	6.96	6.88	7.04	7.77	8.01	8.02	8.80	9.29	8.11
YoY Growth													
USD Revenue	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2	2.2	1.0	(1.5)
INR Revenues	2.0	0.5	0.5	1.4	5.0	5.4	10.1	10.5	7.5	8.7	7.9	6.7	8.9
Gross profit	28.7	26.1	14.3	(2.7)	(5.2)	(6.9)	6.5	9.3	7.9	20.1	21.1	15.3	6.2
EBIT	115.6	245.6	107.0	27.3	(8.7)	(11.7)	3.9	5.2	9.4	13.7	25.4	12.8	2.6
Net profit	108.0	206.0	111.2	45.3	1.1	(10.4)	(1.2)	1.8	15.3	16.9	25.1	19.4	1.0
QoQ Growth													
USD Revenues	1.2	0.6	(3.7)	2.3	4.3	1.1	0.5	(0.1)	3.3	0.5	(1.4)	(1.3)	0.7
INR Revenues	1.2	1.1	(3.0)	2.1	4.7	1.5	1.3	2.5	1.9	2.6	0.7	1.4	4.0
EBIT	33.4	3.4	(9.2)	1.6	(4.4)	(0.0)	6.9	3.0	(0.6)	3.9	17.9	(7.3)	(9.6)
Net profit	30.9	11.3	(7.0)	7.2	(8.9)	(1.3)	2.5	10.5	3.2	0.1	9.7	5.4	(12.7)
Margins (%)													
Gross margin	33.6	31.8	31.1	30.6	30.4	28.1	30.1	30.3	30.5	31.0	33.8	32.7	29.7
EBITDA	18.8	18.6	17.2	16.5	15.2	15.4	15.6	15.6	15.2	15.5	17.5	16.2	14.6
EBIT	15.3	15.7	14.6	14.6	13.3	13.1	13.8	13.9	13.5	13.7	16.1	14.7	12.8
PAT	12.7	14.0	13.4	14.1	12.3	11.9	12.0	13.0	13.1	12.8	14.0	14.5	12.2
SGA	14.9	13.2	13.9	14.1	15.2	12.7	14.5	14.7	15.3	15.6	16.3	16.5	15.1

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Revenue (USD mn)	149	150	145	148	154	156	157	157	162	163	161	158	160
P and L (Rs mn)													
Revenue	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213	14,307	14,504	15,083
EBITDA	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200	2,500	2,356	2,208
EBIT	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948	2,297	2,129	1,924
PAT	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822	1,998	2,106	1,838
Vertical Mix (%)													
Hi Tech	26.2	27.2	25.9	25.5	24.7	22.4	21.4	21.7	22.3	20.0	18.5	18.1	16.2
Manufacturing	12.4	25.9	26.1	26.3	25.8	26.2	27.7	26.7	25.3	25.2	26.4	25.8	24.9
Banking	17.7	37.3	38.6	38.7	39.7	40.9	40.1	41.0	41.5	43.6	44.0	45.6	48.8
Emerging	6.7	9.6	9.4	9.5	9.8	10.5	10.8	10.6	10.8	11.2	11.1	10.5	10.0
Healthcare & Life Sciences	20.9	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	16.1	-	-	-	-	-	-	-	-	-	-	-	-
Geographical Mix (%)													
US	69.4	66.1	66.0	67.2	68.7	67.6	67.3	67.4	68.3	66.6	65.5	65.3	66.2
Europe	19.2	21.6	21.4	20.8	19.8	21.1	21.2	21.4	20.5	21.5	22.0	22.1	21.5
Africa	11.4	12.3	12.5	12.0	11.5	11.3	11.5	11.2	11.2	11.9	12.4	12.7	12.3
Service offering Mix (%)													
Digital services	56.8	56.2	54.4	55.6	55.7	55.5	54.4	55.0	53.0	53.6	52.5	51.3	50.8
Core Application Services	24.9	25.6	27.0	25.9	26.0	24.3	25.0	24.3	25.9	24.3	25.2	25.5	26.6
Cloud, Digital Led next gen CIS	18.3	18.2	18.5	18.4	18.3	20.3	20.5	20.7	21.1	22.2	22.2	23.2	22.6
Core Infrastructure Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Mix (%)													
Onsite	52.0	50.9	50.4	50.0	51.4	49.7	49.5	49.0	47.4	45.8	45.5	46.2	46.5
Offshore	48.0	49.1	49.6	50.0	48.6	50.3	50.5	51.0	32.6	54.2	54.5	53.8	53.5
IT Utilization (%) (excluding trainees)	82.5	83.1	80.7	83.7	83.9	82.8	82.9	84.6	84.3	84.8	83.5	84.3	85.1
Clients Concentration (%)													
Top 5 Clients	34.0	31.5	29.2	28.3	28.3	28.1	27.5	27.6	27.2	27.0	25.5	24.3	24.7
Top 10 Clients	45.2	42.2	40.6	40.8	42.1	42.0	41.0	40.8	41.4	40.5	39.1	38.0	38.9
Top 20 Clients	61.7	48.3	57.5	57.2	58.7	58.4	56.8	55.8	57.6	57.1	56.5	56.0	56.6
Number of Client													
1 USD mn +	87.0	84.0	84.0	85.0	85.0	86.0	87.0	84.0	82.0	84.0	85.0	83.0	89.0
5 USD mn +	29.0	29.0	32.0	31.0	31.0	32.0	34.0	33.0	32.0	32.0	31.0	32.0	32.0
10 USD mn +	14.0	14.0	14.0	14.0	14.0	15.0	14.0	14.0	16.0	15.0	15.0	15.0	19.0
20 USD mn +	4.0	4.0	4.0	4.0	4.0	4.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
Employees	10,540.0	10,330.0	10,225.0	10,349.0	10,396.0	10,240.0	10,517.0	10,702.0	10,620.0	10,550.0	10,732.0	10,779.0	11,342.0
TTM Attrition (%)	15.9	13.1	12.0	10.9	10.6	10.1	10.0	9.9	9.8	9.8	9.5	9.8	9.6

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Company	1.2	0.6	(3.7)	2.3	4.3	1.1	0.5	(0.1)	3.3	0.5	(1.4)	(1.3)	0.7
Service Offering													
Digital services	(2.1)	(0.5)	(6.7)	4.6	4.4	0.8	(1.5)	1.0	(0.4)	1.6	(3.4)	(3.6)	(0.3)
Core Application Services	5.5	3.4	1.6	(1.8)	4.7	(5.5)	3.4	(2.9)	10.1	(5.7)	2.2	(0.1)	5.0
Cloud, Digital Led next gen CIS	45.9	0.1	(2.1)	1.8	3.7	12.2	1.5	0.8	5.3	5.7	(1.4)	3.1	(1.9)
Core Infrastructure Services	-	-	-	-	-	-	-						
Industry													
Hi Tech	(3.9)	4.4	(8.3)	0.8	1.1	(8.4)	(4.0)	1.3	6.2	(9.9)	(8.8)	(3.4)	(9.9)
Manufacturing	(1.2)	110.1	(2.9)	3.1	2.3	2.7	6.3	(3.7)	(2.1)	0.1	3.3	(3.6)	(2.8)
Retail and Consumer services	9.6	-	-	-	-	-	-						
Insurance	(4.1)	-	-	-	-	-	-						
Banking	11.3	112.0	(0.3)	2.6	7.0	4.2	(1.5)	2.1	4.6	5.6	(0.5)	2.3	7.8
Healthcare & Life Sciences	(7.1)	44.1	(5.7)	3.4	7.1	8.9	3.4	(2.0)	5.3	4.2	(2.3)	(6.6)	(4.1)
Geography													
US	(0.1)	(4.2)	(3.8)	4.2	6.6	(0.5)	0.1	0.0	4.7	(2.0)	(3.0)	(1.6)	2.1
Europe	7.4	13.2	(4.6)	(0.5)	(0.7)	7.8	1.0	0.8	(1.0)	5.4	0.9	(0.9)	(2.0)
Africa	(0.5)	8.5	(2.1)	(1.7)	(0.2)	(0.5)	2.3	(2.7)	3.3	6.8	2.7	1.1	(2.5)
Client Concentration													
Top 5	0.3	(6.8)	(10.7)	(0.8)	4.4	0.3	(1.6)	0.2	1.8	(0.2)	(6.9)	(6.0)	2.4
Top 10	(0.8)	(6.1)	(7.3)	2.9	7.5	1.0	(1.9)	(0.6)	4.8	(1.7)	(4.8)	(4.1)	3.1
Top 20	1.7	(21.2)	14.7	1.8	7.0	0.6	(2.2)	(1.9)	6.6	(0.4)	(2.4)	(2.2)	1.8
YoY Growth (%)													
Company	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2	2.2	1.0	(1.5)
Service Offering													
Digital services	(6.9)	(5.6)	(7.9)	(4.9)	1.4	2.7	8.5	4.7	(0.1)	0.7	(1.3)	(5.8)	(5.6)
Core Application Services	0.6	11.2	21.7	8.8	8.0	(1.3)	0.5	(0.7)	4.5	4.2	3.0	6.0	1.1
Cloud, Digital Led next gen CIS	47.3	47.0	34.9	45.5	3.4	16.0	20.2	19.1	20.9	14.0	10.7	13.2	5.5
Core Infrastructure Services	-	-	-	-	-	-	-						
Industry													
Hi Tech	(8.4)	2.6	(0.8)	(7.2)	(2.4)	(14.4)	(10.4)	(9.9)	(5.4)	(6.9)	(11.6)	(15.7)	(28.5)
Manufacturing	(10.0)	102.4	112.2	107.9	115.3	5.2	15.2	7.5	2.8	0.2	(2.6)	(2.4)	(3.1)
Retail and Consumer services	6.5	-	-	-	-	-	-						
Insurance	(6.6)	-	-	-	-	-	-						
Banking	1.5	106.5	108.1	141.4	132.1	14.0	12.7	12.2	9.6	11.1	12.2	12.4	15.8
Healthcare & Life Sciences	(14.4)	(5.1)	18.0	30.7	50.6	13.7	24.7	18.1	16.1	11.2	5.1	0.1	(8.8)
Geography													
US	(6.3)	(10.5)	(6.5)	(4.0)	2.4	6.4	10.6	6.2	4.3	2.7	(0.5)	(2.1)	(4.6)
Europe	1.6	20.3	13.5	15.4	6.7	1.6	7.5	8.9	8.6	6.2	6.1	4.3	3.3
Africa	(0.8)	8.4	9.7	3.9	4.2	(4.5)	(0.2)	(1.2)	2.3	9.8	10.2	14.5	8.1
Client Concentration													
Top 5	(2.2)	(11.8)	(9.2)	(17.2)	(13.8)	(7.2)	2.2	3.3	0.7	0.1	(5.2)	(11.1)	(10.6)
Top 10	(4.2)	(10.1)	(9.9)	(11.1)	(3.7)	3.5	9.6	5.9	3.2	0.5	(2.5)	(5.9)	(7.5)
Top 20	(3.5)	(22.9)	(7.0)	(6.5)	(1.6)	25.7	7.2	3.3	2.9	1.9	1.7	1.4	(3.3)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**52,806**	**56,874**	**62,344**	**65,339**	**68,194**
EBITDA	8,166	9,162	8,990	9,846	10,512
Depreciation	1,019	913	1,027	1,099	1,223
EBIT	7,147	8,249	7,963	8,747	9,289
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	1,429	2,217	2,200	2,250	2,685
Exceptional items	0	0	0	0	0
EBT	8,577	10,466	10,162	10,997	11,974
Income taxes	2,079	2,471	2,576	2,787	3,035
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**6,498**	**7,995**	**7,587**	**8,210**	**8,939**
Adjustments	0	0	0	0	0
Adjusted net profit	**6,498**	**7,995**	**7,587**	**8,210**	**8,939**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,454	3,674	4,080	4,185	4,400
Other current liabilities	5,385	7,826	8,153	8,237	8,410
Provisions	53	59	59	59	59
Debt funds	0	0	0	0	0
Other liabilities	3,239	3,184	3,184	3,184	3,184
Equity capital	454	453	453	453	453
Reserves & surplus	39,144	45,639	49,962	54,455	59,451
Shareholders' fund	39,598	46,092	50,415	54,908	59,904
Total liab. and equities	**51,729**	**60,835**	**65,891**	**70,573**	**75,956**
Cash and cash eq.	7,436	9,315	10,328	12,530	15,109
Accounts receivables	7,901	9,242	10,264	10,527	11,068
Inventories	0	0	0	0	0
Other current assets	5,272	5,352	5,532	5,579	5,674
Investments	12,537	16,594	19,094	21,094	23,094
Net fixed assets	908	1,051	1,393	1,562	1,731
CWIP	6	10	10	10	10
Intangible assets	9,819	10,508	10,508	10,508	10,508
Deferred tax assets, net	1,079	1,101	1,101	1,101	1,101
Other assets	6,771	7,662	7,662	7,662	7,662
Total assets	**51,729**	**60,835**	**65,891**	**70,573**	**75,956**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**7,240**	**9,999**	**8,248**	**9,328**	**10,054**
Capital expenditures	2,335	1,440	1,369	1,268	1,392
Change in investments	6,031	4,057	2,500	2,000	2,000
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**3,696**	**2,617**	**1,131**	**732**	**608**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(2,951)	(3,400)	(3,264)	(3,717)	(3,943)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(2,951)**	**(3,400)**	**(3,264)**	**(3,717)**	**(3,943)**
Chg in cash & cash eq.	**195**	**1,879**	**1,013**	**2,203**	**2,578**
Closing cash & cash eq.	**7,436**	**9,315**	**10,328**	**12,530**	**15,109**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	28.7	34.1	33.5	36.2	39.4
Adjusted EPS	28.4	33.7	33.4	36.2	39.4
Dividend per share	13.0	15.0	14.4	16.4	17.4
Book value per share	174.4	203.3	222.5	242.3	264.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.4	2.2	2.1	2.0	1.9
EV/EBITDA	15.4	13.8	14.2	13.2	12.5
Adjusted P/E	18.3	15.5	15.6	14.4	13.2
P/BV	3.0	2.6	2.3	2.2	2.0

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.8	76.4	74.7	74.7	0.0
Interest burden (PBT/EBIT)	120.0	126.9	127.6	125.7	0.0
EBIT margin (EBIT/Revenue)	13.5	14.5	12.8	13.4	0.0
Asset turnover (Rev./Avg TA)	107.5	101.1	98.4	95.8	0.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	0.0
Adjusted ROAE	17.5	18.7	15.7	15.6	0.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	7.7	7.7	9.6	4.8	4.4
EBITDA	(6.3)	12.2	(1.9)	9.5	6.8
Adjusted EPS	(2.5)	18.6	(0.9)	8.6	8.9
Profitability & Return ratios (%)					
EBITDA margin	15.5	16.1	14.4	15.1	15.4
EBIT margin	13.5	14.5	12.8	13.4	13.6
Adjusted profit margin	12.3	14.1	12.2	12.6	13.1
Adjusted ROAE	17.5	18.7	15.7	15.6	15.6
ROCE	13.4	13.7	11.5	11.7	11.4
Working capital days (days)					
Receivables	55	59	60	59	59
Inventory	NA	NA	NA	NA	NA
Payables	24	23	24	23	23
Ratios (x)					
Gross asset turnover	58.2	54.1	44.8	41.8	39.4
Current ratio	3.7	3.5	3.7	4.0	4.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

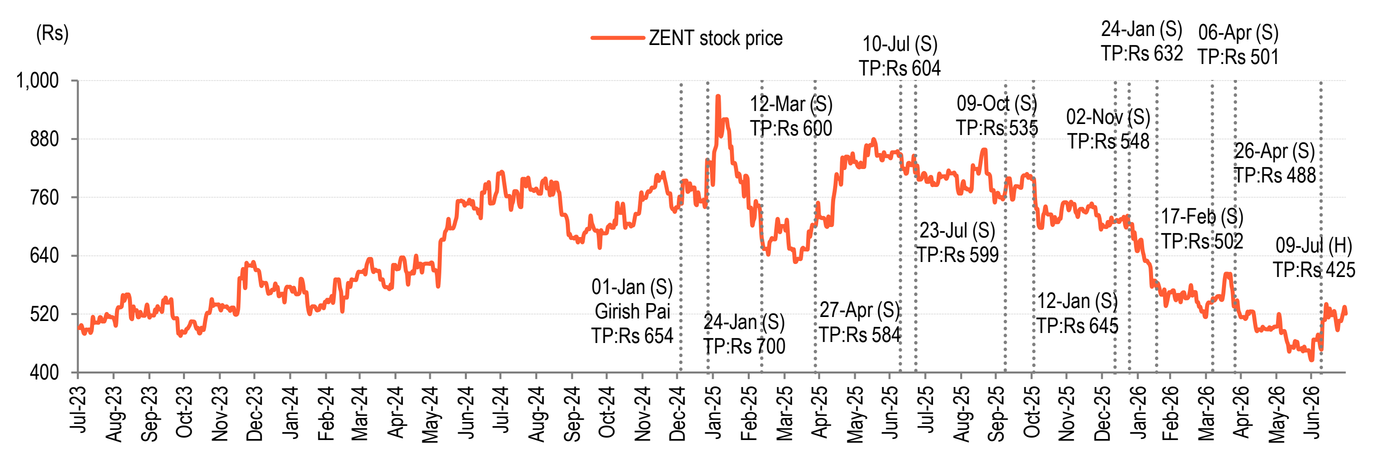
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ZENSAR TECHNOLOGIES (ZENT IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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