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SELL
TP: Rs 548 | ⩔ 31%

ZENSAR TECHNOLOGIES | IT Services | 02 November 2025

Growth laggard within our Tier-2 set

- **The second successive quarter of <US$200mn TCV presages weak growth ahead. TMT vertical (20% of Rev in 2QFY26) is a big drag**
- **From a double-digit growth aspiration, Zensar is unwilling to say if FY26 is going to be a better year. Suspect underinvestment for its size**
- **Cut USD revenue estimate but raise EPS on better non-operating items. Retain target multiple 15.2x (20% disc to TCS) and Sell rating**

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2QFY26 was weak but broadly in line: The flat revenue QoQ was broadly in line with our estimate though margin came a tad better. TCV came in at ~US$159mn, the second successive quarter below US$200mn and the second weakest number in the last 9 quarters as Zensar says deals were pushed out into the future.

TMT vertical's 10% QoQ decline hurt: ZENT Believes that this is a structural change in spending by the Tech industry into capex versus Opex. Says it has felt it now as much of its work is discretionary and therefore front loaded. It is of the view that some others in the industry may feel the pressure with a lag. Ex- TMT the growth would have likely been ~4% on a QoQ basis. At 20% exposure in 2QFY26 (though lower than the peak of 27% in the last 9 quarters) it still is largish. We are not very sure that the worst is over on this front.

We believe the margin increase should have been more calibrated, and more investment should have gone unto capability build out on the AI side. Under the new CEO, margins improved rather quickly from 4.6% (EBIT level) in 2QFY23 (a quarter before the current CEO was hired in Jan 2023) to 13.7% in 2QFY26. We suspect Zensar underinvested in AI related platform and capability building which is very critical to not only handle cost optimization work but also get discretionary work.

Unlikely to be in leader's quadrant by FY27: When the current CEO stepped in, he aspired ZENT to move up one quadrant a year at a time from a revenue growth standpoint to the leaders quadrant in year 4(FY27). FY24 being the first year, it was at the bottom most quadrant – on revenue growth- but focused on getting margins to peer matching levels. That happened rather quickly in FY24. Getting into the leader's quadrant by FY27 would require buildup of both sales and delivery muscle and significant capabilities in efficiency-based projects. ZENT is yet to generate confidence in us to get to the leader's quadrant in growth by FY27 (which will largely be dominated by better performing Tier-2 companies) and hence our 20% discount to the target PE of industry benchmark TCS and retention of the SELL rating. We have broadly maintained our estimates for FY27/FY28 at the operating level. Higher other income leads to increase of EPS by a tad.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	ZENT IN/Rs 798
Market cap	US$ 2.0bn
Free float	50%
3M ADV	US$ 3.7mn
52wk high/low	Rs 985/Rs 536
Promoter/FPI/DII	49%/13%/22%

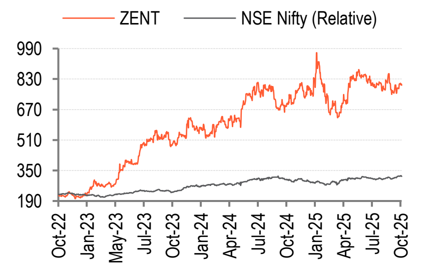
Source: NSE | Price as of 31 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	52,806	56,778	61,578
EBITDA (Rs mn)	8,166	8,903	9,812
Adj. net profit (Rs mn)	6,498	7,412	7,745
Adj. EPS (Rs)	28.4	32.4	34.1
Consensus EPS (Rs)	28.4	31.3	36.0
Adj. ROAE (%)	17.5	18.2	17.6
Adj. P/E (x)	28.1	24.6	23.4
EV/EBITDA (x)	23.1	21.2	19.3
Adj. EPS growth (%)	(2.5)	14.3	5.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$162.8mn, showing no growth on a sequential basis (broadly in line) and growing 3.4% YoY in CC terms
  - Vertical-wise QoQ growth (CC terms): TMT: -10.2%; Manufacturing & Consumer Services: -0.6%; Banking & Financial Services: 4.8%; Healthcare & Life Sciences: 3.9%
- EBIT Margin stood at 13.7%, growing ~17bps QoQ and ~60 bps YoY. It was better than our expectation of 13.2%
  - Salary increases (one-time bonuses and annual appraisals), amounting to ~US$3.2mn came as a headwind. Offsets to this headwind came from: Higher utilisation, improved shore mix (higher offshore delivery), targeted cost control initiatives and forex
  - The company did not provide the exact contribution of each element to the tailwinds that offset the salary headwind. But we suspect that lower subcontracting and higher utilization were key components. Along with a possible large contribution from INR depreciation.
- Order inflow TCV at US$158.7mn, declined ~8% QoQ and ~21% YoY. Second successive quarter of TCV below US$200mn that it had clocked between 2QFY25-4QFY25. This does not bode well for forward growth. Deal TCV was impacted by slower renewals and Europe's summer vacation related decision deferrals.
- Headcount stood at 10,550 (down modestly QoQ)
- Utilization stood at 84.8%, growing 50 bps QoQ and 200 bps YoY
- Attrition stood at 9.8%
- Demand Environment
  - Macro environment remained largely unchanged with evolving US trade and visa policies posing challenges
  - Cost optimization, productivity programs, cloud modernization, cybersecurity, and generative AI initiatives gained traction
  - Clients increasingly focused on vendor consolidation and outcome-based engagements, driving selective deal momentum
- The company is seeing growth in the US, UK, and Europe. Positive momentum also noted in South Africa
- Weakness in TMT vertical driven by secular trend of increased CapEx spending on GPUs and data centers. Shift of client spending from OpEx to CapEx causing reduced operational spending in technology space
- Company said that their exposure to TMT sector has been reducing gradually, mitigating overall business impact. Overall strategy focuses on offsetting TMT weakness with growth in other verticals.

- Management remains positive on business outlook excluding TMT headwinds
- Deal wins during the quarter were soft, primarily due to timing issues rather than structural weakness
  - Certain deals were deferred to the next quarter because of market uncertainty linked to Liberation Day tariffs and related macro factors
  - Quarter seasonally weaker for renewals, as most renewals occur in 4Q or 1Q
  - European market activity was slower in the quarter due to summer seasonality
  - Management does not view the temporary softness in deal closures as a concern and expects recovery in subsequent quarters
- AI-influenced bookings increased from 21% last quarter to 28% of order bookings in Q2 FY26. AI-influenced refers to orders where Zensar led with AI-infused solutions.
  - Client traction is strong across multiple dimensions: Connected Intelligence framework helps clients leverage their data and build applications; Agents associated with legacy modernization are finding significant traction with clients; Industry-specific agents are being used for fraud detection, automation of testing, and other domain-specific use cases
- Client conversations are currently dominated by AI. Clients are focused on leveraging AI to drive productivity
- Upcoming changes in H1B rules are not expected to significantly impact operations due to low dependence. Less than 3% of the total workforce is on H1B visas
- 3Q expected to be seasonally weak due to furloughs. Furlough impact expected to be lower than usual due to reduced exposure to TMT sector

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 that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBB), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the 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 those who have lower bargaining power – the 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 compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

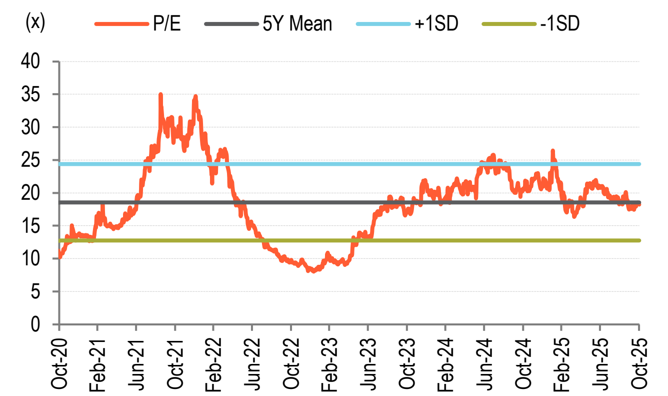
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	2QFY26E	Deviation (%)
Net Sales (USD mn)	**156.2**	**162.0**	**162.8**	**4.2**	**0.5**	**163.6**	**(0.5)**
Net Sales	**13,080**	**13,850**	**14,213**	**8.7**	**2.6**	**14,219**	**0.0**
Direct Cost	9,406	9,627	9,801	4.2	1.8	9,839	(0.4)
Gross Profit	3,674	4,223	4,412	20.1	4.5	4,380	0.7
% of Sales	28.1	30.5	31.0			30.8	
SG&A	1,663	2,117	2,212	33.0	4.5	2,265	(2.3)
% of Sales	12.7	15.3	15.6			15.9	
EBITDA	2,011	2,106	2,200	9.4	4.5	2,115	4.0
EBITDA Margin (%)	15.4	15.2	15.5			14.9	4.1
Depreciation	297	231	252	(15.2)	9.1	240	5.0
EBIT	**1,714**	**1,875**	**1,948**	**13.7**	**3.9**	**1,875**	**3.9**
EBIT Margin (%)	**13.1**	**13.5**	**13.7**			**13.2**	
Finance Costs	45	36	37	(17.8)	2.8	36	2.8
Other Income (net)	411	567	491	19.5	(13.4)	216	127.3
Profit Before Tax	2,080	2,406	2,402	15.5	(0.2)	2,055	16.9
Provision for Taxation - Current & Deferred	522	586	580	11.1	(1.0)	500	15.9
Effective Tax Rate	25.1	24.4	24.1			24.4	
Net Profit	1,558	1,820	1,822	16.9	0.1	1,554	17.2
Minority Share of Net Profit	**-**	**-**	**-**			**-**	
PAT attributable to equity shareholders after Minority Interest	**1,558**	**1,820**	**1,822**	**16.9**	**0.1**	**1,554**	**17.2**
NPM (%)	**11.9**	**13.1**	**12.8**			**10.9**	

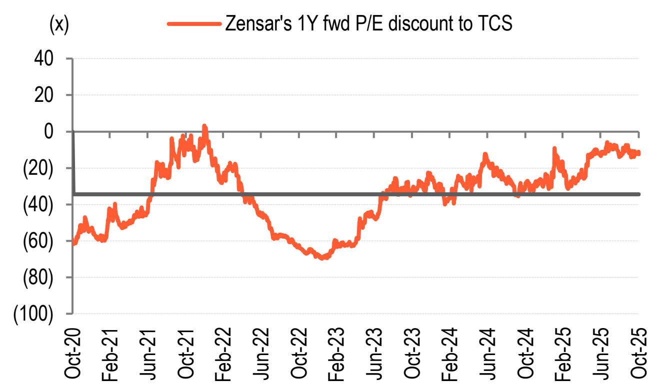
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

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Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.2	89.3	91.1	87.0	89.3	91.1	(0.9)	-	-
USD Revenue (USD mn)	652	690	742	659	704	757	(1.0)	(2.0)	(2.0)
USD revenue growth (%)	4.4	5.8	7.5	5.5	6.9	7.5			
Revenue (Rs mn)	56,778	61,578	67,536	57,289	62,815	68,893	(0.9)	(2.0)	(2.0)
EBIT (Rs mn)	7,850	8,554	9,420	7,964	8,739	9,574	(1.4)	(2.1)	(1.6)
EBIT Margin (%)	13.8	13.9	13.9	13.9	13.9	13.9			
PAT (Rs mn)	7,412	7,745	8,638	6,844	7,573	8,432	8.3	2.3	2.4
FDEPS (Rs)	32.4	34.1	38.0	30.0	33.3	37.1	8.0	2.3	2.5

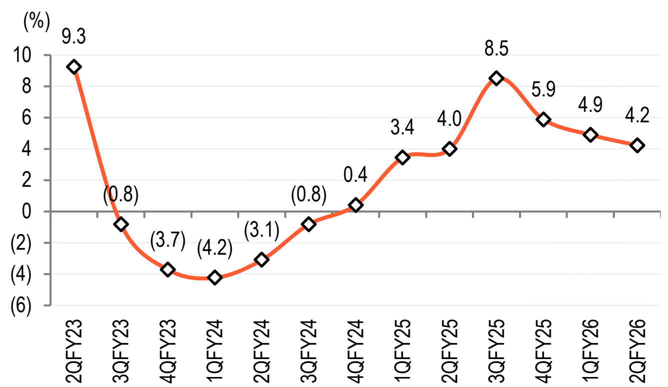
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

Rs mn (YE March)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	67.1	64.4	70.0	70.9	74.3	74.5	80.2	82.8	84.6	86.2	89.3	91.1
Net sales (US$mn)	**455.6**	**482.2**	**566.9**	**589.5**	**494.0**	**569.4**	**604.3**	**592.3**	**624.4**	**652.0**	**689.9**	**741.6**
-Growth (%)	**0.6**	**5.8**	**17.6**	**4.0**	**(16.2)**	**15.3**	**6.1**	**(2.0)**	**5.4**	**4.4**	**5.8**	**7.5**
Net Sales	30,556	31,077	39,663	41,768	36,682	42,437	48,483	49,018	52,806	56,778	61,578	67,536
-Growth (%)	3.1	1.7	27.6	5.3	(12.2)	15.7	14.2	1.1	7.7	7.5	8.5	9.7
Direct cost	21,603	22,068	28,286	30,159	24,417	29,214	35,000	33,434	37,111	39,089	41,655	45,630
Gross Profit	8,953	9,009	11,377	11,608	12,264	13,222	13,483	15,584	15,695	17,689	19,923	21,906
Gross Margin (%)	29.3	29.0	28.7	27.8	33.4	31.2	27.8	31.8	29.7	31.2	32.4	32.4
SGA Expenses	5,135	5,360	6,611	6,482	5,423	6,659	7,960	6,868	7,529	8,786	10,111	11,068
% of sales	16.8	17.2	16.7	15.5	14.8	15.7	16.4	14.0	14.3	15.5	16.4	16.4
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	8,903	9,812	10,838
% of sales	12.7	12.0	12.4	12.3	18.7	15.5	11.4	17.8	15.5	15.7	15.9	16.0
Depreciation & Amortisation	486	651	894	1,592	1,733	1,849	1,830	1,338	1,019	1,052	1,258	1,418
% of sales	1.6	2.1	2.3	3.8	4.7	4.4	3.8	2.7	1.9	1.9	2.0	2.1
EBIT	**3,381**	**3,078**	**4,034**	**3,536**	**5,109**	**4,715**	**3,693**	**7,378**	**7,147**	**7,850**	**8,554**	**9,420**
% of sales	**11.1**	**9.9**	**10.2**	**8.5**	**13.9**	**11.1**	**7.6**	**15.1**	**13.5**	**13.8**	**13.9**	**13.9**
Other income (net)	105	438	420	279	(281)	1,023	750	1,379	1,429	1,927	1,656	1,968
PBT	3,486	3,515	4,454	3,815	4,828	5,738	4,443	8,757	8,577	9,778	10,210	11,387
-PBT margin (%)	11.4	11.3	11.2	9.1	13.2	13.5	9.2	17.9	16.2	17.2	16.6	16.9
Provision for tax	1,103	1,051	1,267	1,057	1,262	1,525	1,166	2,107	2,079	2,366	2,465	2,750
Effective tax rate (%)	31.6	29.9	28.5	27.7	26.1	26.6	26.2	24.1	24.2	24.2	24.1	24.1
Net profit	2,383	2,464	3,186	2,758	3,566	4,213	3,277	6,650	6,498	7,412	7,745	8,638
Minority Interest	35	50	51	82	70	53	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**	**7,412**	**7,745**	**8,638**
-Growth (%)	**(24.0)**	**2.8**	**29.9**	**(14.7)**	**30.7**	**19.0**	**(21.2)**	**102.9**	**(2.3)**	**14.1**	**4.5**	**11.5**
-Net profit margin (%)	**7.7**	**7.8**	**7.9**	**6.4**	**9.5**	**9.8**	**6.8**	**13.6**	**12.3**	**13.1**	**12.6**	**12.8**

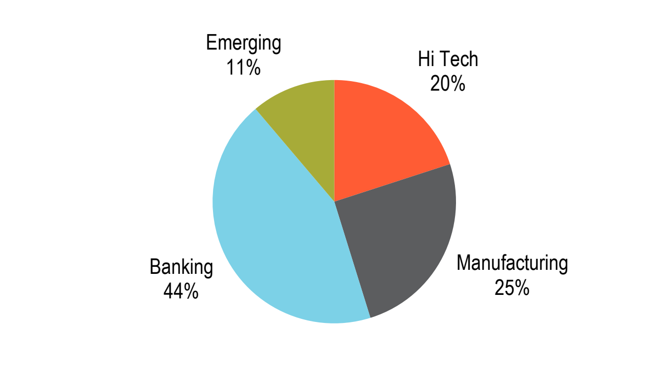
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth (YoY)



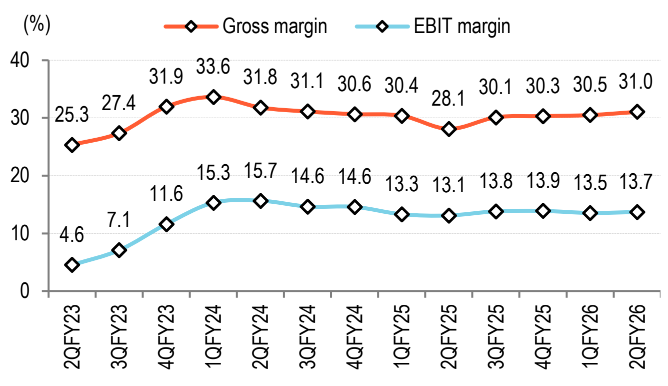
Source: Company, BOBCAPS Research

Fig 7 – Vertical mix for 2QFY26



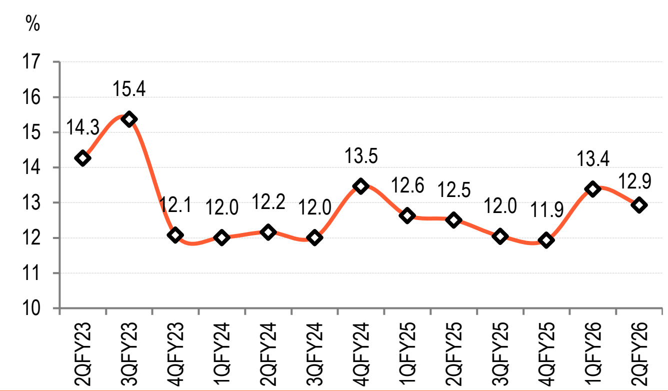
Source: Company, BOBCAPS Research

Fig 8 – Gross Margin and EBIT Margin



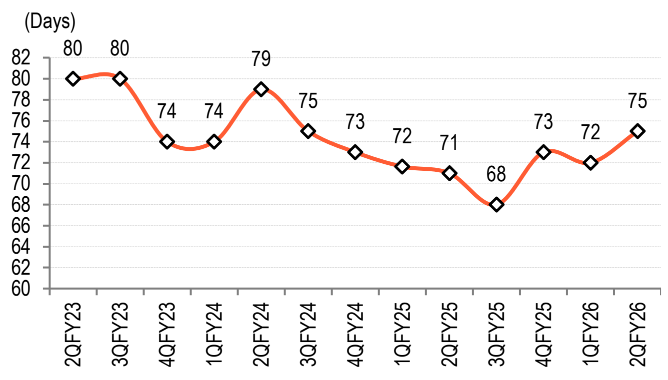
Source: Company, BOBCAPS Research

Fig 9 – Subcontracting charges (as % of revenue)



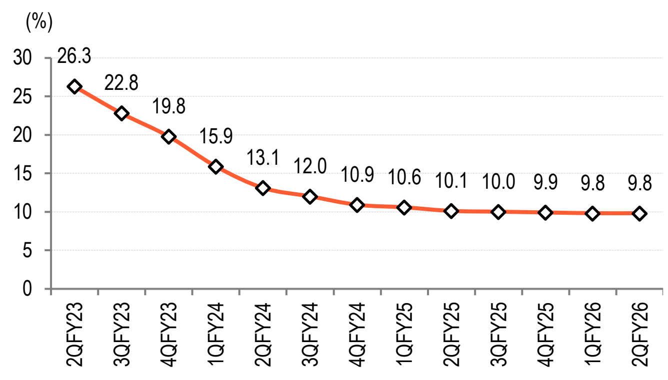
Source: Company, BOBCAPS Research

Fig 10 – DSO trend



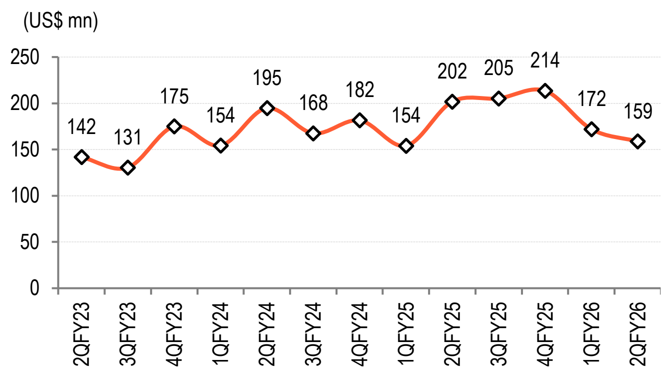
Source: Company, BOBCAPS Research

Fig 11 – Attrition trend



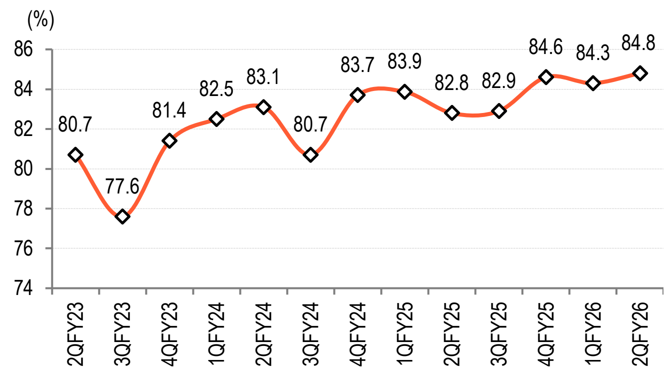
Source: Company, BOBCAPS Research

Fig 12 – TCV trend



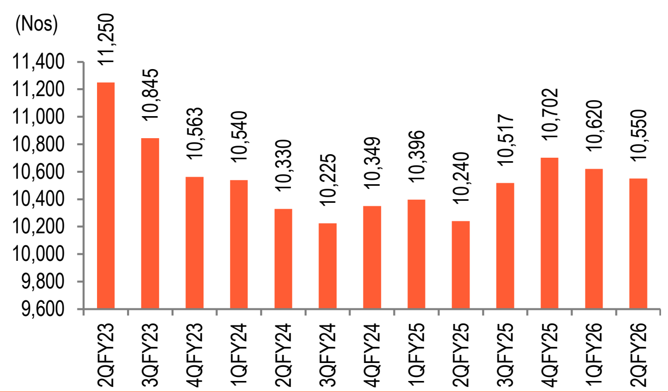
Source: Company, BOBCAPS Research

Fig 13 – Utilization (%) – excluding trainees



Source: Company, BOBCAPS Research

Fig 14 – Employee Number



Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
INR/USD	79.65	82.08	82.22	82.20	82.61	83.21	83.03	83.40	83.70	84.40	86.70	85.50	83.70
Revenue (in USDmn)	155	146	148	149	150	145	148	154	156	157	157	162	163
(Rs mn)													
Revenue	12,346	11,976	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213
Gross margin	3,128	3,277	3,873	4,126	3,945	3,745	3,768	3,913	3,674	3,990	4,118	4,223	4,412
SGA	2,074	1,928	2,114	1,825	1,637	1,669	1,738	1,952	1,663	1,921	1,993	2,117	2,212
EBITDA	1,054	1,349	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200
Depreciation and Amortisation	492	497	351	423	366	312	237	247	297	237	238	231	252
EBIT	562	852	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948
Forex gain/loss	159	71	58	5	-	60	(60)	(19)	(181)	(109)	(50)	89	80
Other income	125	188	214	279	363	360	581	444	592	416	510	478	411
Interest	75	76	63	60	57	64	28	42	45	37	49	36	37
PBT	771	1,035	1,617	2,102	2,248	2,120	2,286	2,097	2,080	2,102	2,298	2,406	2,402
Tax	203	270	424	540	510	504	553	518	522	505	534	586	580
PAT	568	765	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822
EPS	2.51	3.38	5.27	6.90	7.67	7.13	7.65	6.96	6.88	7.04	7.77	8.01	8.02
YoY Growth (%)													
USD Revenue	9.3	(0.8)	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2
INR Revenues	17.5	8.6	5.1	2.0	0.5	0.5	1.4	5.0	5.4	10.1	10.5	7.5	8.7
Gross profit	(2.7)	0.3	11.2	28.7	26.1	14.3	(2.7)	(5.2)	(6.9)	6.5	9.3	7.9	20.1
EBIT	(50.9)	(23.2)	21.3	115.6	245.6	107.0	27.3	(8.7)	(11.7)	3.9	5.2	9.4	13.7
Net profit	(39.8)	(15.8)	(8.0)	108.0	206.0	111.2	45.3	1.1	(10.4)	(1.2)	1.8	15.3	16.9
QoQ Growth (%)													
USD Revenues	(0.6)	(5.9)	1.1	1.2	0.6	(3.7)	2.35	4.28	1.14	0.51	(0.13)	3.32	0.5
INR Revenues	2.6	(3.0)	1.3	1.2	1.1	(3.0)	2.1	4.7	1.5	1.3	2.5	1.9	2.6
EBIT	(35.5)	51.6	65.3	33.4	3.4	(9.2)	1.6	(4.4)	0.0	6.9	3.0	(0.6)	3.9
Net profit	(24.4)	34.7	55.9	30.9	11.3	(7.0)	7.2	(8.9)	(1.3)	2.5	10.5	3.2	0.1
Margins (%)													
Gross margin	25.3	27.4	31.9	33.6	31.8	31.1	30.6	30.4	28.1	30.1	30.3	30.5	31.0
EBITDA	8.5	11.3	14.5	18.8	18.6	17.2	16.5	15.2	15.4	15.6	15.6	15.2	15.5
EBIT	4.6	7.1	11.6	15.3	15.7	14.6	14.6	13.3	13.1	13.8	13.9	13.5	13.7
PAT	4.6	6.4	9.8	12.7	14.0	13.4	14.1	12.3	11.9	12.0	13.0	13.1	12.8
SGA	16.8	16.1	17.4	14.9	13.2	13.9	14.1	15.2	12.7	14.5	14.7	15.3	15.6

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (USD mn)	155	146	148	149	150	145	148	154	156	157	157	162	163
P and L (Rs mn)													
Revenue	12,346	11,976	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213
EBITDA	1,054	1,349	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200
EBIT	562	852	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948
PAT	568	765	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822
Vertical Mix (%)													
Hi Tech	25.7	25.9	27.6	26.2	27.2	25.9	25.5	24.7	22.4	21.4	21.7	22.3	20.0
Manufacturing	12.4	12.2	12.7	12.4	25.9	26.1	26.3	25.8	26.2	27.7	26.7	25.3	25.2
Banking	17.5	18.4	16.1	17.7	37.3	38.6	38.7	39.7	40.9	40.1	41.0	41.5	43.6
Emerging	9.8	7.9	7.3	6.7	9.6	9.4	9.5	9.8	10.5	10.8	10.6	10.8	11.2
Retail and Consumer services	17.9	19.7	19.3	20.9	-	-	-	-	-	-	-	-	-
Insurance	16.7	15.8	17.0	16.1	-	-	-	-	-	-	-	-	-
Geographical Mix (%)													
US	71.6	70.0	70.3	69.4	66.1	66.0	67.2	68.7	67.6	67.3	67.4	68.3	66.6
Europe	17.4	18.7	18.1	19.2	21.6	21.4	20.8	19.8	21.1	21.2	21.4	20.5	21.5
Africa	11.0	11.3	11.6	11.4	12.3	12.5	12.0	11.5	11.3	11.5	11.2	11.2	11.9
Service offering Mix (%)													
Digital services	57.7	58.6	58.7	56.8	56.2	54.4	55.6	55.7	55.5	54.4	55.0	53.0	53.6
Core Application Services	22.3	22.0	23.9	24.9	25.6	27.0	25.9	26.0	24.3	25.0	24.3	25.9	24.3
Cloud, Digital Led next gen CIS	12.0	13.6	12.7	18.3	18.2	18.5	18.4	18.3	20.3	20.5	20.7	21.1	22.2
Core Infrastructure Services	8.0	5.7	4.7	-	-	-	-	-	-	-	-	-	-
Revenue Mix (%)													
Onsite	57.1	55.3	53.6	52.0	50.9	50.4	50.0	51.4	49.7	49.5	49.0	47.4	45.8
Offshore	42.9	44.7	46.4	48.0	49.1	49.6	50.0	48.6	50.3	50.5	51.0	32.6	54.2
IT Utilization (%) (excluding trainees)	80.7	77.6	81.4	82.5	83.1	80.7	83.7	83.9	82.8	82.9	84.6	84.3	84.8
Clients Concentration (%)													
Top 5 Clients	34.6	31.9	34.3	34.0	31.5	29.2	28.3	28.3	28.1	27.5	27.6	27.2	27.0
Top 10 Clients	45.5	44.7	46.1	45.2	42.2	40.6	40.8	42.1	42.0	41.0	40.8	41.4	40.5
Top 20 Clients	60.7	61.3	61.4	61.7	48.3	57.5	57.2	58.7	58.4	56.8	55.8	57.6	57.1
Number of Client													
1 USD mn +	87.0	87.0	84.0	87.0	84.0	84.0	85.0	85.0	86.0	87.0	84.0	82.0	84.0
5 USD mn +	28.0	28.0	29.0	29.0	29.0	32.0	31.0	31.0	32.0	34.0	33.0	32.0	32.0
10 USD mn +	13.0	15.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0	14.0	14.0	16.0	15.0
20 USD mn +	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	6.0	6.0	6.0
Employees	11,250.0	10,845.0	10,563.0	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
TTM Attrition (%)	26.3	22.8	19.8	15.9	13.1	12.0	10.9	10.6	10.1	10.0	9.9	9.8	9.8

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
QoQ Growth (%)													
Company	(0.6)	(5.9)	1.1	1.2	0.6	(3.7)	2.3	4.3	1.1	0.5	(0.1)	3.3	0.5
Service Offering													
Digital services	(1.8)	(4.4)	1.3	(2.1)	(0.5)	(6.7)	4.6	4.4	0.8	(1.5)	1.0	(0.4)	1.6
Core Application Services	(6.5)	(7.1)	9.8	5.5	3.4	1.6	(1.8)	4.7	(5.5)	3.4	(2.9)	10.1	(5.7)
Cloud, Digital Led next gen CIS	0.3	6.7	(5.6)	45.9	0.1	(2.1)	1.8	3.7	12.2	1.5	0.8	5.3	5.7
Core Infrastructure Services	34.8	(32.9)	(16.6)	-	-	-	-	-	-	-			
Industry													
Hi Tech	(6.7)	(5.1)	7.7	(3.9)	4.4	(8.3)	0.8	1.1	(8.4)	(4.0)	1.3	6.2	(9.9)
Manufacturing	(6.6)	(7.4)	5.2	(1.2)	110.1	(2.9)	3.1	2.3	2.7	6.3	(3.7)	(2.1)	0.1
Retail and Consumer services	(5.3)	3.6	(1.0)	9.6	-	-	-	-	-	-			
Insurance	0.6	(10.9)	8.8	(4.1)	-	-	-	-	-	-			
Banking	4.2	(1.0)	(11.5)	11.3	112.0	(0.3)	2.6	7.0	4.2	(1.5)	2.1	4.6	5.6
Emerging	29.9	(24.1)	(6.6)	(7.1)	44.1	(5.7)	3.4	7.1	8.9	3.4	(2.0)	5.3	4.2
Geography													
US	0.4	(8.0)	1.5	(0.1)	(4.2)	(3.8)	4.2	6.6	(0.5)	0.1	0.0	4.7	(2.0)
Europe	(4.4)	1.2	(2.1)	7.4	13.2	(4.6)	(0.5)	(0.7)	7.8	1.0	0.8	(1.0)	5.4
Africa	(0.6)	(3.3)	3.8	(0.5)	8.5	(2.1)	(1.7)	(0.2)	(0.5)	2.3	(2.7)	3.3	6.8
Client Concentration													
Top 5	3.3	(13.2)	8.7	0.3	(6.8)	(10.7)	(0.8)	4.4	0.3	(1.6)	0.2	1.8	(0.2)
Top 10	0.1	(7.5)	4.3	(0.8)	(6.1)	(7.3)	2.9	7.5	1.0	(1.9)	(0.6)	4.8	(1.7)
Top 20	(1.4)	(4.9)	1.3	1.7	(21.2)	14.7	1.8	7.0	0.6	(2.2)	(1.9)	6.6	(0.4)
YoY Growth (%)													
Company	9.3	(0.8)	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2
Service Offering													
Digital services	2.5	(3.0)	(5.5)	(6.9)	(5.6)	(7.9)	(4.9)	1.4	2.7	8.5	4.7	(0.1)	0.7
Core Application Services	4.7	(3.0)	4.6	0.6	11.2	21.7	8.8	8.0	(1.3)	0.5	(0.7)	4.5	4.2
Cloud, Digital Led next gen CIS	36.0	15.3	0.2	47.3	47.0	34.9	45.5	3.4	16.0	20.2	19.1	20.9	14.0
Core Infrastructure Services	56.2	(5.8)	(25.8)	-	-	-	-	-	-	-			
Industry													
Hi Tech	(28.1)	(30.0)	(27.0)	(8.4)	2.6	(0.8)	(7.2)	(2.4)	(14.4)	(10.4)	(9.9)	(5.4)	(6.9)
Manufacturing	25.6	24.7	28.7	(10.0)	102.4	112.2	107.9	115.3	5.2	15.2	7.5	2.8	0.2
Retail and Consumer services	27.1	21.4	15.4	6.5	-	-	-	-	-	-			
Insurance	(2.9)	(11.0)	(7.5)	(6.6)	-	-	-	-	-	-			
Banking	56.8	29.4	8.4	1.5	106.5	108.1	141.4	132.1	14.0	12.7	12.2	9.6	11.1
Emerging	180.4	35.1	19.1	(14.4)	(5.1)	18.0	30.7	50.6	13.7	24.7	18.1	16.1	11.2
Geography													
US	11.1	(2.1)	(3.9)	(6.3)	(10.5)	(6.5)	(4.0)	2.4	6.4	10.6	6.2	4.3	2.7
Europe	8.2	3.0	(8.3)	1.6	20.3	13.5	15.4	6.7	1.6	7.5	8.9	8.6	6.2
Africa	0.1	1.0	4.4	(0.8)	8.4	9.7	3.9	4.2	(4.5)	(0.2)	(1.2)	2.3	9.8
Client Concentration													
Top 5	8.1	(7.5)	(0.8)	(2.2)	(11.8)	(9.2)	(17.2)	(13.8)	(7.2)	2.2	3.3	0.7	0.1
Top 10	4.8	(5.7)	(3.5)	(4.2)	(10.1)	(9.9)	(11.1)	(3.7)	3.5	9.6	5.9	3.2	0.5
Top 20	7.2	(0.8)	(4.7)	(3.5)	(22.9)	(7.0)	(6.5)	(1.6)	25.7	7.2	3.3	2.9	1.9

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**49,018**	**52,806**	**56,778**	**61,578**	**67,536**
EBITDA	8,716	8,166	8,903	9,812	10,838
Depreciation	1,338	1,019	1,052	1,258	1,418
EBIT	7,378	7,147	7,850	8,554	9,420
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	1,379	1,429	1,927	1,656	1,968
Exceptional items	0	0	0	0	0
EBT	8,757	8,577	9,778	10,210	11,387
Income taxes	2,107	2,079	2,366	2,465	2,750
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**6,650**	**6,498**	**7,412**	**7,745**	**8,638**
Adjustments	0	0	0	0	0
Adjusted net profit	**6,650**	**6,498**	**7,412**	**7,745**	**8,638**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,224	3,454	3,680	4,042	4,459
Other current liabilities	5,445	5,385	5,748	6,074	6,449
Provisions	48	53	56	56	56
Debt funds	0	0	0	0	0
Other liabilities	3,241	3,239	3,072	3,072	3,072
Equity capital	453	454	455	455	455
Reserves & surplus	34,067	39,144	41,598	45,594	50,142
Shareholders' fund	34,520	39,598	42,053	46,049	50,597
Total liab. and equities	**46,478**	**51,729**	**54,609**	**59,293**	**64,633**
Cash and cash eq.	7,241	7,436	7,187	8,743	10,810
Accounts receivables	7,320	7,901	8,122	8,921	9,840
Inventories	0	0	0	0	0
Other current assets	4,874	5,272	6,321	6,490	6,685
Investments	6,506	12,537	13,025	15,025	17,025
Net fixed assets	811	908	1,158	1,318	1,478
CWIP	52	6	61	61	61
Intangible assets	8,103	9,819	10,058	10,058	10,058
Deferred tax assets, net	1,099	1,079	1,026	1,026	1,026
Other assets	10,472	6,771	7,650	7,650	7,650
Total assets	**46,478**	**51,729**	**54,609**	**59,293**	**64,633**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**7,480**	**7,240**	**7,600**	**8,551**	**9,562**
Capital expenditures	(4)	2,335	1,537	1,418	1,578
Change in investments	1,997	6,031	488	2,000	2,000
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**2,001**	**3,696**	**(1,049)**	**582**	**422**
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	(2,378)	(2,951)	(3,408)	(3,749)	(4,089)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(2,378)**	**(2,951)**	**(3,408)**	**(3,749)**	**(4,089)**
Chg in cash & cash eq.	**(39)**	**195**	**(249)**	**1,556**	**2,067**
Closing cash & cash eq.	**7,241**	**7,436**	**7,187**	**8,743**	**10,810**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	29.4	28.7	32.6	34.1	38.0
Adjusted EPS	29.1	28.4	32.4	34.1	38.0
Dividend per share	10.5	13.0	15.0	16.5	18.0
Book value per share	152.4	174.4	185.1	202.7	222.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.8	3.6	3.3	3.1	2.8
EV/EBITDA	21.6	23.1	21.2	19.3	17.6
Adjusted P/E	27.4	28.1	24.6	23.4	21.0
P/BV	5.2	4.6	4.3	3.9	3.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.9	75.8	75.8	75.9	75.9
Interest burden (PBT/EBIT)	118.7	120.0	124.6	119.4	120.9
EBIT margin (EBIT/Revenue)	15.1	13.5	13.8	13.9	13.9
Asset turnover (Rev./Avg TA)	111.8	107.5	106.8	108.1	109.0
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.3
Adjusted ROAE	20.9	17.5	18.2	17.6	17.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	1.1	7.7	7.5	8.5	9.7
EBITDA	57.8	(6.3)	9.0	10.2	10.5
Adjusted EPS	102.6	(2.5)	14.3	5.1	11.5
Profitability & Return ratios (%)					
EBITDA margin	17.8	15.5	15.7	15.9	16.0
EBIT margin	15.1	13.5	13.8	13.9	13.9
Adjusted profit margin	13.6	12.3	13.1	12.6	12.8
Adjusted ROAE	20.9	17.5	18.2	17.6	17.9
ROCE	15.9	13.4	13.5	13.8	13.9
Working capital days (days)					
Receivables	73	55	52	53	53
Inventory	NA	NA	NA	NA	NA
Payables	24	24	23	24	24
Ratios (x)					
Gross asset turnover	60.4	58.2	49.0	46.7	45.7
Current ratio	3.0	3.7	3.7	3.9	4.1
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)

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

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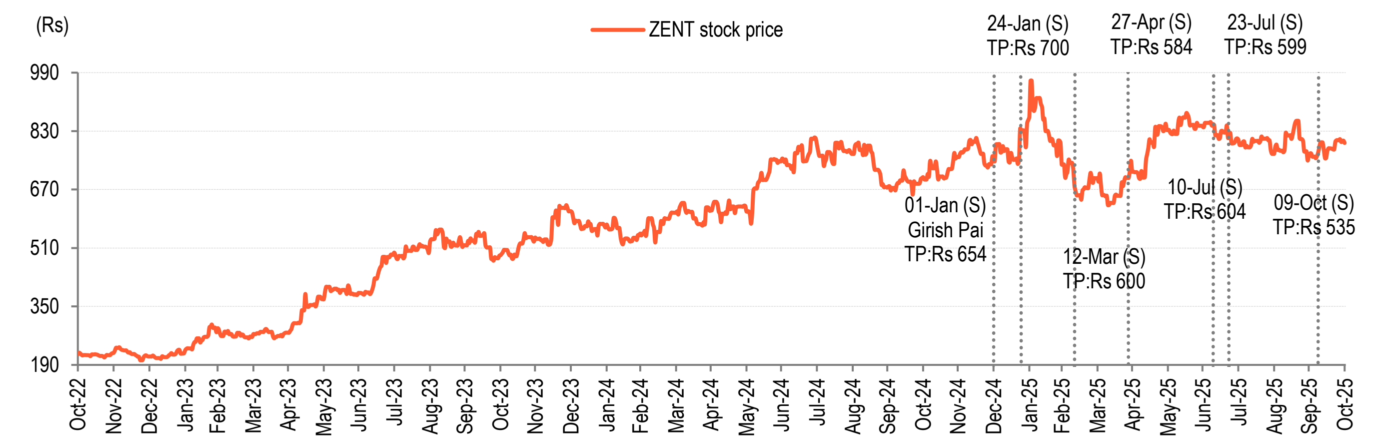

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