

SELL
TP: Rs 632 | ▼ 10%
**ZENSAR
TECHNOLOGIES**

| IT Services

| 24 January 2026

Remains growth challenged

- 3Q revenue came in short but EBIT margin at 16.1% positively surprised on offshore volume shift. TMT sector continues to be a drag
- With TCV remaining below US\$200mn for the third consecutive quarter, believe Zensar will be among the Tier-2 growth laggards in FY26/FY27
- Tweak USD revenue down but lift EBIT margin with small downshift in EPS. Retain Target PE of 17.4x (20% disc to TCS) and Sell rating

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3QFY26 revenue weaker than estimate but EBIT margin positively surprises primarily on offshore shift: Revenue declined QoQ in CC by 1.3% versus growth of 0.5% estimated. EBIT margin at 16.1% (+240bps QoQ) came in much higher than 14% estimate largely driven 140bps by offshore shift in volumes. TCV came in at ~US\$180mn, the third successive quarter below US\$200mn.

TMT vertical's (18.5% of revenue) second consecutive high single digit QoQ revenue decline hurt: ZENT believes that this is a structural change in spending by the Tech industry into capex versus Opex. It also talked about significant pricing pressure with peers willing to do work at ~30% discount. The best case ZENT sees vis-à-vis the sector would be for it to remain flat.

Structural pivot seems WIP as of now: From a largely staff augmentation and discretionary spend oriented company, ZENT is being molded by the current CEO and management team into one that can handle managed services and AI based business. This has meant raising margins to fund the pivot. It looks like restructuring is still a work-in-progress with no visibility of when results will show up.

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.

Tweak estimates: We have marginally lowered our USD revenue estimates, but increased EBIT margin estimates for FY26/FY27/FY28 by 100bps/40bps/40bps. Due to this EPS numbers are tweaked down a bit in FY27/FY28.

Key changes

	Target	Rating
▼	◀ ▶	

Ticker/Price	ZENT IN/Rs 705
Market cap	US\$ 1.7bn
Free float	50%
3M ADV	US\$ 3.4mn
52wk high/low	Rs 985/Rs 536
Promoter/FPI/DII	49%/12%/23%

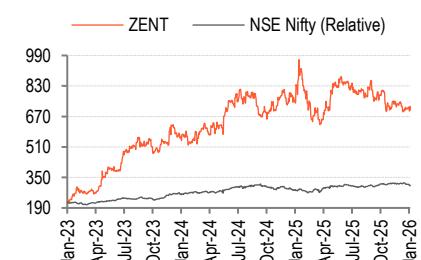
Source: NSE | Price as of 23 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	52,806	56,887	60,609
EBITDA (Rs mn)	8,166	9,241	9,519
Adj. net profit (Rs mn)	6,498	8,045	7,628
Adj. EPS (Rs)	28.4	34.0	33.6
Consensus EPS (Rs)	28.4	32.2	35.6
Adj. ROAE (%)	17.5	19.7	17.4
Adj. P/E (x)	24.8	20.7	21.0
EV/EBITDA (x)	20.5	18.3	18.0
Adj. EPS growth (%)	(2.5)	19.7	(1.2)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$160.5 mn, QoQ decline of 1.3% (against our estimate of 0.5% growth) in and YoY growth of 1.3% in CC terms
 - Revenue growth momentum moderated due to mix shift, typical seasonality, and furlough-related softness
- Vertical Growth (Reported currency)
 - Manufacturing and Consumer Services registered a QoQ revenue growth of 3.2% and YoY decline of 2.7%
 - Banking and Financial Services registered a QoQ revenue decline of 0.4% and YoY growth of 12.2%
 - Healthcare and Life Sciences registered a QoQ revenue decline of 2.5% and YoY growth of 5.2%
 - TMT registered a QoQ revenue decline of 8.8% and YoY decline of 11.6%
- Geographical Growth (Reported currency)
 - US region registered a QoQ decline of 3.0% and YoY decline of 0.4%
 - Europe region registered a QoQ growth of 1.2% and YoY growth of 6.1%
 - Africa region registered a QoQ growth of 2.8% and YoY growth of 10.7%
- EBITDA margin stood at 17.5%, expanding by 200 bps QoQ, driven by positive forex impact of 70bps, improved offshore effort mix of 140bps, leave utilization benefit of 100bps and other operational efficiencies of 70bps. EBITDA margin expansion was partially offset by furlough impact of 100bps and ESOP cost impact of 90bps reflecting a full quarter of ESOP expenses
 - Continued investments undertaken to augment capabilities, specifically around AI and sales, while maintaining mid-teens margin guidance
- EBIT Margin stood at 16.1% (beating our estimate of 14%), expanding by 235 bps QoQ and 223 bps YoY
- Orderbook stood at US\$180.2 mn, QoQ growth of 13.5% and YoY decline of 12.2%
 - Order bookings remain within targeted range (0.9x to 1.2x quarterly revenues), with a book to bill of 1.12x for the quarter. About 20% of the order book is AI-influenced
- Management said that the IT industry is currently experiencing a major transformation driven by the accelerated adoption of AI with enterprises prioritizing cost optimization and vendor consolidation amid economic uncertainty, and client focus shifting toward AI-ready data foundations and outcome-based data analytics
- Sustainable volume growth, combined with a higher number of working days expected in 4Q, is expected to translate into improved revenue performance
- Long-term focus reiterated on maximizing shareholder value through a balanced combination of revenue growth and EBITDA margin expansion

- Quarter described as seasonally weak for the industry, limiting topline growth opportunities
- Offshore volume growth of 3.1%, translating into overall volume growth of 1.7%, with onsite volumes declining due to continued shift from onsite to offshore delivery
- Current area of business softness identified as TMT, while financial services continued to remain a key area of strength
- TMT portfolio described as a historical challenge and has seen decline for 11 consecutive quarters, but its contribution to overall revenue has been reducing lessening its impact on overall performance
 - Faces headwinds from shift to hardware Capex (Client spending shifting from services toward AI, capital investments towards AI) and insourcing
 - TMT is now a smaller part of revenue; focus is on growth beyond TMT
 - Significant discounting of up to 30% observed to retain business by peers
 - Challenges are broad across the limited TMT client base, not client-specific
 - Meaningful recovery in TMT not anticipated in the near term, with stability in TMT performance considered a favorable outcome
- BFSI continued to demonstrate secular growth across geographies including the US, Europe, and Africa. BFSI growth in the US described as reasonably strong, supporting overall vertical performance
- Manufacturing exposure is relatively limited, reducing sensitivity to sectoral volatility. Manufacturing and consumer segment largely driven by retail, with the quarter described as seasonal
- Healthcare and life sciences continued to face headwinds, driven primarily by adverse impact from client-side consolidation in one or two accounts
 - The overall vertical is relatively small. Effect will be felt slightly in 4Q but is not material at the company level
- Structural improvement driven by improved offshore effort mix, contributing roughly 140bps to margins, expected to be sustainable. Quarter-specific benefits, including leave utilization and other operational efficiencies, may not fully sustain in the next quarter. Management intends to reinvest a portion of margin gains into AI and sales capabilities
 - Long-term mid-teens margin guidance remains unchanged
- Cash position described as strong, supported by disciplined DSO management and improved collections
- Capital allocation strategy includes active evaluation of M&A opportunities, with focus on long-term accretive impact to both revenue and bottom-line
- Platform inherited by current leadership characterized as an advanced staff-augmentation model rather than a stable managed services platform, requiring focus on structural improvements before aggressive growth initiatives. Initial priority

was addressing margin issues to create capacity for strategic investments and business transformation. Post-margin stabilization, the company is positioned to pursue M&A, invest in AI, and launch new verticals with the necessary organizational framework and staffing in place

- Sharp decline in employee cost driven by higher leave utilization and furloughs during the quarter. Onsite headcount reduction contributed to cost savings
- Management is actively exploring strategic inorganic opportunities to support long-term growth. Acquisitions will be selected to create lasting shareholder value rather than just to boost revenue
- Declared interim dividend of Rs2.4 per share

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 an update on 12th March 2025 ([FY26 unlikely to be better than FY25](#)). Another report ([Uncertainty stays and 'eating the tariff' may impact even FY27](#)) and ([A fourth slow year?](#)) talks about our continued cautious stance on the sector.

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

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: Tariffs, a wider fiscal deficit from the 'one big, beautiful bill' (OBBB), and tighter immigration rules (including the new hurdles in H1-B visas), etc., may lead to delay in decision making in the near term.

While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

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

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

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 24-36 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 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, as also TCS, as our industry benchmark. Target PE for TCS is 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Reason for raising Target PE multiple: With Nifty IT underperforming by ~23ppt vs the Nifty in 2025, we believe much of the downside is factored in. With a modest uptick in growth rates in FY27, we believe the stocks will trade a bit higher.

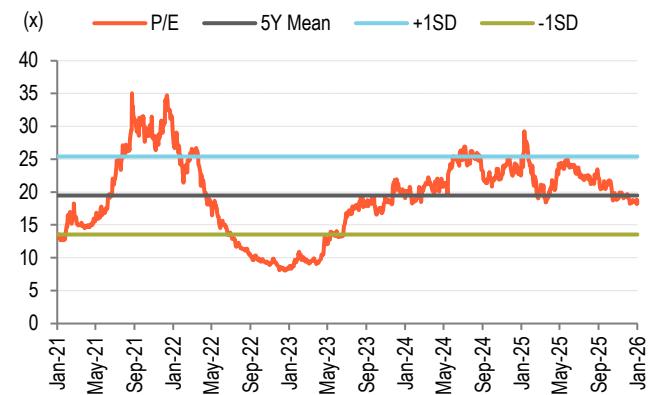
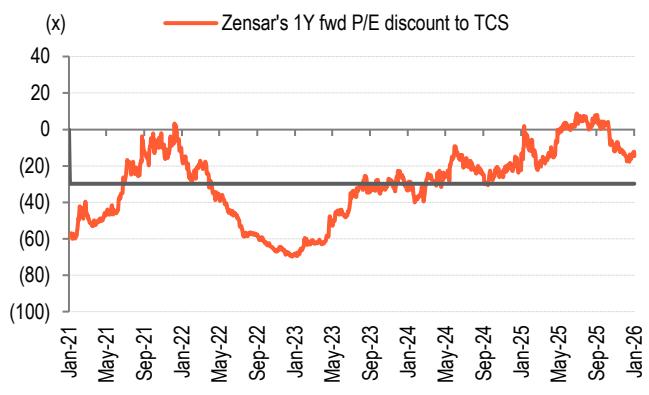
Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

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 – 5 Year PE trend**Fig 2 – Premium/ Discount to TCS****Fig 3 – Revised Estimates**

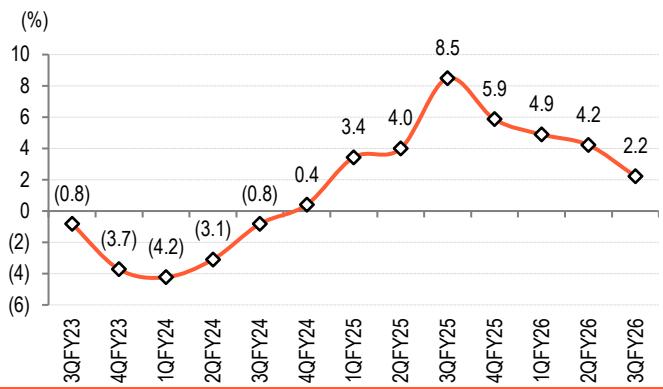
	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	88.0	90.0	91.1	86.6	89.3	91.1	1.6	0.8	-
USD Revenue (USD mn)	647	673	724	653	690	742	(1.0)	(2.4)	(2.4)
USD revenue growth (%)	3.6	4.1	7.5	4.6	5.6	7.5			
Revenue (Rsmn)	56,887	60,609	65,928	57,139	61,583	67,541	(0.4)	(1.6)	(2.4)
EBIT (Rsmn)	8,345	8,606	9,444	7,850	8,507	9,371	6.3	1.2	0.8
EBIT Margin (%)	14.7	14.2	14.3	13.7	13.8	13.9			
PAT (Rsmn)	8,045	7,628	8,486	7,412	7,765	8,661	8.5	(1.8)	(2.0)
FDEPS (Rs)	34.0	33.6	37.4	32.4	34.2	38.1	4.8	(1.7)	(2.0)
Adjusted PAT	7,982.8	7,627.6	8,486.4	7411.7	7765.0	8660.5	7.7	(1.8)	(2.0)
Adjusted FDEPS	35.1	33.6	37.4	32.4	34.18	38.12	8.3	(1.7)	(2.0)

Source: BOBCAPS Research

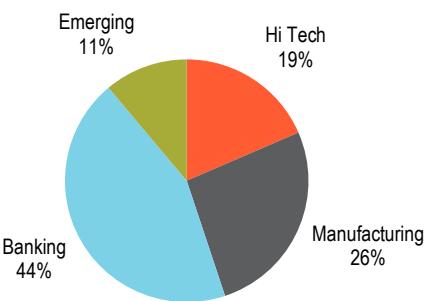
Fig 4 – P&L at a glance

(YE March) (Rs mn)	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	88.0	90.0	91.1
Net sales (US\$mn)	455.6	482.2	566.9	589.5	494.0	569.4	604.3	592.3	624.4	646.6	673.4	724.0
-Growth (%)	0.6	5.8	17.6	4.0	(16.2)	15.3	6.1	(2.0)	5.4	3.6	4.1	7.5
Net Sales	30,556	31,077	39,663	41,768	36,682	42,437	48,483	49,018	52,806	56,887	60,609	65,928
-Growth (%)	3.1	1.7	27.6	5.3	(12.2)	15.7	14.2	1.1	7.7	7.7	6.5	8.8
Direct cost	21,603	22,068	28,286	30,159	24,417	29,214	35,000	33,434	37,111	38,711	40,800	44,190
Gross Profit	8,953	9,009	11,377	11,608	12,264	13,222	13,483	15,584	15,695	18,176	19,809	21,738
Gross Margin (%)	29.3	29.0	28.7	27.8	33.4	31.2	27.8	31.8	29.7	32.0	32.7	33.0
SGA Expenses	5,135	5,360	6,611	6,482	5,423	6,659	7,960	6,868	7,529	8,935	10,290	11,264
% of sales	16.8	17.2	16.7	15.5	14.8	15.7	16.4	14.0	14.3	15.7	17.0	17.1
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	9,241	9,519	10,474
% of sales	12.7	12.0	12.4	12.3	18.7	15.5	11.4	17.8	15.5	16.2	15.7	15.9
Depreciation & Amortisation	486	651	894	1,592	1,733	1,849	1,830	1,338	1,019	896	914	1,030
% of sales	1.6	2.1	2.3	3.8	4.7	4.4	3.8	2.7	1.9	1.6	1.5	1.6
EBIT	3,381	3,078	4,034	3,536	5,109	4,715	3,693	7,378	7,147	8,345	8,606	9,444
% of sales	11.1	9.9	10.2	8.5	13.9	11.1	7.6	15.1	13.5	14.7	14.2	14.3
Other income (net)	105	438	420	279	(281)	1,023	750	1,379	1,429	2,220	1,511	1,812
PBT	3,486	3,515	4,454	3,815	4,828	5,738	4,443	8,757	8,577	10,565	10,117	11,256
-PBT margin (%)	11.4	11.3	11.2	9.1	13.2	13.5	9.2	17.9	16.2	18.6	16.7	17.1
Provision for tax	1,103	1,051	1,267	1,057	1,262	1,525	1,166	2,107	2,079	2,520	2,489	2,769
Effective tax rate (%)	31.6	29.9	28.5	27.7	26.1	26.6	26.2	24.1	24.2	23.9	24.6	24.6
Net profit	2,383	2,464	3,186	2,758	3,566	4,213	3,277	6,650	6,498	8,045	7,628	8,486
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	8,045	7,628	8,486
-Growth (%)	(24.0)	2.8	29.9	(14.7)	30.7	19.0	(21.2)	102.9	(2.3)	23.8	(5.2)	11.3
-Net profit margin (%)	7.7	7.8	7.9	6.4	9.5	9.8	6.8	13.6	12.3	14.1	12.6	12.9

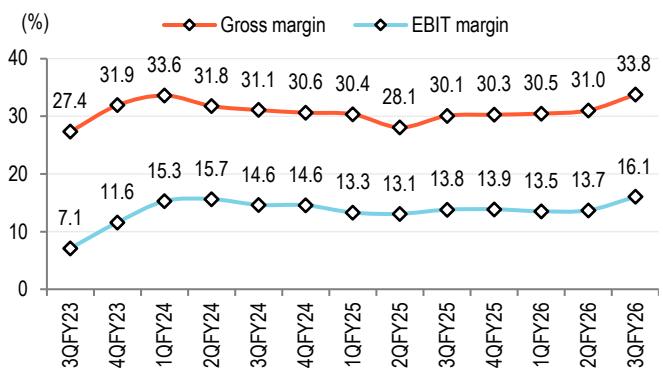
Source: Company, BOBCAPS Research

Fig 5 – USD Revenue growth (YoY)

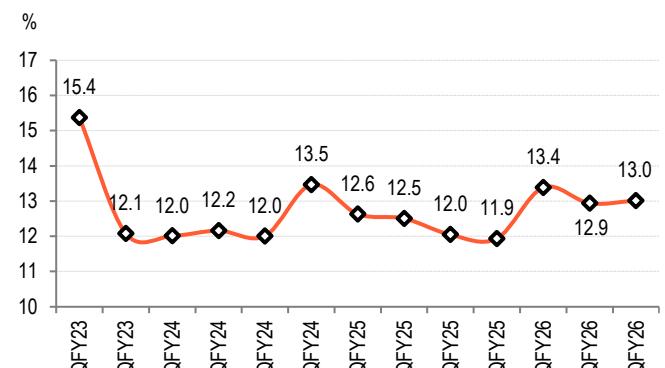
Source: Company, BOBCAPS Research

Fig 6 – Vertical mix for 3QFY26

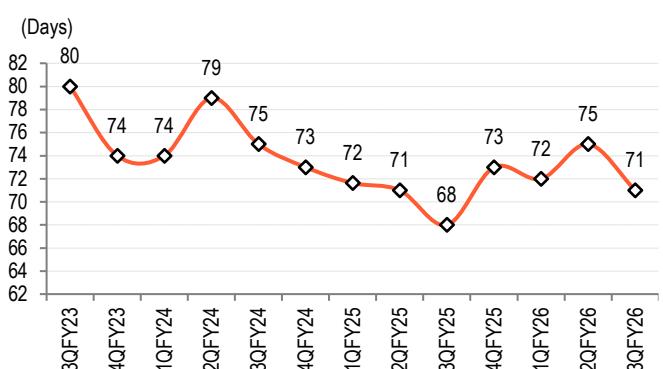
Source: Company, BOBCAPS Research

Fig 7 – Gross Margin and EBIT Margin

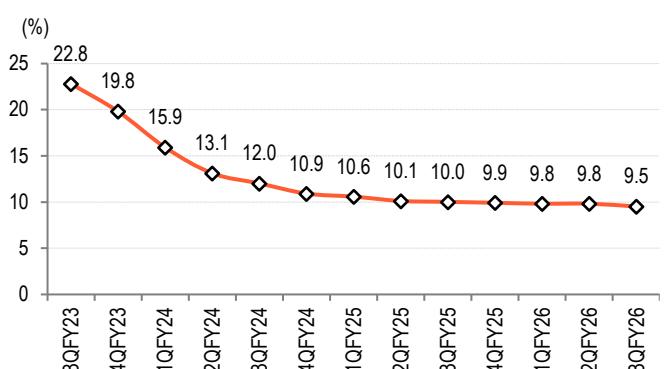
Source: Company, BOBCAPS Research

Fig 8 – Subcontracting charges (as % of revenue)

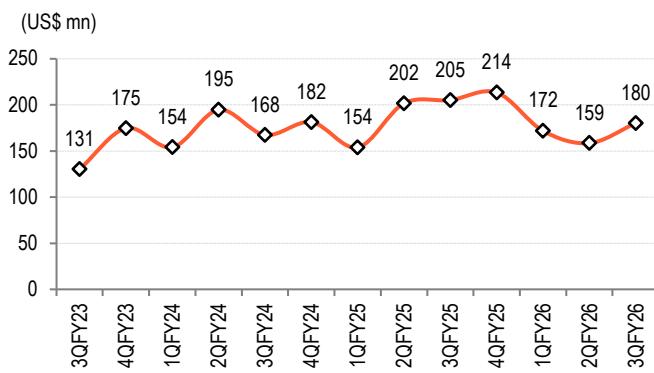
Source: Company, BOBCAPS Research

Fig 9 – DSO trend

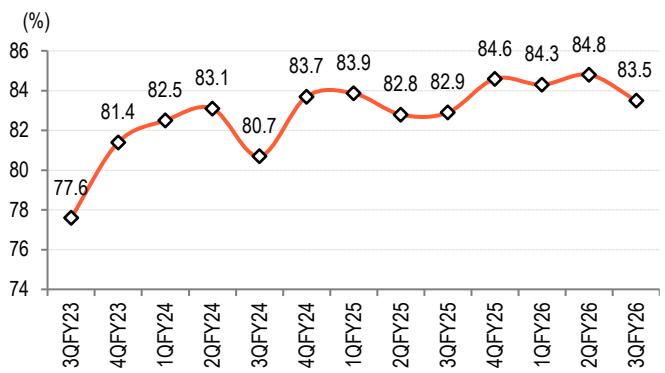
Source: Company, BOBCAPS Research

Fig 10 – Attrition trend

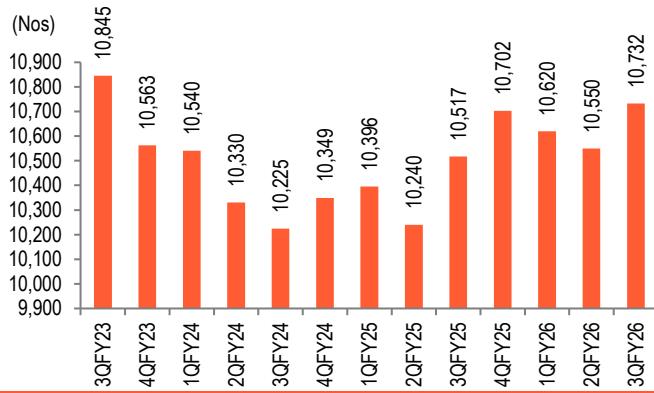
Source: Company, BOBCAPS Research

Fig 11 – TCV trend

Source: Company, BOBCAPS Research

Fig 12 – Utilization (%) – excluding trainees

Source: Company, BOBCAPS Research

Fig 13 – No. of employees

Source: Company, BOBCAPS Research

Fig 14 – Quarterly Snapshot

Year to 31 March	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
INR/USD	82.08	82.22	82.20	82.61	83.21	83.03	83.40	83.70	84.40	86.70	85.50	87.20	89.10
Revenue (in USDmn)	146	148	149	150	145	148	154	156	157	157	162	163	161
(Rsmn)													
Revenue	11,976	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213	14,307
Gross margin	3,277	3,873	4,126	3,945	3,745	3,768	3,913	3,674	3,990	4,118	4,223	4,412	4,832
SGA	1,928	2,114	1,825	1,637	1,669	1,738	1,952	1,663	1,921	1,993	2,117	2,212	2,332
EBITDA	1,349	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200	2,500
Depreciation and Amortisation	497	351	423	366	312	237	247	297	237	238	231	252	203
EBIT	852	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948	2,297
Forex gain/loss	71	58	5	-	60	(60)	(19)	(181)	(109)	(50)	89	80	29
Other income	188	214	279	363	360	581	444	592	416	510	478	411	601
Interest	76	63	60	57	64	28	42	45	37	49	36	37	23
PBT	1,035	1,617	2,102	2,248	2,120	2,286	2,097	2,080	2,102	2,298	2,406	2,402	2,650
Tax	270	424	540	510	504	553	518	522	505	534	586	580	652
PAT	765	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822	1,998
EPS	3.38	5.27	6.90	7.67	7.13	7.65	6.96	6.88	7.04	7.77	8.01	8.02	8.80
YoY Growth													
USD Revenue	(0.8)	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2	2.2
INR Revenues	8.6	5.1	2.0	0.5	0.5	1.4	5.0	5.4	10.1	10.5	7.5	8.7	7.9
Gross profit	0.3	11.2	28.7	26.1	14.3	(2.7)	(5.2)	(6.9)	6.5	9.3	7.9	20.1	21.1
EBIT	(23.2)	21.3	115.6	245.6	107.0	27.3	(8.7)	(11.7)	3.9	5.2	9.4	13.7	25.4
Net profit	(15.8)	(8.0)	108.0	206.0	111.2	45.3	1.1	(10.4)	(1.2)	1.8	15.3	16.9	25.1
QoQ Growth													
USD Revenues	(5.9)	1.1	1.2	0.6	(3.7)	2.35	4.28	1.14	0.51	(0.13)	3.32	0.49	(1.4)
INR Revenues	(3.0)	1.3	1.2	1.1	(3.0)	2.1	4.7	1.5	1.3	2.5	1.9	2.6	0.7
EBIT	51.6	65.3	33.4	3.4	(9.2)	1.6	(4.4)	0.0	6.9	3.0	(0.6)	3.9	17.9
Net profit	34.7	55.9	30.9	11.3	(7.0)	7.2	(8.9)	(1.3)	2.5	10.5	3.2	0.1	9.7
Margins (%)													
Gross margin	27.4	31.9	33.6	31.8	31.1	30.6	30.4	28.1	30.1	30.3	30.5	31.0	33.8
EBITDA	11.3	14.5	18.8	18.6	17.2	16.5	15.2	15.4	15.6	15.6	15.2	15.5	17.5
EBIT	7.1	11.6	15.3	15.7	14.6	14.6	13.3	13.1	13.8	13.9	13.5	13.7	16.1
PAT	6.4	9.8	12.7	14.0	13.4	14.1	12.3	11.9	12.0	13.0	13.1	12.8	14.0
SGA	16.1	17.4	14.9	13.2	13.9	14.1	15.2	12.7	14.5	14.7	15.3	15.6	16.3

Source: Company, BOBCAPS Research

Fig 15 – Key Metrics

Key Metrics	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Revenue (USD mn)	146	148	149	150	145	148	154	156	157	157	162	163	161
P and L (Rs mn)													
Revenue	11,976	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213	14,307
EBITDA	1,349	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200	2,500
EBIT	852	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948	2,297
PAT	765	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822	1,998
Vertical Mix (%)													
Hi Tech	25.9	27.6	26.2	27.2	25.9	25.5	24.7	22.4	21.4	21.7	22.3	20.0	18.5
Manufacturing	12.2	12.7	12.4	25.9	26.1	26.3	25.8	26.2	27.7	26.7	25.3	25.2	26.4
Banking	18.4	16.1	17.7	37.3	38.6	38.7	39.7	40.9	40.1	41.0	41.5	43.6	44.0
Emerging	7.9	7.3	6.7	9.6	9.4	9.5	9.8	10.5	10.8	10.6	10.8	11.2	11.1
Retail and Consumer services	19.7	19.3	20.9	-	-	-	-	-	-	-	-	-	-
Insurance	15.8	17.0	16.1	-	-	-	-	-	-	-	-	-	-
Geographical Mix (%)													
US	70.0	70.3	69.4	66.1	66.0	67.2	68.7	67.6	67.3	67.4	68.3	66.6	65.5
Europe	18.7	18.1	19.2	21.6	21.4	20.8	19.8	21.1	21.2	21.4	20.5	21.5	22.0
Africa	11.3	11.6	11.4	12.3	12.5	12.0	11.5	11.3	11.5	11.2	11.2	11.9	12.4
Service offering Mix (%)													
Digital services	58.6	58.7	56.8	56.2	54.4	55.6	55.7	55.5	54.4	55.0	53.0	53.6	52.5
Core Application Services	22.0	23.9	24.9	25.6	27.0	25.9	26.0	24.3	25.0	24.3	25.9	24.3	25.2
Cloud, Digital Led next gen CIS	13.6	12.7	18.3	18.2	18.5	18.4	18.3	20.3	20.5	20.7	21.1	22.2	22.2
Core Infrastructure Services	5.7	4.7	-	-	-	-	-	-	-	-	-	-	-
Revenue Mix (%)													
Onsite	55.3	53.6	52.0	50.9	50.4	50.0	51.4	49.7	49.5	49.0	47.4	45.8	45.5
Offshore	44.7	46.4	48.0	49.1	49.6	50.0	48.6	50.3	50.5	51.0	32.6	54.2	54.5
IT Utilization (%) (excluding trainees)	77.6	81.4	82.5	83.1	80.7	83.7	83.9	82.8	82.9	84.6	84.3	84.8	83.5
Clients Concentration (%)													
Top 5 Clients	31.9	34.3	34.0	31.5	29.2	28.3	28.3	28.1	27.5	27.6	27.2	27.0	25.5
Top 10 Clients	44.7	46.1	45.2	42.2	40.6	40.8	42.1	42.0	41.0	40.8	41.4	40.5	39.1
Top 20 Clients	61.3	61.4	61.7	48.3	57.5	57.2	58.7	58.4	56.8	55.8	57.6	57.1	56.5
Number of Client													
1 USD mn +	87.0	84.0	87.0	84.0	84.0	85.0	85.0	86.0	87.0	84.0	82.0	84.0	85.0
5 USD mn +	28.0	29.0	29.0	29.0	32.0	31.0	31.0	32.0	34.0	33.0	32.0	32.0	31.0
10 USD mn +	15.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0	14.0	14.0	16.0	15.0	15.0
20 USD mn +	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	6.0	6.0	6.0	6.0
Employees	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	10,732.0
TTM Attrition (%)	22.8	19.8	15.9	13.1	12.0	10.9	10.6	10.1	10.0	9.9	9.8	9.8	9.5

Source: Company, BOBCAPS Research

Fig 16 – QoQ and YoY growth of various parameters

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth (%)													
Company	(5.9)	1.1	1.2	0.6	(3.7)	2.3	4.3	1.1	0.5	(0.1)	3.3	0.5	(1.4)
Service Offering													
Digital services	(4.4)	1.3	(2.1)	(0.5)	(6.7)	4.6	4.4	0.8	(1.5)	1.0	(0.4)	1.6	(3.4)
Core Application Services	(7.1)	9.8	5.5	3.4	1.6	(1.8)	4.7	(5.5)	3.4	(2.9)	10.1	(5.7)	2.2
Cloud, Digital Led next gen CIS	6.7	(5.6)	45.9	0.1	(2.1)	1.8	3.7	12.2	1.5	0.8	5.3	5.7	(1.4)
Core Infrastructure Services	(32.9)	(16.6)	-	-	-	-	-	-	-	-	-	-	-
Industry													
Hi Tech	(5.1)	7.7	(3.9)	4.4	(8.3)	0.8	1.1	(8.4)	(4.0)	1.3	6.2	(9.9)	(8.8)
Manufacturing	(7.4)	5.2	(1.2)	110.1	(2.9)	3.1	2.3	2.7	6.3	(3.7)	(2.1)	0.1	3.3
Retail and Consumer services	3.6	(1.0)	9.6	-	-	-	-	-	-	-	-	-	-
Insurance	(10.9)	8.8	(4.1)	-	-	-	-	-	-	-	-	-	-
Banking	(1.0)	(11.5)	11.3	112.0	(0.3)	2.6	7.0	4.2	(1.5)	2.1	4.6	5.6	(0.5)
Emerging	(24.1)	(6.6)	(7.1)	44.1	(5.7)	3.4	7.1	8.9	3.4	(2.0)	5.3	4.2	(2.3)
Geography													
US	(8.0)	1.5	(0.1)	(4.2)	(3.8)	4.2	6.6	(0.5)	0.1	0.0	4.7	(2.0)	(3.0)
Europe	1.2	(2.1)	7.4	13.2	(4.6)	(0.5)	(0.7)	7.8	1.0	0.8	(1.0)	5.4	0.9
Africa	(3.3)	3.8	(0.5)	8.5	(2.1)	(1.7)	(0.2)	(0.5)	2.3	(2.7)	3.3	6.8	2.7
Client Concentration													
Top 5	(13.2)	8.7	0.3	(6.8)	(10.7)	(0.8)	4.4	0.3	(1.6)	0.2	1.8	(0.2)	(6.9)
Top 10	(7.5)	4.3	(0.8)	(6.1)	(7.3)	2.9	7.5	1.0	(1.9)	(0.6)	4.8	(1.7)	(4.8)
Top 20	(4.9)	1.3	1.7	(21.2)	14.7	1.8	7.0	0.6	(2.2)	(1.9)	6.6	(0.4)	(2.4)
YoY Growth (%)													
Company	(0.8)	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2	2.2
Service Offering													
Digital services	(3.0)	(5.5)	(6.9)	(5.6)	(7.9)	(4.9)	1.4	2.7	8.5	4.7	(0.1)	0.7	(1.3)
Core Application Services	(3.0)	4.6	0.6	11.2	21.7	8.8	8.0	(1.3)	0.5	(0.7)	4.5	4.2	3.0
Cloud, Digital Led next gen CIS	15.3	0.2	47.3	47.0	34.9	45.5	3.4	16.0	20.2	19.1	20.9	14.0	10.7
Core Infrastructure Services	(5.8)	(25.8)	-	-	-	-	-	-	-	-	-	-	-
Industry													
Hi Tech	(30.0)	(27.0)	(8.4)	2.6	(0.8)	(7.2)	(2.4)	(14.4)	(10.4)	(9.9)	(5.4)	(6.9)	(11.6)
Manufacturing	24.7	28.7	(10.0)	102.4	112.2	107.9	115.3	5.2	15.2	7.5	2.8	0.2	(2.6)
Retail and Consumer services	21.4	15.4	6.5	-	-	-	-	-	-	-	-	-	-
Insurance	(11.0)	(7.5)	(6.6)	-	-	-	-	-	-	-	-	-	-
Banking	29.4	8.4	1.5	106.5	108.1	141.4	132.1	14.0	12.7	12.2	9.6	11.1	12.2
Emerging	35.1	19.1	(14.4)	(5.1)	18.0	30.7	50.6	13.7	24.7	18.1	16.1	11.2	5.1
Geography													
US	(2.1)	(3.9)	(6.3)	(10.5)	(6.5)	(4.0)	2.4	6.4	10.6	6.2	4.3	2.7	(0.5)
Europe	3.0	(8.3)	1.6	20.3	13.5	15.4	6.7	1.6	7.5	8.9	8.6	6.2	6.1
Africa	1.0	4.4	(0.8)	8.4	9.7	3.9	4.2	(4.5)	(0.2)	(1.2)	2.3	9.8	10.2
Client Concentration													
Top 5	(7.5)	(0.8)	(2.2)	(11.8)	(9.2)	(17.2)	(13.8)	(7.2)	2.2	3.3	0.7	0.1	(5.2)
Top 10	(5.7)	(3.5)	(4.2)	(10.1)	(9.9)	(11.1)	(3.7)	3.5	9.6	5.9	3.2	0.5	(2.5)
Top 20	(0.8)	(4.7)	(3.5)	(22.9)	(7.0)	(6.5)	(1.6)	25.7	7.2	3.3	2.9	1.9	1.7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	49,018	52,806	56,887	60,609	65,928
EBITDA	8,716	8,166	9,241	9,519	10,474
Depreciation	1,338	1,019	896	914	1,030
EBIT	7,378	7,147	8,345	8,606	9,444
Net interest inc./exp.)	0	0	0	0	0
Other inc./exp.)	1,379	1,429	2,220	1,511	1,812
Exceptional items	0	0	0	0	0
EBT	8,757	8,577	10,565	10,117	11,256
Income taxes	2,107	2,079	2,520	2,489	2,769
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	6,650	6,498	8,045	7,628	8,486
Adjustments	0	0	0	0	0
Adjusted net profit	6,650	6,498	8,045	7,628	8,486

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,224	3,454	3,692	3,946	4,352
Other current liabilities	5,445	5,385	5,759	5,987	6,353
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	41,435	45,316	49,716
Shareholders' fund	34,520	39,598	41,890	45,771	50,171
Total liab. and equities	46,478	51,729	54,469	58,832	64,004
Cash and cash eq.	7,241	7,436	6,435	7,950	9,864
Accounts receivables	7,320	7,901	8,149	8,708	9,605
Inventories	0	0	0	0	0
Other current assets	4,874	5,272	6,327	6,446	6,635
Investments	6,506	12,537	13,525	15,525	17,525
Net fixed assets	811	908	1,238	1,409	1,580
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	54,469	58,832	64,004

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	7,480	7,240	8,139	8,305	9,162
Capital expenditures	(4)	2,335	1,460	1,085	1,201
Change in investments	1,997	6,031	988	2,000	2,000
Other investing cash flows	0	0	0	0	0
Cash flow from investing	2,001	3,696	(472)	915	799
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)	(3,951)	(3,746)	(4,087)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(2,378)	(2,951)	(3,951)	(3,746)	(4,087)
Chg in cash & cash eq.	(39)	195	3,716	5,474	5,874
Closing cash & cash eq.	7,241	7,436	11,152	11,910	13,824

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	29.4	28.7	34.3	33.6	37.4
Adjusted EPS	29.1	28.4	34.0	33.6	37.4
Dividend per share	10.5	13.0	17.4	16.5	18.0
Book value per share	152.4	174.4	184.5	201.6	221.0

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.4	3.2	3.0	2.8	2.6
EV/EBITDA	19.2	20.5	18.3	18.0	16.5
Adjusted P/E	24.2	24.8	20.7	21.0	18.9
P/BV	4.6	4.0	3.8	3.5	3.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.9	75.8	76.1	75.4	75.4
Interest burden (PBT/EBIT)	118.7	120.0	126.6	117.6	119.2
EBIT margin (EBIT/Revenue)	15.1	13.5	14.7	14.2	14.3
Asset turnover (Rev./Avg TA)	111.8	107.5	107.1	107.0	107.3
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.3
Adjusted ROAE	20.9	17.5	19.7	17.4	17.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	1.1	7.7	7.7	6.5	8.8
EBITDA	57.8	(6.3)	13.2	3.0	10.0
Adjusted EPS	102.6	(2.5)	19.7	(1.2)	11.3
Profitability & Return ratios (%)					
EBITDA margin	17.8	15.5	16.2	15.7	15.9
EBIT margin	15.1	13.5	14.7	14.2	14.3
Adjusted profit margin	13.6	12.3	14.1	12.6	12.9
Adjusted ROAE	20.9	17.5	19.7	17.4	17.7
ROCE	15.9	13.4	14.5	13.8	13.9
Working capital days (days)					
Receivables	73	55	52	52	53
Inventory	NA	NA	NA	NA	NA
Payables	24	24	23	23	24
Ratios (x)					
Gross asset turnover	60.4	58.2	46.0	43.0	41.7
Current ratio	3.0	3.7	3.6	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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

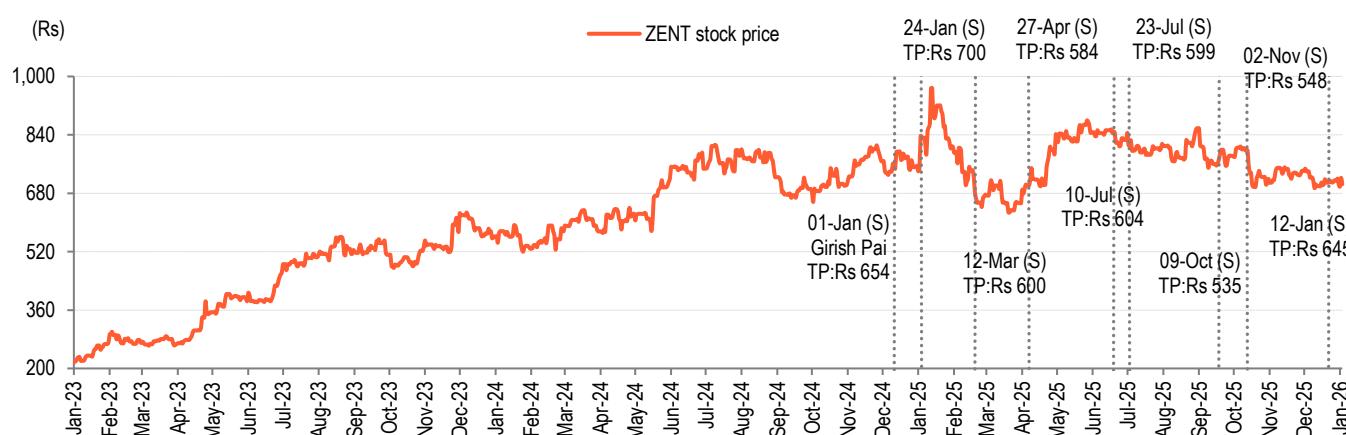
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

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