

SELL**TP: Rs 584 | ▼ 17%****ZENSAR
TECHNOLOGIES**

| IT Services

| 27 April 2025

Getting to leaders' quadrant of growth by FY27 looks a tall ask

- 4QFY25 disappointed on revenue as demand was postponed due to macro uncertainty- not canceled according to ZENT
- ZENT is trying to lower exposure to discretionary spending to reduce volatility in growth. But that will have execution and margin challenges
- We have tweaked FY26/FY27 EPS. We retain Target PE multiple – 17x, 20% discount to that of TCS and reiterate our SELL

4QFY25 revenue grew by 0.9% QoQ in CC terms (our estimate 3%, which was unchanged post 3QFY25) and underwhelmed as demand got postponed to future months/quarters.

While ZENT has a double-digit revenue growth aspiration for FY26, we think in the current demand environment which is clouded by Tariff/DOGE and Immigration related uncertainty, it looks lofty. We are assuming growth to be a tad lower than that it clocked in FY25.

While it clocked the third successive quarter of >US\$200mn in TCV we believe that it is likely on the back of effort to capture the cost-take-out market which it traditionally has not been addressing. This is a strategy that several Tier-2 companies have been adopting in the last 12-24 months due to weakness in discretionary demand. While this will likely give a revenue lift, good execution skills are required to deliver on margins and keep risks under control.

When Manish Tandon, the current CEO, stepped in, he aspired for ZENT to move up one quadrant a year at a time from a revenue/EPS growth standpoint to the leaders quadrant in year 4(FY27). FY24 being the first year, it was at bottom most quadrant – on revenue/EPS growth- but focused on getting margins to peer matching levels. That happened rather quickly in FY24. However, driving revenue growth while maintaining margins will be a tough ask going forward. 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 and hence our 20% discount to the target PE of industry benchmark TCS.

Zensar is actively working to reduce its reliance on discretionary spending, which has historically been a source of revenue fluctuations. The focus is on annuity revenues to smoothen growth. This is being achieved through large deals and a focus on Cloud and Infrastructure Services. The TESCO deal that was announced recently is probably a step in that direction.

Girish Pai

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ZENT IN/Rs 702
Market cap	US\$ 1.9bn
Free float	50%
3M ADV	US\$ 19.6mn
52wk high/low	Rs 985/Rs 530
Promoter/FPI/DII	49%/15%/20%

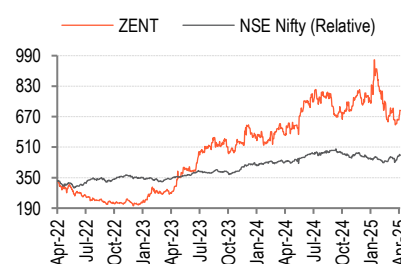
Source: NSE | Price as of 25 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	52,806	56,868	62,513
EBITDA (Rs mn)	8,166	8,689	9,860
Adj. net profit (Rs mn)	6,498	6,751	7,780
Adj. EPS (Rs)	28.4	29.7	34.3
Consensus EPS (Rs)	28.3	32.8	37.6
Adj. ROAE (%)	17.5	16.2	16.8
Adj. P/E (x)	24.7	23.6	20.5
EV/EBITDA (x)	18.6	17.5	15.3
Adj. EPS growth (%)	(2.5)	4.7	15.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



- Zensar has been focusing on driving up non-discretionary business. In FY24, around 80% of its order bookings came from discretionary spending. In FY25, that proportion has likely decreased to ~70%. Zensar has stated that it aims to continue this trend, further reducing its reliance on discretionary spending.

Key Points from the quarter and the earnings call

- Revenue stood at US\$156mn, registering 0.9% QoQ growth (our estimate 3% which was unchanged post 3QFY25) and 6.3% YoY growth in CC terms.
- EBITDA margin stood at 15.6%, (estimate of 15.5%) supported by cost management and improved utilization despite furlough impacts and lease benefits in 3Q FY25. EBIT Margin came in at 13.8%, higher than our estimate of 13.1% as depreciation and amortization for the quarter came lower than expected.
- Order booking stood at US\$213.5mn (up 4% QoQ/17.6% YoY)
- Telecom, Media, and Technology vertical grew 1.7% QoQ in CC terms
- Banking and Financial Services posted 3.4% QoQ growth in CC terms
- Healthcare and Lifesciences declined by 1.4% QoQ in CC terms
- Manufacturing and Consumer Services declined by 2.6% QoQ in CC terms
- Utilization was at 84.6%; increased by 170bps QoQ
- The total headcount was 10,702 at quarter end an increase of ~280 QoQ. Voluntary TTM attrition was at 9.9%
- FY25 revenue stood at US\$624.5mn, reflecting 5.1% YoY growth in constant currency terms
- Mid-teens EBITDA margin guidance maintained entering FY26
 - If growth acceleration does not occur, margin levels are still expected to be sustained
 - Any EBITDA margin performance above the mid-teens range will be reinvested back into the business
- Exposure to manufacturing and automotive is limited so there is no first order impact of the tariff related macro concerns currently.
- Retail is not expected to be impacted as much by US tariff-related macro developments- this view of ZENT- runs counter to that of its peers.
- Healthcare and life sciences are not expected to see significant downshift in pricing due to being relatively price inelastic
- Concern is not demand but uncertainty itself
- Order book growth remained strong, but a rightward shift in demand was observed from March, with uncertainty impacting the pipeline outlook

- Capital allocation and investment dollars are expected to reduce in the short term, influenced by the uncertain macro environment
- The on-site/offshore mix is not a parameter actively controlled, as the priority remains client-centric, adjusting the mix based on client needs rather than internal targets
- South Africa remains a key strategic market for Zensar, being one of the top three players in the region. Revenues in South Africa are higher than most peers, and the company has a strong market share and brand recognition
- Strong TCV in 4QFY25 was partly driven by a large material deal in TESCO infrastructure.
- Tesco deal is a greenfield implementation following a business separation, not a vendor consolidation. No rebadging or employee onboarding involved; it is a fresh setup under a transition services agreement
- Pipeline for proactively created large deals is strong entering FY26
- Pipeline for RFP-led large deals remains muted, with historically low conversion probability
- For FY26, BFSI and manufacturing, healthcare, and life sciences are expected to perform well.
- Zensar has been active in the GCC space for the past two years with partnerships across three to four GCCs. The company offers a unique proposition that resonates well with clients and is supported by success stories and case studies
- Competitive intensity is expected to rise if demand continues to shrink
- Client-side savings due to AI are largely being reinvested into IT projects
- Zensar is actively exploring acquisitions, but current market uncertainty makes decision-making cautious. They are prepared financially to pursue deals if the right fit emerges

View on the Indian IT Services sector: 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**)

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD 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 conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit (due to economic slowdown concerns, not enough gains from DOGE,etc) US 10-year yields rose. 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.

Since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, will lead to slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

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 – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen

limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

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.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in 9MFY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a limited set of large clients in FY25 or the need to set off large pass-through items.

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 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

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

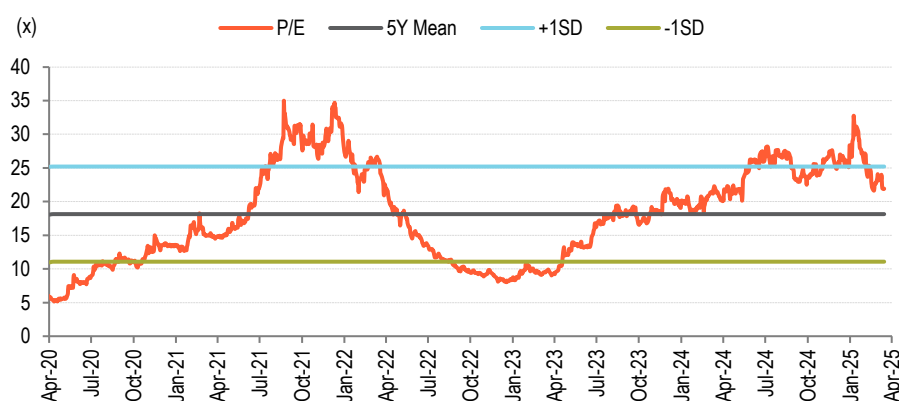
Y/E March (Rsmn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25E	Deviation (%)
Net Sales (USD mn)	148.1	157.0	156.8	5.9	(0.1)	160.8	(2.5)
Net Sales	12,297	13,256	13,589	10.5	2.5	13,911	(2.3)
Direct Cost	8,529	9,266	9,471	11.0	2.2	9,663	(2.0)
Gross Profit	3,768	3,990	4,118	9.3	3.2	4,248	(3.1)
% of Sales	30.6	30.1	30.3			30.5	
SG&A	1,738	1,921	1,993	14.7	3.7	2,084	(4.4)
% of Sales	14.1	14.5	14.7			15.0	
EBITDA	2,030	2,069	2,125	4.7	2.7	2,164	(1.8)
EBITDA Margin (%)	16.5	15.6	15.6			15.6	0.5
Depreciation	237	237	238	0.4	0.4	295	(19.2)
EBIT	1,793	1,832	1,887	5.2	3.0	1,869	0.9
EBIT Margin (%)	14.6	13.8	13.9			13.4	
Finance Costs	28	37	49	75.0	32.4	37	32.4
Other Income (net)	521	307	460	(11.7)	49.8	317	45.0
Profit Before Tax	2,286	2,102	2,298	0.5	9.3	2,150	6.9
Provision for Taxation - Current & Deferred	553	505	534	(3.4)	5.7	527	1.4
Effective Tax Rate	24.2	24.0	23.2			24.5	
Net Profit	1,733	1,597	1,764	1.8	10.5	1,623	8.7
Minority Share of Net Profit	-	-	-			-	
PAT attributable to equity shareholders after Minority Interest	1,733	1,597	1,764	1.8	10.5	1,623	8.7
NPM (%)	14.1	12.0	13.0			11.7	

Source: Company, BOBCAPS Research

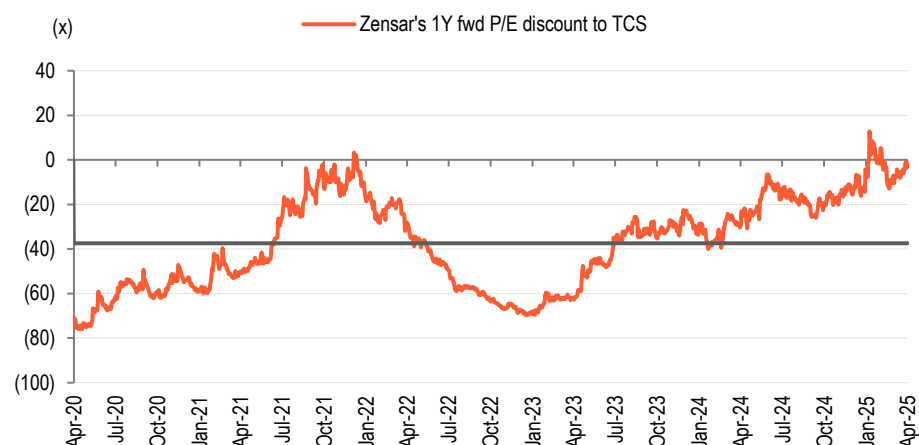
Fig 2 – Revised Estimates

Zensar	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Change in estimates									
INR/USD	84.6	87.3	89.3	84.5	87.3	89.3	0.1	-	-
USD Revenue (USD mn)	624	652	700	628	660	736	(0.5)	(1.2)	(4.9)
USD revenue growth (%)	5.4	4.4	7.5	6.0	5.1	11.7			
Revenue (Rsmn)	52,806	56,868	62,513	53,072	57,548	65,745	(0.5)	(1.2)	(4.9)
EBIT (Rsmn)	7,147	7,642	8,660	7,119	7,705	9,118	0.4	(0.8)	(5.0)
EBIT Margin (%)	13.5	13.4	13.9	13.4	13.4	13.9			
PAT (Rsmn)	6,498	6,751	7,780	6,349	6,646	7,985	2.3	1.6	(2.6)
FDEPS (Rs)	28.4	29.7	34.3	27.8	29.3	35.2	2.0	1.5	(2.6)

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend

Source: Company, BOBCAPS Research

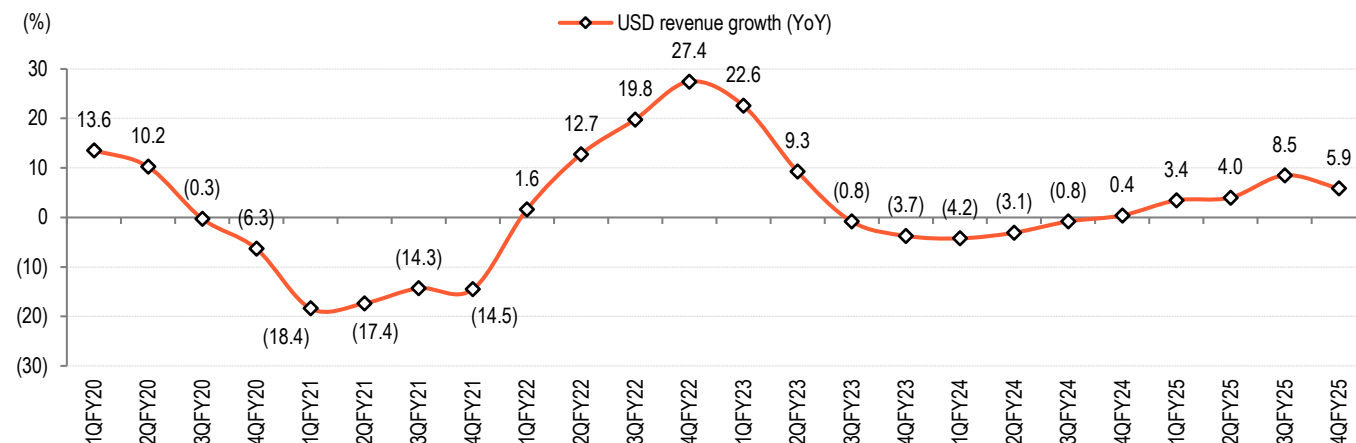
Fig 4 – Premium/ Discount to TCS

Source: Company, BOBCAPS Research

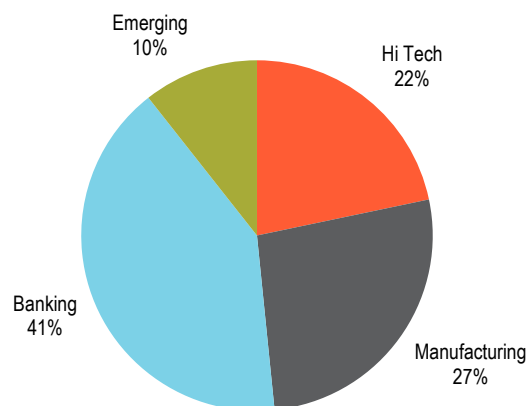
Fig 5 – P&L at a glance

(YE March) Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Average INR/USD	67.1	64.4	70.0	70.9	74.3	74.5	80.2	82.8	84.6	87.3	89.3
Net sales (US\$mn)	455.6	482.2	566.9	589.5	494.0	569.4	604.3	592.3	624.4	651.7	700.3
-Growth (%)	0.6	5.8	17.6	4.0	(16.2)	15.3	6.1	(2.0)	5.4	4.4	7.5
Net Sales	30,556	31,077	39,663	41,768	36,682	42,437	48,483	49,018	52,806	56,868	62,513
-Growth (%)	3.1	1.7	27.6	5.3	(12.2)	15.7	14.2	1.1	7.7	7.7	9.9
Direct cost	21,603	22,068	28,286	30,159	24,417	29,214	35,000	33,434	37,111	39,721	43,013
Gross Profit	8,953	9,009	11,377	11,608	12,264	13,222	13,483	15,584	15,695	17,147	19,500
Gross Margin	29.3	29.0	28.7	27.8	33.4	31.2	27.8	31.8	29.7	30.2	31.2
SGA Expenses	5,135	5,360	6,611	6,482	5,423	6,659	7,960	6,868	7,529	8,458	9,640
% of sales	16.8	17.2	16.7	15.5	14.8	15.7	16.4	14.0	14.3	14.9	15.4
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	8,689	9,860
% of sales	12.7	12.0	12.4	12.3	18.7	15.5	11.4	17.8	15.5	15.3	15.8
Depreciation & Amortisation	486	651	894	1,592	1,733	1,849	1,830	1,338	1,019	1,047	1,200
% of sales	1.6	2.1	2.3	3.8	4.7	4.4	3.8	2.7	1.9	1.8	1.9
EBIT	3,381	3,078	4,034	3,536	5,109	4,715	3,693	7,378	7,147	7,642	8,660
% of sales	11.1	9.9	10.2	8.5	13.9	11.1	7.6	15.1	13.5	13.4	13.9
Other income (net)	105	438	420	279	(281)	1,023	750	1,379	1,429	1,276	1,617
PBT	3,486	3,515	4,454	3,815	4,828	5,738	4,443	8,757	8,577	8,918	10,277
-PBT margin (%)	11.4	11.3	11.2	9.1	13.2	13.5	9.2	17.9	16.2	15.7	16.4
Provision for tax	1,103	1,051	1,267	1,057	1,262	1,525	1,166	2,107	2,079	2,167	2,497
Effective tax rate (%)	31.6	29.9	28.5	27.7	26.1	26.6	26.2	24.1	24.2	24.3	24.3
Net profit	2,383	2,464	3,186	2,758	3,566	4,213	3,277	6,650	6,498	6,751	7,780
Minority Interest	35	50	51	82	70	53	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	6,751	7,780
-Growth (%)	(24.0)	2.8	29.9	(14.7)	30.7	19.0	(21.2)	102.9	(2.3)	3.9	15.2
-Net profit margin (%)	7.7	7.8	7.9	6.4	9.5	9.8	6.8	13.6	12.3	11.9	12.4

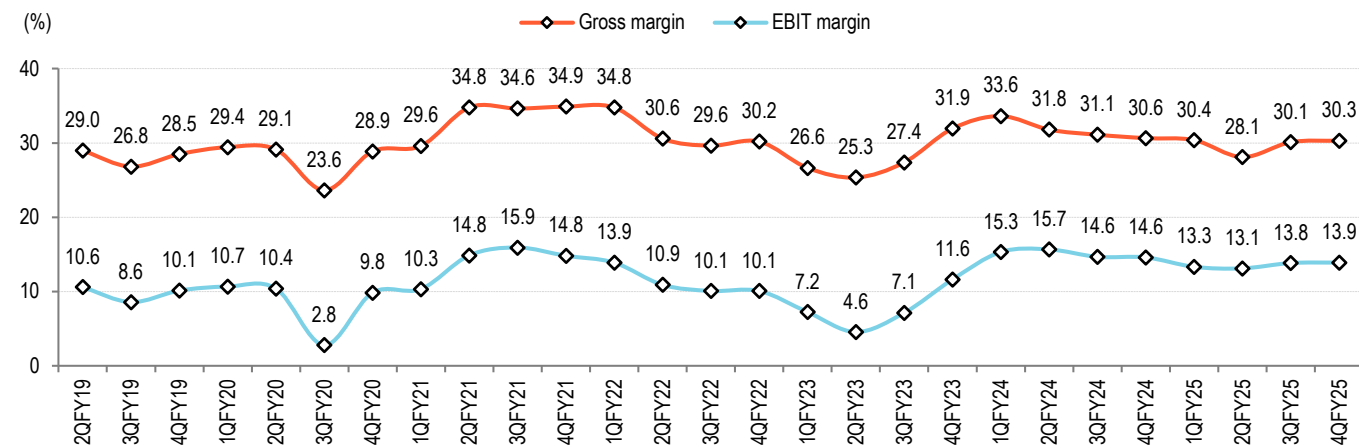
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth (YoY)

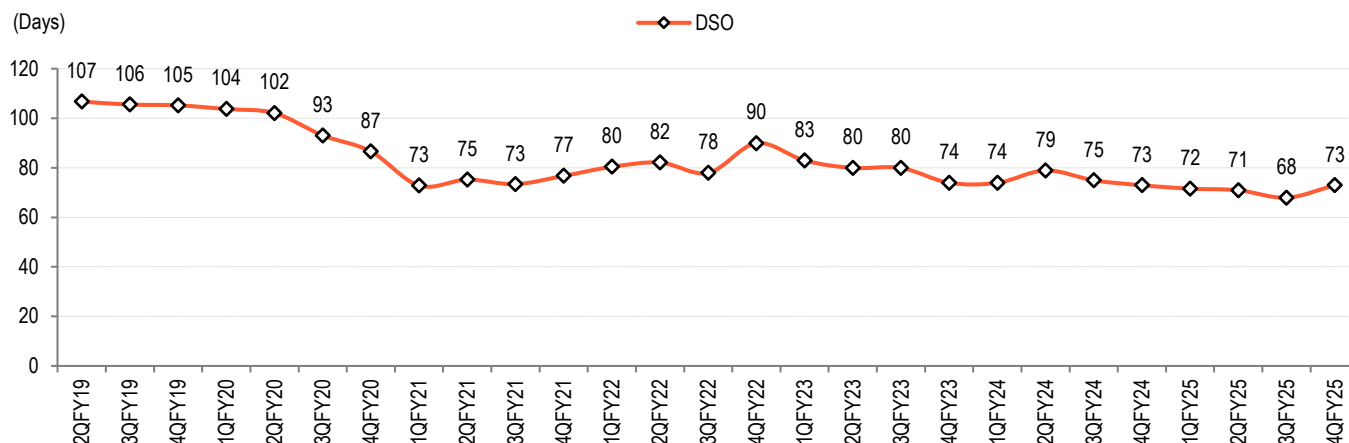
Source: Company, BOBCAPS Research

Fig 7 – Vertical mix for 4QFY25

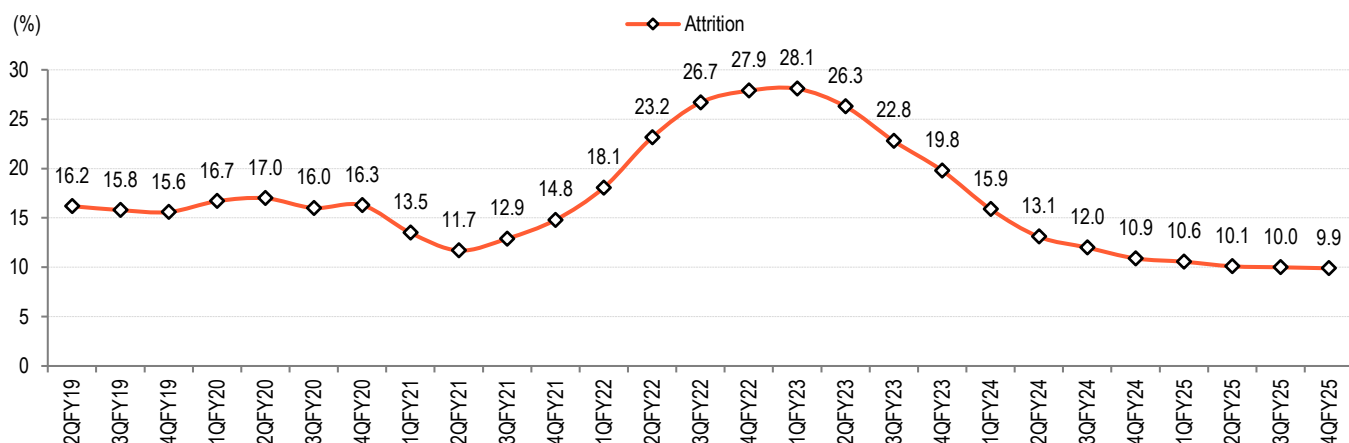
Source: Company, BOBCAPS Research

Fig 8 – Gross Margin and EBIT Margin

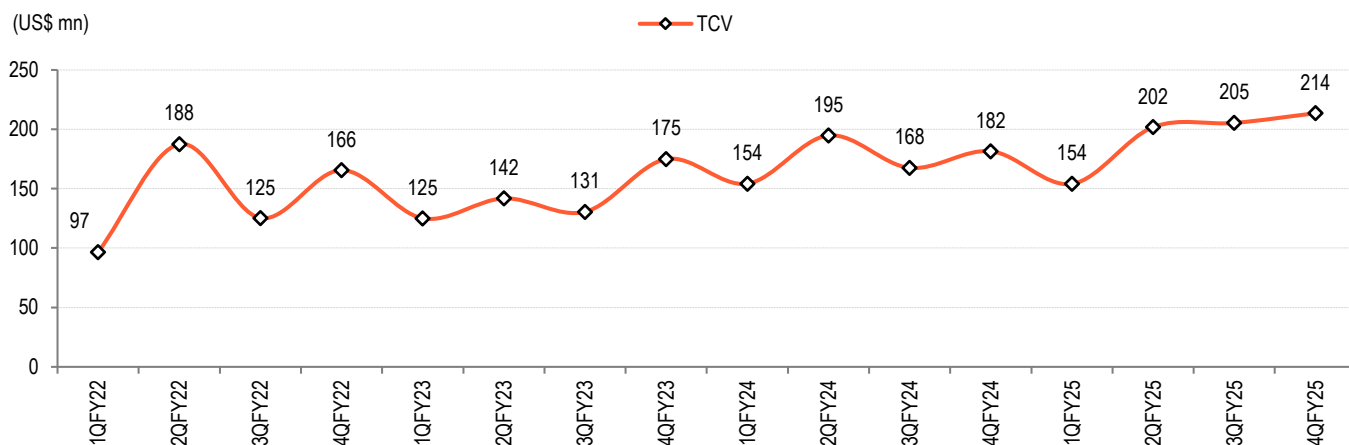
Source: Company, BOBCAPS Research

Fig 9 – DSO

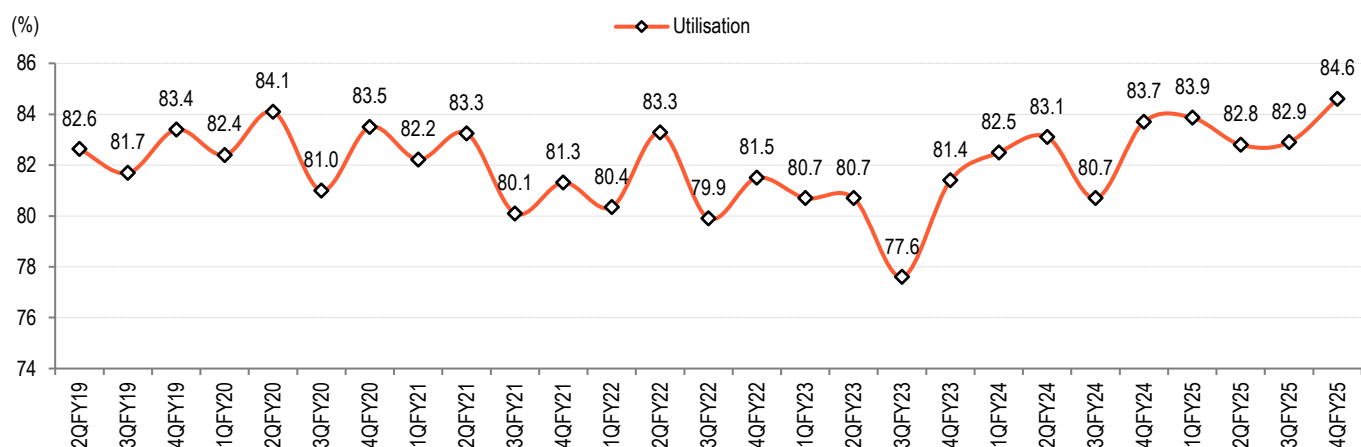
Source: Company, BOBCAPS Research

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 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
INR/USD	77.19	79.65	82.08	82.22	82.20	82.61	83.21	83.03	83.40	83.70	84.40	86.70
Revenue (in USDmn)	156	155	146	148	149	150	145	148	154	156	157	157
(Rs mn)												
Revenue	12,034	12,346	11,976	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589
Gross margin	3,205	3,128	3,277	3,873	4,126	3,945	3,745	3,768	3,913	3,674	3,990	4,118
SGA	1,844	2,074	1,928	2,114	1,825	1,637	1,669	1,738	1,952	1,663	1,921	1,993
EBITDA	1,361	1,054	1,349	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125
Depreciation and Amortisation	490	492	497	351	423	366	312	237	247	297	237	238
EBIT	871	562	852	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887
Forex gain/loss	98	159	71	58	5	-	60	(60)	(19)	(181)	(109)	(50)
Other income	115	125	188	214	279	363	360	581	444	592	416	510
Interest	64	75	76	63	60	57	64	28	42	45	37	49
PBT	1,020	771	1,035	1,617	2,102	2,248	2,120	2,286	2,097	2,080	2,102	2,298
Tax	269	203	270	424	540	510	504	553	518	522	505	534
PAT	751	568	765	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764
EPS	3.32	2.51	3.38	5.27	6.90	7.67	7.13	7.65	6.96	6.88	7.04	7.77
YoY Growth (%)												
USD Revenue	22.6	9.3	(0.8)	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9
INR Revenues	28.5	17.5	8.6	5.1	2.0	0.5	0.5	1.4	5.0	5.4	10.1	10.5
Gross profit	(1.6)	(2.7)	0.3	11.2	28.7	26.1	14.3	(2.7)	(5.2)	(6.9)	6.5	9.3
EBIT	(33.0)	(50.9)	(23.2)	21.3	115.6	245.6	107.0	27.3	(8.7)	(11.7)	3.9	5.2
Net profit	(25.7)	(39.8)	(15.8)	(8.0)	108.0	206.0	111.2	45.3	1.1	(10.4)	(1.2)	1.8
QoQ Growth (%)												
USD Revenues	1.8	(0.6)	(5.9)	1.1	1.2	0.6	(3.7)	2.35	4.28	1.14	0.5	(0.1)
INR Revenues	4.3	2.6	(3.0)	1.3	1.2	1.1	(3.0)	2.1	4.7	1.5	1.3	2.5
EBIT	(25.0)	(35.5)	51.6	65.3	33.4	3.4	(9.2)	1.6	(4.4)	0.0	6.9	3.0
Net profit	(42.1)	(24.4)	34.7	55.9	30.9	11.3	(7.0)	7.2	(8.9)	(1.3)	2.5	10.5
Margins (%)												
Gross margin	26.6	25.3	27.4	31.9	33.6	31.8	31.1	30.6	30.4	28.1	30.1	30.3
EBITDA	11.3	8.5	11.3	14.5	18.8	18.6	17.2	16.5	15.2	15.4	15.6	15.6
EBIT	7.2	4.6	7.1	11.6	15.3	15.7	14.6	14.6	13.3	13.1	13.8	13.9
PAT	6.2	4.6	6.4	9.8	12.7	14.0	13.4	14.1	12.3	11.9	12.0	13.0
SGA	15.3	16.8	16.1	17.4	14.9	13.2	13.9	14.1	15.2	12.7	14.5	14.7

Source: Company, BOBCAPS Research

Fig 14 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue (USD mn)	156	155	146	148	149	150	145	148	154	156	157	157
P and L (Rs mn)												
Revenue	12,034	12,346	11,976	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589
EBITDA	1,361	1,054	1,349	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125
EBIT	871	562	852	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887
PAT	751	568	765	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764
Vertical Mix (%)												
Hi Tech	27.4	25.7	25.9	27.6	26.2	27.2	25.9	25.5	24.7	22.4	21.4	21.7
Manufacturing	13.2	12.4	12.2	12.7	12.4	25.9	26.1	26.3	25.8	26.2	27.7	26.7
Banking	16.7	17.5	18.4	16.1	17.7	37.3	38.6	38.7	39.7	40.9	40.1	41.0
Emerging	7.5	9.8	7.9	7.3	6.7	9.6	9.4	9.5	9.8	10.5	10.8	10.6
Retail and Consumer services	18.8	17.9	19.7	19.3	20.9	-	-	-	-	-	-	-
Insurance	16.5	16.7	15.8	17.0	16.1	-	-	-	-	-	-	-
Geographical Mix (%)												
US	70.9	71.6	70.0	70.3	69.4	66.1	66.0	67.2	68.7	67.6	67.3	67.4
Europe	18.1	17.4	18.7	18.1	19.2	21.6	21.4	20.8	19.8	21.1	21.2	21.4
Africa	11.0	11.0	11.3	11.6	11.4	12.3	12.5	12.0	11.5	11.3	11.5	11.2
Service offering Mix (%)												
Digital services	58.4	57.7	58.6	58.7	56.8	56.2	54.4	55.6	55.7	55.5	54.4	55.0
Core Application Services	23.7	22.3	22.0	23.9	24.9	25.6	27.0	25.9	26.0	24.3	25.0	24.3
Cloud, Digital Led next gen CIS	11.9	12.0	13.6	12.7	18.3	18.2	18.5	18.4	18.3	20.3	20.5	20.7
Core Infrastructure Services	5.9	8.0	5.7	4.7	-	-	-	-	-	-	-	-
Revenue Mix (%)												
Onsite	58.4	57.1	55.3	53.6	52.0	50.9	50.4	50.0	51.4	49.7	49.5	49.0
Offshore	41.6	42.9	44.7	46.4	48.0	49.1	49.6	50.0	48.6	50.3	50.5	51.0
IT Utilization (%) (excluding trainees)	80.7	80.7	77.6	81.4	82.5	83.1	80.7	83.7	83.9	82.8	82.9	84.6
Clients Concentration (%)												
Top 5 Clients	33.3	34.6	31.9	34.3	34.0	31.5	29.2	28.3	28.3	28.1	27.5	27.6
Top 10 Clients	45.2	45.5	44.7	46.1	45.2	42.2	40.6	40.8	42.1	42.0	41.0	40.8
Top 20 Clients	61.2	60.7	61.3	61.4	61.7	48.3	57.5	57.2	58.7	58.4	56.8	55.8
Number of Client												
1 USD mn +	86.0	87.0	87.0	84.0	87.0	84.0	84.0	85.0	85.0	86.0	87.0	84.0
5 USD mn +	26.0	28.0	28.0	29.0	29.0	29.0	32.0	31.0	31.0	32.0	34.0	33.0
10 USD mn +	13.0	13.0	15.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0	14.0	14.0
20 USD mn +	4.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	6.0
Employees	11,559.0	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
TTM Attrition (%)	28.1	26.3	22.8	19.8	15.9	13.1	12.0	10.9	10.6	10.1	10.0	9.9

Source: Company, BOBCAPS Research

Fig 15 – QoQ and YoY growth of various parameters

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
QoQ Growth (%)												
Company	1.8	(0.6)	(5.9)	1.1	1.2	0.6	(3.7)	2.3	4.3	1.1	0.5	(0.1)
Service Offering												
Digital services	(0.6)	(1.8)	(4.4)	1.3	(2.1)	(0.5)	(6.7)	4.6	4.4	0.8	(1.5)	1.0
Core Application Services	9.6	(6.5)	(7.1)	9.8	5.5	3.4	1.6	(1.8)	4.7	(5.5)	3.4	(2.9)
Cloud, Digital Led next gen CIS	(0.7)	0.3	6.7	(5.6)	45.9	0.1	(2.1)	1.8	3.7	12.2	1.5	0.8
Core Infrastructure Services	(1.6)	34.8	(32.9)	(16.6)	-	-	-	-	-	-	-	-
Industry												
Hi Tech	(23.4)	(6.7)	(5.1)	7.7	(3.9)	4.4	(8.3)	0.8	1.1	(8.4)	(4.0)	1.3
Manufacturing	41.4	(6.6)	(7.4)	5.2	(1.2)	110.1	(2.9)	3.1	2.3	2.7	6.3	(3.7)
Retail and Consumer services	18.8	(5.3)	3.6	(1.0)	9.6	-	-	-	-	-	-	-
Insurance	(5.1)	0.6	(10.9)	8.8	(4.1)	-	-	-	-	-	-	-
Banking	18.8	4.2	(1.0)	(11.5)	11.3	112.0	(0.3)	2.6	7.0	4.2	(1.5)	2.1
Emerging	29.4	29.9	(24.1)	(6.6)	(7.1)	44.1	(5.7)	3.4	7.1	8.9	3.4	(2.0)
Geography												
US	2.5	0.4	(8.0)	1.5	(0.1)	(4.2)	(3.8)	4.2	6.6	(0.5)	0.1	0.0
Europe	(3.1)	(4.4)	1.2	(2.1)	7.4	13.2	(4.6)	(0.5)	(0.7)	7.8	1.0	0.8
Africa	4.6	(0.6)	(3.3)	3.8	(0.5)	8.5	(2.1)	(1.7)	(0.2)	(0.5)	2.3	(2.7)
Client Concentration												
Top 5	1.8	3.3	(13.2)	8.7	0.3	(6.8)	(10.7)	(0.8)	4.4	0.3	(1.6)	0.2
Top 10	0.0	0.1	(7.5)	4.3	(0.8)	(6.1)	(7.3)	2.9	7.5	1.0	(1.9)	(0.6)
Top 20	0.4	(1.4)	(4.9)	1.3	1.7	(21.2)	14.7	1.8	7.0	0.6	(2.2)	(1.9)
YoY Growth (%)												
Company	22.6	9.3	(0.8)	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9
Service Offering												
Digital services	23.6	2.5	(3.0)	(5.5)	(6.9)	(5.6)	(7.9)	(4.9)	1.4	2.7	8.5	4.7
Core Application Services	5.6	4.7	(3.0)	4.6	0.6	11.2	21.7	8.8	8.0	(1.3)	0.5	(0.7)
Cloud, Digital Led next gen CIS	44.8	36.0	15.3	0.2	47.3	47.0	34.9	45.5	3.4	16.0	20.2	19.1
Core Infrastructure Services	60.1	56.2	(5.8)	(25.8)	-	-	-	-	-	-	-	-
Industry												
Hi Tech	(19.9)	(28.1)	(30.0)	(27.0)	(8.4)	2.6	(0.8)	(7.2)	(2.4)	(14.4)	(10.4)	(9.9)
Manufacturing	43.6	25.6	24.7	28.7	(10.0)	102.4	112.2	107.9	115.3	5.2	15.2	7.5
Retail and Consumer services	58.6	27.1	21.4	15.4	6.5	-	-	-	-	-	-	-
Insurance	8.3	(2.9)	(11.0)	(7.5)	(6.6)	-	-	-	-	-	-	-
Banking	106.2	56.8	29.4	8.4	1.5	106.5	108.1	141.4	132.1	14.0	12.7	12.2
Emerging	150.4	180.4	35.1	19.1	(14.4)	(5.1)	18.0	30.7	50.6	13.7	24.7	18.1
Geography												
US	23.8	11.1	(2.1)	(3.9)	(6.3)	(10.5)	(6.5)	(4.0)	2.4	6.4	10.6	6.2
Europe	25.9	8.2	3.0	(8.3)	1.6	20.3	13.5	15.4	6.7	1.6	7.5	8.9
Africa	10.8	0.1	1.0	4.4	(0.8)	8.4	9.7	3.9	4.2	(4.5)	(0.2)	(1.2)
Client Concentration												
Top 5	6.3	8.1	(7.5)	(0.8)	(2.2)	(11.8)	(9.2)	(17.2)	(13.8)	(7.2)	2.2	3.3
Top 10	12.1	4.8	(5.7)	(3.5)	(4.2)	(10.1)	(9.9)	(11.1)	(3.7)	3.5	9.6	5.9
Top 20	17.8	7.2	(0.8)	(4.7)	(3.5)	(22.9)	(7.0)	(6.5)	(1.6)	25.7	7.2	3.3

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	48,483	49,018	52,806	56,868	62,513
EBITDA	5,523	8,716	8,166	8,689	9,860
Depreciation	1,830	1,338	1,019	1,047	1,200
EBIT	3,693	7,378	7,147	7,642	8,660
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	750	1,379	1,429	1,276	1,617
Exceptional items	0	0	0	0	0
EBT	4,443	8,757	8,577	8,918	10,277
Income taxes	1,166	2,107	2,079	2,167	2,497
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	3,277	6,650	6,498	6,751	7,780
Adjustments	0	0	0	0	0
Adjusted net profit	3,277	6,650	6,498	6,751	7,780

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	2,772	3,224	3,454	3,726	4,125
Other current liabilities	5,810	5,445	5,385	5,602	5,920
Provisions	42	48	53	53	53
Debt funds	0	0	0	0	0
Other liabilities	3,602	3,241	3,239	3,239	3,239
Equity capital	453	453	454	454	454
Reserves & surplus	28,531	34,067	39,144	43,398	48,226
Shareholders' fund	28,984	34,520	39,598	43,852	48,680
Total liab. and equities	41,210	46,478	51,729	56,472	62,017
Cash and cash eq.	7,280	7,241	7,436	9,194	11,522
Accounts receivables	7,298	7,320	7,901	8,523	9,436
Inventories	0	0	0	0	0
Other current assets	4,097	4,874	5,272	5,370	5,513
Investments	4,509	6,506	12,537	14,537	16,537
Net fixed assets	1,122	811	908	1,172	1,334
CWIP	0	52	6	6	6
Intangible assets	8,473	8,103	9,819	9,819	9,819
Deferred tax assets, net	958	1,099	1,079	1,079	1,079
Other assets	7,473	10,472	6,771	6,771	6,771
Total assets	41,210	46,478	51,729	56,472	62,017

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	6,320	7,480	7,240	8,123	9,197
Capital expenditures	707	(4)	2,335	1,311	1,362
Change in investments	2,873	1,997	6,031	2,000	2,000
Other investing cash flows	0	0	0	0	0
Cash flow from investing	2,166	2,001	3,696	689	638
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	(1,133)	(2,378)	(2,951)	(2,497)	(2,951)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,133)	(2,378)	(2,951)	(2,497)	(2,951)
Chg in cash & cash eq.	(1,279)	(39)	195	1,918	2,487
Closing cash & cash eq.	7,280	7,241	7,436	9,354	11,682

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	14.5	29.4	28.7	29.7	34.3
Adjusted EPS	14.4	29.1	28.4	29.7	34.3
Dividend per share	5.0	10.5	13.0	11.0	13.0
Book value per share	128.0	152.4	174.4	193.2	214.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	3.1	3.1	2.9	2.7	2.4
EV/EBITDA	27.4	17.4	18.6	17.5	15.3
Adjusted P/E	48.9	24.1	24.7	23.6	20.5
P/BV	5.5	4.6	4.0	3.6	3.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	73.8	75.9	75.8	75.7	75.7
Interest burden (PBT/EBIT)	120.3	118.7	120.0	116.7	118.7
EBIT margin (EBIT/Revenue)	7.6	15.1	13.5	13.4	13.9
Asset turnover (Rev./Avg TA)	121.3	111.8	107.5	105.1	105.5
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.3	1.3	1.3
Adjusted ROAE	11.8	20.9	17.5	16.2	16.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	14.2	1.1	7.7	7.7	9.9
EBITDA	(15.9)	57.8	(6.3)	6.4	13.5
Adjusted EPS	(21.5)	102.6	(2.5)	4.7	15.2

Profitability & Return ratios (%)

EBITDA margin	11.4	17.8	15.5	15.3	15.8
EBIT margin	7.6	15.1	13.5	13.4	13.9
Adjusted profit margin	6.8	13.6	12.3	11.9	12.4
Adjusted ROAE	11.8	20.9	17.5	16.2	16.8
ROCE	8.6	15.9	13.4	12.9	13.2

Working capital days (days)

Receivables	74	73	55	55	55
Inventory	NA	NA	NA	NA	NA
Payables	21	24	24	24	24

Ratios (x)

Gross asset turnover	43.2	60.4	58.2	48.5	46.9
Current ratio	2.7	3.0	3.7	4.0	4.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)

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

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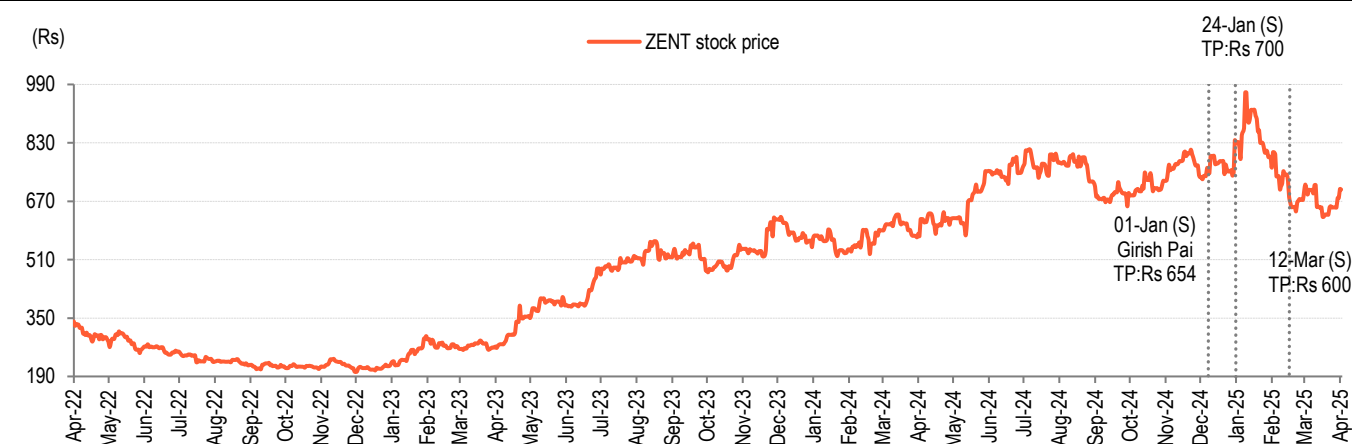
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