

**SELL**  
 TP: Rs 488 | ▼ 9%

**ZENSAR  
 TECHNOLOGIES**

| IT Services

| 26 April 2026

### Higher competitive intensity flagged off

- 4QFY26 came in weaker than our estimate driven by weakness in TMT and late booking of a mega deal
- With Tier-1s in the last few months competing for smaller deals, there could be a TCV accretion challenge in FY27
- Cut revenue and margin numbers. Maintain our Target PE of 13.4x (20% discount to that of TCS) on FY28 EPS. Retain SELL rating

**4Q weaker than estimate:** Revenue decline of 1.9% QoQ in CC terms (against our estimate of 0.5% growth) as Top client in TMT vertical continued to insource (to continue in FY27 too). There was late booking of a mega deal. Zent is also at the wrong end of vendor consolidation in a couple of accounts in healthcare and Life sciences business. TMT is likely to decline in FY27 whereas Healthcare and life sciences will at best be flat.

**Points to significant increase in competitive intensity:** ZENT CEO states that it is coming across Tier-1 players in every competitive situation in deals that the larger players would have ignored a few months back. This indicates that overall demand has shrunk for the industry due to (1) geopolitical issues – West Asia war (2) deflation due release of advanced AI models with ever improving capabilities (3) possible shift of spends towards hyperscalers and AI tokens.

**BFSI mega deal comes to the rescue in FY27:** ZENT clocked a US\$210mn, 5 and half year deal (mega in the context of ZENT) in the BFS space. The signing of this deal got delayed by a quarter. Else some revenue would have been booked in 4QFY26. This deal is in the transition phase and we believe investments and hiring in advance resulted in higher costs in 4QFY26 and will likely do so in 1HFY27. ZENT indicated that there is likely to be some margin pressure in 1HFY27 because of the deal but reiterated its goal of delivering mid-teen EBITDA margin in FY27.

**Unlikely to be in leader’s quadrant by in 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.

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### Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ZENT IN/Rs 536
Market cap	US\$ 1.3bn
Free float	50%
3M ADV	US\$ 3.3mn
52wk high/low	Rs 894/Rs 511
Promoter/FPI/DII	49%/11%/24%

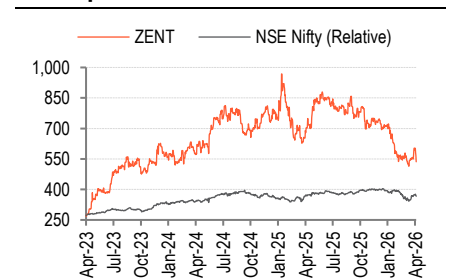
Source: NSE | Price as of 24 Apr 2026

### Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	56,874	61,673	64,752
EBITDA (Rs mn)	9,162	9,677	10,017
Adj. net profit (Rs mn)	7,995	7,829	8,228
Adj. EPS (Rs)	33.7	34.5	36.3
Consensus EPS (Rs)	33.7	35.4	39.4
Adj. ROAE (%)	18.7	16.3	15.8
Adj. P/E (x)	15.9	15.5	14.8
EV/EBITDA (x)	14.2	13.6	13.3
Adj. EPS growth (%)	18.6	2.6	5.1

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

### 4QFY26:

- Revenue stood at US\$158.4mn, decline of 1.9% QoQ (against our estimate of 0.5% growth) and decline of 1.5% YoY in CC terms
- Reported EBITDA margin declined from 17.4% in 3QFY26 to 16.1% in 4QFY26, a contraction of 130 bps QoQ
  - Tailwind: Forex impact of 120 bps
  - Headwinds: 30 bps decline due to volume (from fewer working days) and utilization; Reversal of leave utilization benefit from 3Q impacted margins by 110 bps; Other cost (including initial costs for a large deal and investment in SG&A) increases led to a further 110 bps decline
- EBIT margin stood at 14.7% (against our estimate of 15.2%), decline of ~138 bps on QoQ basis and growth of ~79 bps on YoY basis
- Vertical performance (CC basis)
  - BFSI: 1.2% QoQ and 8.7% YoY; contributed 45.6% of 4QFY26 revenue
  - TMT: -3.8% QoQ and -16.9% YoY; contributed 18.1% of 4QFY26 revenue
  - HLS: -6.6% QoQ and -0.3% YoY; contributed 10.5% of 4QFY26 revenue
  - MCS: -3.9% QoQ and -4.9% YoY; contributed 25.8% of 4QFY26 revenue
- BFSI is expected to continue growing; Healthcare and life sciences will remain under stress due to consolidation out of a couple of accounts; Manufacturing and consumer services are not expected to see some growth.
- TMT top client is expected to continue declining. The account is seeing an insourcing shift and significant cost cuts in line with broader technology sector actions. Internal projections assume TMT top client to continue declining in FY27.
- Geography performance (CC basis)
  - USA: -1.6% QoQ and -2.0% YoY; contributed 65.3% of 4QFY26 revenue
  - UK/EU: -2.2% QoQ and -1.7% YoY; contributed 22.1% of 4QFY26 revenue
  - South Africa: -3.2% QoQ and 2.1% YoY; contributed 12.7% of 4QFY26 revenue
- Europe and South Africa were described as back on track and expected to see good growth
- 4QFY26 weakness was driven by:
  - Continued pressure in TMT. TMT is expected to remain under pressure for the next few quarters

- Delay in large deal ramp-up. A large deal expected to close in 3Q and start contributing in 4Q closed only in February, resulting in no material revenue recognition in the quarter.
- The company reported orderbook of \$401.8mn (supported by a mega deal win), QoQ growth of 123% and YoY growth of 88% Ex mega deal the remaining TCV was sub US\$200mn which has been a constraint on growth.
- Total Headcount stood at 10,779, addition of 47 employees QoQ; Voluntary attrition was at 9.8%
- Utilization stood at 84.3%, improving 80 bps QoQ

#### **FY26:**

- Revenue stood at US\$643.7mn, growing 1.7% in CC terms
- EBIT Margin stood at 14.5%, growth of 100 bps
- Vertical Performance (Reported currency basis): BFSI revenue grew 11% YoY; Healthcare and life sciences revenue grew 8% YoY; Manufacturing and consumer services revenue declined 0.6% YoY; Telecom, media and technology revenue declined 9.7% YoY

#### **Other Points:**

- Based on current visibility, 1Q FY27 is not expected to be a degrowth quarter
- FY27 EBTIDA margin guidance remains in the mid-teens, consistent with the long-term 14% to 16% operating band. Quarterly margin may see temporary variation, but full-year margin guidance remains unchanged
- Large deal ramp-up has started and execution is progressing on track. Ramp-up will take time given transition complexity
  - 1QFY27 and 2QFY27 should see some revenue contribution from the large deal but full-fledged revenue contribution is expected from 3QFY27
  - Hiring for the large deal has already started, increasing headcount and associated costs in the current P&L. Incremental employee cost linked to the mega deal was around 50 bps to 60 bps in the quarter
  - Transition and ramp-up phase will create margin pressure during the initial quarters
  - Margin pressure is expected at least through 1QFY27 and 2Q FY27
- Competitive intensity has increased sharply
  - Tier 1 competitors are now present in almost every competitive bid, unlike earlier periods
  - Pipeline remains healthy and is not a current concern. Order booking excluding the large deal was around US\$206mn in the quarter

- Gross value of the mega deal is US\$210 mn. Reported order book net of deal-related elements reflects around US\$195 mn
- Large deal momentum is increasingly linked to AI-led solutioning, with AI being a key reason for the recent large deal win. Management linked healthy order book and pipeline directly to AI focus and changes in go-to-market strategy
- FY27 performance will be contingent to some extent on execution of the mega deal
- Addressable market has expanded and pipeline has also increased versus last year
- A quarterly order book of US\$180mn to US\$200mn is considered a reasonable steady-state range
- FY27 effective tax rate is expected to remain around the normal corporate tax rate within a range of plus or minus 50 bps
- AI adoption is accelerating across clients, but most of the AI spending is being reallocated from existing application development and testing engagements, creating pressure on renewals and pricing
- Management said that geopolitical uncertainty and sudden policy shifts have become the new normal, with the rules of business evolving and tighter immigration policies beginning to leave their mark
- Almost every service line has been reworked by ZENT to become AI-native rather than merely AI-infused. AI adoption has extended beyond delivery and sales into finance, HR and other support functions. 85% of workforce is AI-enabled and management sees readiness to capitalize on AI-led opportunities
- A key new offering launched is Quality Intelligence, positioned as a reimagined testing service.
- AI-led deflation impact has not been material in FY26 due to lower exposure to annuity-type contracts. AI is currently making the company more competitive in new project pursuits rather than causing direct pricing deflation. Management is not seeing projects repriced materially lower due to AI
- Competitive positioning against Tier 1 players is supported by AI-native offerings, strong client satisfaction and strong employee satisfaction. Agility as a smaller organization was highlighted as an advantage in the current environment versus larger incumbents
- Management does not see meaningful emergence of new boutique competitors. Lower industry attractiveness and margin compression are limiting entry of new players
- Management sees current tech layoffs as partly driven by the need for large AI-related capital investments, with funding being generated through cost reduction and workforce cuts. Some portion of layoffs is also attributed to prior over-hiring during the post-Covid demand phase. Management believes some amount of AI washing is also influencing workforce actions

## We have an Underweight stance on Indian IT Services

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

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

### Multiple speed breakers drive our Underweight stance

**Trump policies raise uncertainty:** 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.

**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 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

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

### **Tier- 2 valuation reflects growth gap with Tier-1**

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

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

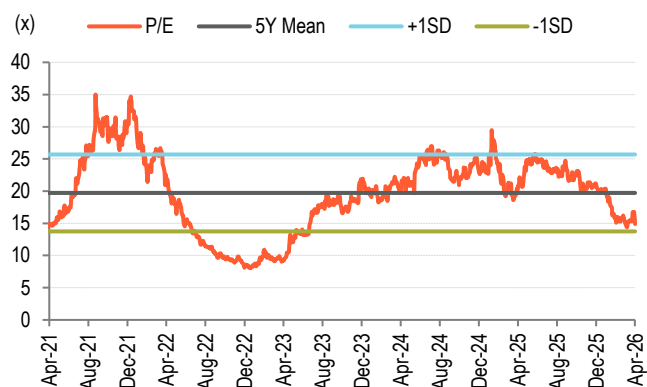
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

**Fig 1 – Quarterly results: Comparison of actuals with estimates**

Y/E March (Rsmn)	4QFY25	3QFY26	4QFY26	YoY (%)	QoQ (%)	4QFY26	Deviation (%)
Net Sales (USD mn)	156.8	160.5	158.4	1.0	(1.3)	161.2	(1.8)
<b>Net Sales</b>	<b>13,589</b>	<b>14,307</b>	<b>14,504</b>	<b>6.7</b>	<b>1.4</b>	<b>14,752</b>	<b>(1.7)</b>
Direct Cost	9,471	9,475	9,754	3.0	2.9	9,475	2.9
Gross Profit	4,118	4,832	4,750	15.3	(1.7)	5,277	(10.0)
% of Sales	30.3	33.8	32.7			35.8	
SG&A	1,993	2,332	2,394	20.1	2.7	2,822	(15.2)
% of Sales	14.7	16.3	16.5			19.1	
EBITDA	2,125	2,500	2,356	10.9	(5.8)	2,455	(4.0)
EBITDA Margin (%)	15.6	17.5	16.2			16.6	(2.4)
Depreciation	238	203	227	(4.6)	11.8	210	8.0
<b>EBIT</b>	<b>1,887</b>	<b>2,297</b>	<b>2,129</b>	<b>12.8</b>	<b>(7.3)</b>	<b>2,245</b>	<b>(5.2)</b>
<b>EBIT Margin (%)</b>	<b>13.9</b>	<b>16.1</b>	<b>14.7</b>	<b>79.2</b>	<b>(137.6)</b>	<b>15.2</b>	
Finance Costs	49	23	25	(49.0)	8.7	30	(16.7)
Other Income (net)	460	630	650	41.3	3.2	658	(1.2)
Profit Before Tax	2,298	2,904	2,754	19.8	(5.2)	2,873	(4.1)
Provision for Taxation - Current & Deferred	534	652	653	22.3	0.2	707	(7.6)
Effective Tax Rate (%)	23.2	22.5	23.7			24.6	
Net Profit	1,764	2,252	2,101	19.1	(6.7)	2,166	(3.0)
Minority Share of Net Profit	-	-	-			-	
<b>PAT attributable to equity shareholders after Minority Interest</b>	<b>1,764</b>	<b>2,252</b>	<b>2,101</b>	<b>19.1</b>	<b>(6.7)</b>	<b>2,166</b>	<b>(3.0)</b>
<b>NPM (%)</b>	<b>13.0</b>	<b>15.7</b>	<b>14.5</b>			<b>14.7</b>	

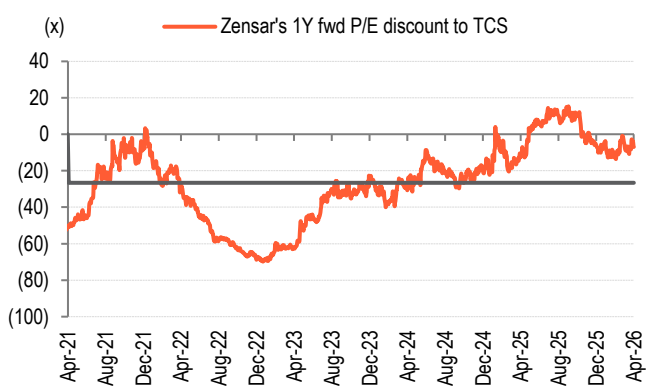
Source: Company, BOBCAPS Research

**Fig 2 – 5 Year PE trend**



Source: Company, BOBCAPS Research

**Fig 3 – Premium/ Discount to TCS**



Source: Company, BOBCAPS Research

**Fig 4 – Revised Estimates**

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	93.9	94.9	95.9	93.9	94.9	95.9	-	-	-
USD Revenue (USD mn)	657	682	707	666	692	716	(1.4)	(1.3)	(1.3)
USD revenue growth (%)	2.1	3.9	3.5	3.1	3.8	3.5			
Revenue (Rsmn)	61,673	64,752	67,757	62,565	65,623	68,669	(1.4)	(1.3)	(1.3)
EBIT (Rsmn)	8,691	8,905	9,374	8,947	9,328	9,681	(2.9)	(4.5)	(3.2)
EBIT Margin (%)	14.1	13.8	13.8	14.3	14.2	14.1			
PAT (Rsmn)	7,829	8,228	8,983	7,928	8,458	9,108	(1.2)	(2.7)	(1.4)
FDEPS (Rs)	34.5	36.3	39.6	34.9	37.3	40.1	(1.1)	(2.6)	(1.2)

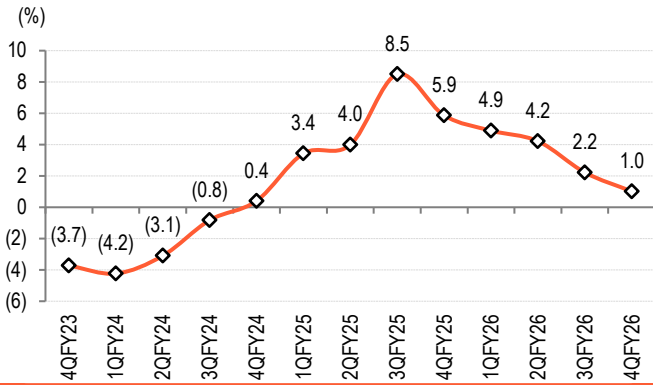
Source: BOBCAPS Research

**Fig 5 – P&L at a glance**

(YE March) Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	67.1	64.4	70.0	70.9	74.3	74.5	80.2	82.8	84.6	88.3	93.9	94.9	95.9
<b>Net sales (US\$m)</b>	<b>455.6</b>	<b>482.2</b>	<b>566.9</b>	<b>589.5</b>	<b>494.0</b>	<b>569.4</b>	<b>604.3</b>	<b>592.3</b>	<b>624.4</b>	<b>643.7</b>	<b>656.9</b>	<b>682.5</b>	<b>706.7</b>
<b>-Growth (%)</b>	<b>0.6</b>	<b>5.8</b>	<b>17.6</b>	<b>4.0</b>	<b>(16.2)</b>	<b>15.3</b>	<b>6.1</b>	<b>(2.0)</b>	<b>5.4</b>	<b>3.1</b>	<b>2.1</b>	<b>3.9</b>	<b>3.5</b>
Net Sales	30,556	31,077	39,663	41,768	36,682	42,437	48,483	49,018	52,806	56,874	61,673	64,752	67,757
-Growth (%)	3.1	1.7	27.6	5.3	(12.2)	15.7	14.2	1.1	7.7	7.7	8.4	5.0	4.6
Direct cost	21,603	22,068	28,286	30,159	24,417	29,214	35,000	33,434	37,111	38,657	42,562	44,369	47,054
Gross Profit	8,953	9,009	11,377	11,608	12,264	13,222	13,483	15,584	15,695	18,217	19,111	20,383	20,703
Gross Margin (%)	29.3	29.0	28.7	27.8	33.4	31.2	27.8	31.8	29.7	32.0	31.0	31.5	30.6
SGA Expenses	5,135	5,360	6,611	6,482	5,423	6,659	7,960	6,868	7,529	9,055	9,434	10,366	10,091
% of sales	16.8	17.2	16.7	15.5	14.8	15.7	16.4	14.0	14.3	15.9	15.3	16.0	14.9
Other operating income	48	79	162	2	-	-	-	-	-	-	-	-	-
EBITDA	3,866	3,728	4,928	5,128	6,841	6,564	5,523	8,716	8,166	9,162	9,677	10,017	10,612
% of sales	12.7	12.0	12.4	12.3	18.7	15.5	11.4	17.8	15.5	16.1	15.7	15.5	15.7
Depreciation & Amortisation	486	651	894	1,592	1,733	1,849	1,830	1,338	1,019	913	986	1,112	1,237
% of sales	1.6	2.1	2.3	3.8	4.7	4.4	3.8	2.7	1.9	1.6	1.6	1.7	1.8
<b>EBIT</b>	<b>3,381</b>	<b>3,078</b>	<b>4,034</b>	<b>3,536</b>	<b>5,109</b>	<b>4,715</b>	<b>3,693</b>	<b>7,378</b>	<b>7,147</b>	<b>8,249</b>	<b>8,691</b>	<b>8,905</b>	<b>9,374</b>
<b>% of sales</b>	<b>11.1</b>	<b>9.9</b>	<b>10.2</b>	<b>8.5</b>	<b>13.9</b>	<b>11.1</b>	<b>7.6</b>	<b>15.1</b>	<b>13.5</b>	<b>14.5</b>	<b>14.1</b>	<b>13.8</b>	<b>13.8</b>
Other income (net)	105	438	420	279	(281)	1,023	750	1,379	1,429	2,217	1,818	2,139	2,683
PBT	3,486	3,515	4,454	3,815	4,828	5,738	4,443	8,757	8,577	10,466	10,509	11,044	12,057
-PBT margin (%)	11.4	11.3	11.2	9.1	13.2	13.5	9.2	17.9	16.2	18.4	17.0	17.1	17.8
Provision for tax	1,103	1,051	1,267	1,057	1,262	1,525	1,166	2,107	2,079	2,471	2,680	2,816	3,075
Effective tax rate (%)	31.6	29.9	28.5	27.7	26.1	26.6	26.2	24.1	24.2	23.6	25.5	25.5	25.5
Net profit	2,383	2,464	3,186	2,758	3,566	4,213	3,277	6,650	6,498	7,995	7,829	8,228	8,983
Minority Interest	35	50	51	82	70	53	0	0	0	0	0	0	0
<b>Net reported profit</b>	<b>2,348</b>	<b>2,414</b>	<b>3,136</b>	<b>2,676</b>	<b>3,497</b>	<b>4,161</b>	<b>3,277</b>	<b>6,650</b>	<b>6,498</b>	<b>7,995</b>	<b>7,829</b>	<b>8,228</b>	<b>8,983</b>
<b>-Growth (%)</b>	<b>(24.0)</b>	<b>2.8</b>	<b>29.9</b>	<b>(14.7)</b>	<b>30.7</b>	<b>19.0</b>	<b>(21.2)</b>	<b>102.9</b>	<b>(2.3)</b>	<b>23.0</b>	<b>(2.1)</b>	<b>5.1</b>	<b>9.2</b>
<b>-Net profit margin (%)</b>	<b>7.7</b>	<b>7.8</b>	<b>7.9</b>	<b>6.4</b>	<b>9.5</b>	<b>9.8</b>	<b>6.8</b>	<b>13.6</b>	<b>12.3</b>	<b>14.1</b>	<b>12.7</b>	<b>12.7</b>	<b>13.3</b>

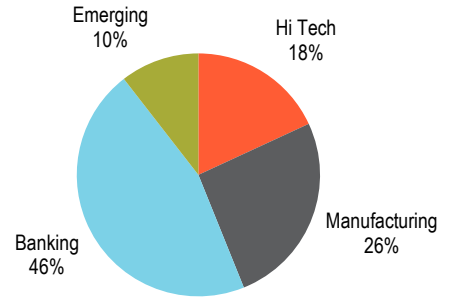
Source: Company, BOBCAPS Research

**Fig 6 – USD Revenue growth (YoY)**



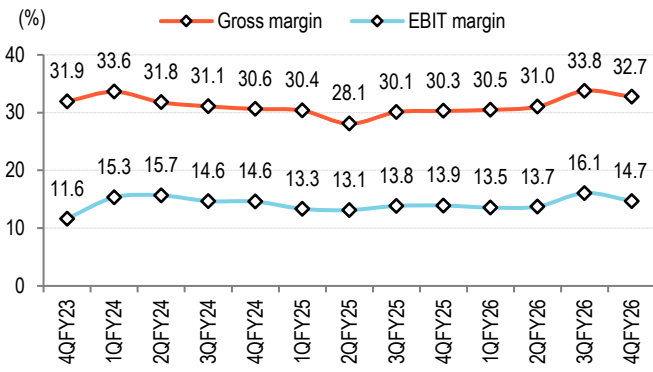
Source: Company, BOBCAPS Research

**Fig 7 – Vertical mix for 4QFY26**



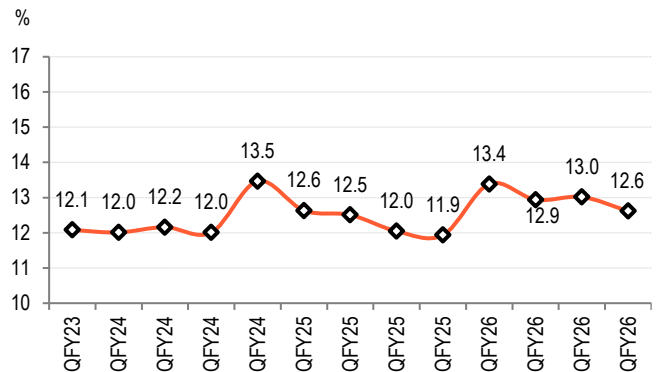
Source: Company, BOBCAPS Research

**Fig 8 – Gross Margin and EBIT Margin**



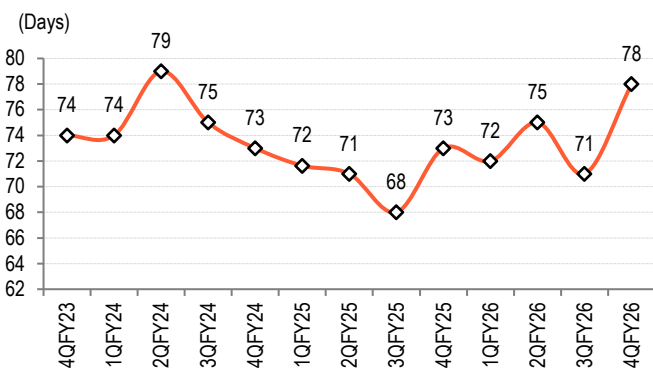
Source: Company, BOBCAPS Research

**Fig 9 – Subcontracting charges (as % of revenue)**



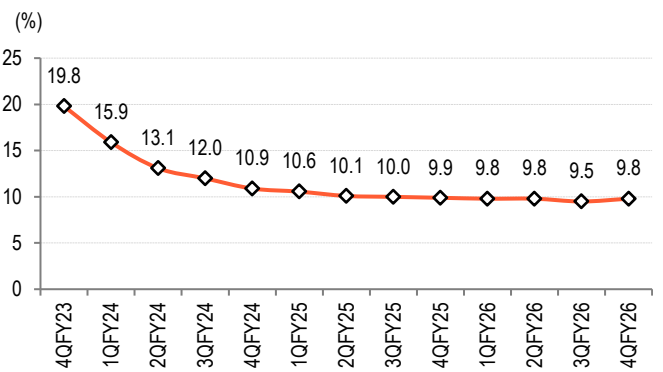
Source: Company, BOBCAPS Research

**Fig 10 – DSO trend**



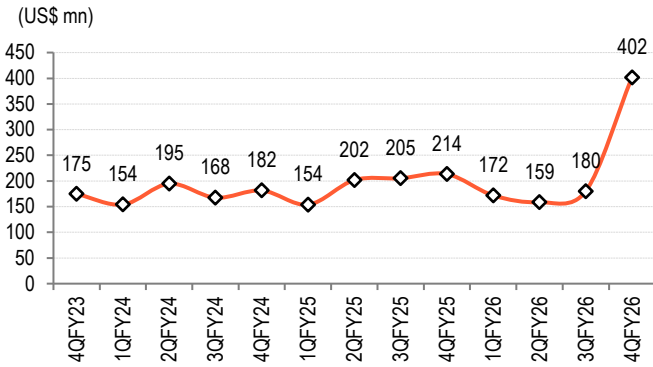
Source: Company, BOBCAPS Research

**Fig 11 – Attrition trend**



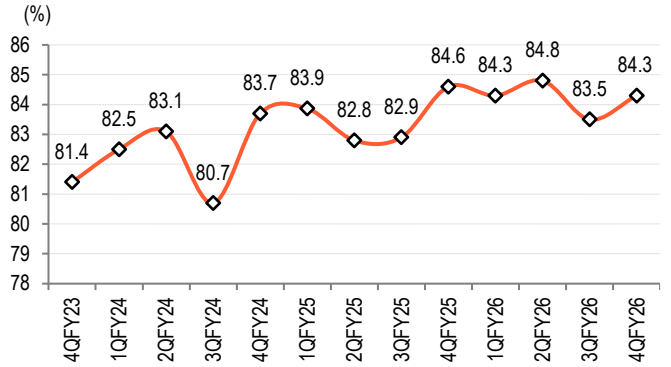
Source: Company, BOBCAPS Research

**Fig 12 – TCV trend**



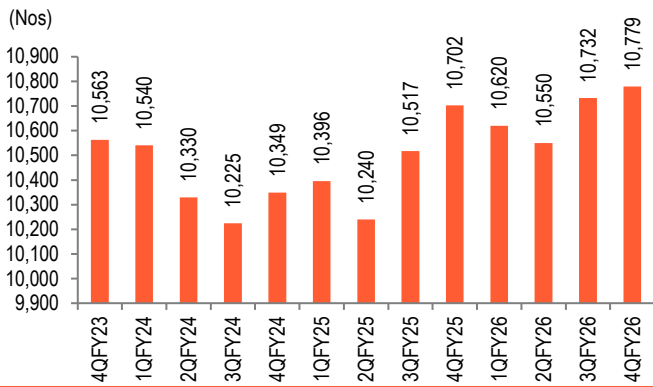
Source: Company, BOBCAPS Research

**Fig 13 – Utilization (%) – excluding trainees**



Source: Company, BOBCAPS Research

**Fig 14 – No. of employees**



Source: Company, BOBCAPS Research

**Fig 15 – Quarterly Snapshot**

Year to 31 March	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
INR/USD	82.22	82.20	82.61	83.21	83.03	83.40	83.70	84.40	86.70	85.50	87.20	89.10	91.40
Revenue (in USDmn)	148	149	150	145	148	154	156	157	157	162	163	161	158
<b>(Rsmn)</b>													
Revenue	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213	14,307	14,504
Gross margin	3,873	4,126	3,945	3,745	3,768	3,913	3,674	3,990	4,118	4,223	4,412	4,832	4,750
SGA	2,114	1,825	1,637	1,669	1,738	1,952	1,663	1,921	1,993	2,117	2,212	2,332	2,394
EBITDA	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200	2,500	2,356
Depreciation and Amortisation	351	423	366	312	237	247	297	237	238	231	252	203	227
EBIT	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948	2,297	2,129
Forex gain/loss	58	5	-	60	(60)	(19)	(181)	(109)	(50)	89	80	29	72
Other income	214	279	363	360	581	444	592	416	510	478	411	601	578
Interest	63	60	57	64	28	42	45	37	49	36	37	23	25
PBT	1,617	2,102	2,248	2,120	2,286	2,097	2,080	2,102	2,298	2,406	2,402	2,650	2,759
Tax	424	540	510	504	553	518	522	505	534	586	580	652	653
PAT	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822	1,998	2,106
EPS	5.27	6.90	7.67	7.13	7.65	6.96	6.88	7.04	7.77	8.01	8.02	8.80	9.29
<b>YoY Growth</b>													
USD Revenue	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2	2.2	1.0
INR Revenues	5.1	2.0	0.5	0.5	1.4	5.0	5.4	10.1	10.5	7.5	8.7	7.9	6.7
Gross profit	11.2	28.7	26.1	14.3	(2.7)	(5.2)	(6.9)	6.5	9.3	7.9	20.1	21.1	15.3
EBIT	21.3	115.6	245.6	107.0	27.3	(8.7)	(11.7)	3.9	5.2	9.4	13.7	25.4	12.8
Net profit	(8.0)	108.0	206.0	111.2	45.3	1.1	(10.4)	(1.2)	1.8	15.3	16.9	25.1	19.4
<b>QoQ Growth</b>													
USD Revenues	1.1	1.2	0.6	(3.7)	2.35	4.28	1.14	0.51	(0.13)	3.32	0.49	(1.4)	(1.3)
INR Revenues	1.3	1.2	1.1	(3.0)	2.1	4.7	1.5	1.3	2.5	1.9	2.6	0.7	1.4
EBIT	65.3	33.4	3.4	(9.2)	1.6	(4.4)	0.0	6.9	3.0	(0.6)	3.9	17.9	(7.3)
Net profit	55.9	30.9	11.3	(7.0)	7.2	(8.9)	(1.3)	2.5	10.5	3.2	0.1	9.7	5.4
<b>Margins (%)</b>													
Gross margin	31.9	33.6	31.8	31.1	30.6	30.4	28.1	30.1	30.3	30.5	31.0	33.8	32.7
EBITDA	14.5	18.8	18.6	17.2	16.5	15.2	15.4	15.6	15.6	15.2	15.5	17.5	16.2
EBIT	11.6	15.3	15.7	14.6	14.6	13.3	13.1	13.8	13.9	13.5	13.7	16.1	14.7
PAT	9.8	12.7	14.0	13.4	14.1	12.3	11.9	12.0	13.0	13.1	12.8	14.0	14.5
SGA	17.4	14.9	13.2	13.9	14.1	15.2	12.7	14.5	14.7	15.3	15.6	16.3	16.5

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Revenue (USD mn)	148	149	150	145	148	154	156	157	157	162	163	161	158
<b>P and L (Rs mn)</b>													
Revenue	12,127	12,272	12,408	12,041	12,297	12,881	13,080	13,256	13,589	13,850	14,213	14,307	14,504
EBITDA	1,759	2,301	2,308	2,076	2,030	1,961	2,011	2,069	2,125	2,106	2,200	2,500	2,356
EBIT	1,408	1,878	1,942	1,764	1,793	1,714	1,714	1,832	1,887	1,875	1,948	2,297	2,129
PAT	1,193	1,562	1,738	1,616	1,733	1,579	1,558	1,597	1,764	1,820	1,822	1,998	2,106
<b>Vertical Mix (%)</b>													
Hi Tech	27.6	26.2	27.2	25.9	25.5	24.7	22.4	21.4	21.7	22.3	20.0	18.5	18.1
Manufacturing	12.7	12.4	25.9	26.1	26.3	25.8	26.2	27.7	26.7	25.3	25.2	26.4	25.8
BFSI	16.1	17.7	37.3	38.6	38.7	39.7	40.9	40.1	41.0	41.5	43.6	44.0	45.6
Healthcare and Life Sciences	7.3	6.7	9.6	9.4	9.5	9.8	10.5	10.8	10.6	10.8	11.2	11.1	10.5
Retail and Consumer services	19.3	20.9	-	-	-	-	-	-	-	-	-	-	-
Insurance	17.0	16.1	-	-	-	-	-	-	-	-	-	-	-
<b>Geographical Mix (%)</b>													
US	70.3	69.4	66.1	66.0	67.2	68.7	67.6	67.3	67.4	68.3	66.6	65.5	65.3
Europe	18.1	19.2	21.6	21.4	20.8	19.8	21.1	21.2	21.4	20.5	21.5	22.0	22.1
Africa	11.6	11.4	12.3	12.5	12.0	11.5	11.3	11.5	11.2	11.2	11.9	12.4	12.7
<b>Service offering Mix (%)</b>													
Digital services	58.7	56.8	56.2	54.4	55.6	55.7	55.5	54.4	55.0	53.0	53.6	52.5	51.3
Core Application Services	23.9	24.9	25.6	27.0	25.9	26.0	24.3	25.0	24.3	25.9	24.3	25.2	25.5
Cloud, Digital Led next gen CIS	12.7	18.3	18.2	18.5	18.4	18.3	20.3	20.5	20.7	21.1	22.2	22.2	23.2
Core Infrastructure Services	4.7	-	-	-	-	-	-	-	-	-	-	-	-
<b>Revenue Mix (%)</b>													
Onsite	53.6	52.0	50.9	50.4	50.0	51.4	49.7	49.5	49.0	47.4	45.8	45.5	46.2
Offshore	46.4	48.0	49.1	49.6	50.0	48.6	50.3	50.5	51.0	32.6	54.2	54.5	53.8
IT Utilization (%) (excluding trainees)	81.4	82.5	83.1	80.7	83.7	83.9	82.8	82.9	84.6	84.3	84.8	83.5	84.3
<b>Clients Concentration (%)</b>													
Top 5 Clients	34.3	34.0	31.5	29.2	28.3	28.3	28.1	27.5	27.6	27.2	27.0	25.5	24.3
Top 10 Clients	46.1	45.2	42.2	40.6	40.8	42.1	42.0	41.0	40.8	41.4	40.5	39.1	38.0
Top 20 Clients	61.4	61.7	48.3	57.5	57.2	58.7	58.4	56.8	55.8	57.6	57.1	56.5	56.0
<b>Number of Client</b>													
1 USD mn +	84.0	87.0	84.0	84.0	85.0	85.0	86.0	87.0	84.0	82.0	84.0	85.0	83.0
5 USD mn +	29.0	29.0	29.0	32.0	31.0	31.0	32.0	34.0	33.0	32.0	32.0	31.0	32.0
10 USD mn +	14.0	14.0	14.0	14.0	14.0	14.0	15.0	14.0	14.0	16.0	15.0	15.0	15.0
20 USD mn +	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	6.0	6.0	6.0	6.0	6.0
Employees	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	10,779.0
TTM Attrition (%)	19.8	15.9	13.1	12.0	10.9	10.6	10.1	10.0	9.9	9.8	9.8	9.5	9.8

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
<b>QoQ Growth (%)</b>													
Company	1.1	1.2	0.6	(3.7)	2.3	4.3	1.1	0.5	(0.1)	3.3	0.5	(1.4)	(1.3)
<b>Service Offering</b>													
Digital services	1.3	(2.1)	(0.5)	(6.7)	4.6	4.4	0.8	(1.5)	1.0	(0.4)	1.6	(3.4)	(3.6)
Core Application Services	9.8	5.5	3.4	1.6	(1.8)	4.7	(5.5)	3.4	(2.9)	10.1	(5.7)	2.2	(0.1)
Cloud, Digital Led next gen CIS	(5.6)	45.9	0.1	(2.1)	1.8	3.7	12.2	1.5	0.8	5.3	5.7	(1.4)	3.1
Core Infrastructure Services	(16.6)												
<b>Industry</b>													
Hi Tech	7.7	(3.9)	4.4	(8.3)	0.8	1.1	(8.4)	(4.0)	1.3	6.2	(9.9)	(8.8)	(3.4)
Manufacturing	5.2	(1.2)	110.1	(2.9)	3.1	2.3	2.7	6.3	(3.7)	(2.1)	0.1	3.3	(3.6)
Retail and Consumer services	(1.0)	9.6											
Insurance	8.8	(4.1)											
BFSI	(11.5)	11.3	112.0	(0.3)	2.6	7.0	4.2	(1.5)	2.1	4.6	5.6	(0.5)	2.3
Healthcare and Life Sciences	(6.6)	(7.1)	44.1	(5.7)	3.4	7.1	8.9	3.4	(2.0)	5.3	4.2	(2.3)	(6.6)
<b>Geography</b>													
US	1.5	(0.1)	(4.2)	(3.8)	4.2	6.6	(0.5)	0.1	0.0	4.7	(2.0)	(3.0)	(1.6)
Europe	(2.1)	7.4	13.2	(4.6)	(0.5)	(0.7)	7.8	1.0	0.8	(1.0)	5.4	0.9	(0.9)
Africa	3.8	(0.5)	8.5	(2.1)	(1.7)	(0.2)	(0.5)	2.3	(2.7)	3.3	6.8	2.7	1.1
<b>Client Concentration</b>													
Top 5	8.7	0.3	(6.8)	(10.7)	(0.8)	4.4	0.3	(1.6)	0.2	1.8	(0.2)	(6.9)	(6.0)
Top 10	4.3	(0.8)	(6.1)	(7.3)	2.9	7.5	1.0	(1.9)	(0.6)	4.8	(1.7)	(4.8)	(4.1)
Top 20	1.3	1.7	(21.2)	14.7	1.8	7.0	0.6	(2.2)	(1.9)	6.6	(0.4)	(2.4)	(2.2)
<b>YoY Growth (%)</b>													
Company	(3.7)	(4.2)	(3.1)	(0.8)	0.4	3.4	4.0	8.5	5.9	4.9	4.2	2.2	1.0
<b>Service Offering</b>													
Digital services	(5.5)	(6.9)	(5.6)	(7.9)	(4.9)	1.4	2.7	8.5	4.7	(0.1)	0.7	(1.3)	(5.8)
Core Application Services	4.6	0.6	11.2	21.7	8.8	8.0	(1.3)	0.5	(0.7)	4.5	4.2	3.0	6.0
Cloud, Digital Led next gen CIS	0.2	47.3	47.0	34.9	45.5	3.4	16.0	20.2	19.1	20.9	14.0	10.7	13.2
Core Infrastructure Services	(25.8)												
<b>Industry</b>													
Hi Tech	(27.0)	(8.4)	2.6	(0.8)	(7.2)	(2.4)	(14.4)	(10.4)	(9.9)	(5.4)	(6.9)	(11.6)	(15.7)
Manufacturing	28.7	(10.0)	102.4	112.2	107.9	115.3	5.2	15.2	7.5	2.8	0.2	(2.6)	(2.4)
Retail and Consumer services	15.4	6.5											
Insurance	(7.5)	(6.6)											
BFSI	8.4	1.5	106.5	108.1	141.4	132.1	14.0	12.7	12.2	9.6	11.1	12.2	12.4
Healthcare and Life Sciences	19.1	(14.4)	(5.1)	18.0	30.7	50.6	13.7	24.7	18.1	16.1	11.2	5.1	0.1
<b>Geography</b>													
US	(3.9)	(6.3)	(10.5)	(6.5)	(4.0)	2.4	6.4	10.6	6.2	4.3	2.7	(0.5)	(2.1)
Europe	(8.3)	1.6	20.3	13.5	15.4	6.7	1.6	7.5	8.9	8.6	6.2	6.1	4.3
Africa	4.4	(0.8)	8.4	9.7	3.9	4.2	(4.5)	(0.2)	(1.2)	2.3	9.8	10.2	14.5
<b>Client Concentration</b>													
Top 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)	(11.1)
Top 10	(3.5)	(4.2)	(10.1)	(9.9)	(11.1)	(3.7)	3.5	9.6	5.9	3.2	0.5	(2.5)	(5.9)
Top 20	(4.7)	(3.5)	(22.9)	(7.0)	(6.5)	(1.6)	25.7	7.2	3.3	2.9	1.9	1.7	1.4

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Total revenue</b>	<b>52,806</b>	<b>56,874</b>	<b>61,673</b>	<b>64,752</b>	<b>67,757</b>
EBITDA	8,166	9,162	9,677	10,017	10,612
Depreciation	1,019	913	986	1,112	1,237
EBIT	7,147	8,249	8,691	8,905	9,374
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	1,429	2,217	1,818	2,139	2,683
Exceptional items	0	0	0	0	0
EBT	8,577	10,466	10,509	11,044	12,057
Income taxes	2,079	2,471	2,680	2,816	3,075
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>6,498</b>	<b>7,995</b>	<b>7,829</b>	<b>8,228</b>	<b>8,983</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>6,498</b>	<b>7,995</b>	<b>7,829</b>	<b>8,228</b>	<b>8,983</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,454	3,674	4,033	4,158	4,372
Other current liabilities	5,385	7,826	8,115	8,215	8,387
Provisions	53	59	59	59	59
Debt funds	0	0	0	0	0
Other liabilities	3,239	3,184	3,184	3,184	3,184
Equity capital	454	453	453	453	453
Reserves & surplus	39,144	45,639	49,524	53,580	58,052
Shareholders' fund	39,598	46,092	49,977	54,033	58,505
<b>Total liab. and equities</b>	<b>51,729</b>	<b>60,835</b>	<b>65,368</b>	<b>69,649</b>	<b>74,507</b>
Cash and cash eq.	7,436	9,315	10,446	12,191	14,246
Accounts receivables	7,901	9,242	10,145	10,459	10,998
Inventories	0	0	0	0	0
Other current assets	5,272	5,352	5,511	5,566	5,661
Investments	12,537	16,594	18,594	20,594	22,594
Net fixed assets	908	1,051	1,390	1,558	1,727
CWIP	6	10	10	10	10
Intangible assets	9,819	10,508	10,508	10,508	10,508
Deferred tax assets, net	1,079	1,101	1,101	1,101	1,101
Other assets	6,771	7,662	7,662	7,662	7,662
<b>Total assets</b>	<b>51,729</b>	<b>60,835</b>	<b>65,368</b>	<b>69,649</b>	<b>74,507</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Cash flow from operations</b>	<b>7,240</b>	<b>9,999</b>	<b>8,481</b>	<b>9,276</b>	<b>10,052</b>
Capital expenditures	2,335	1,440	1,325	1,280	1,406
Change in investments	6,031	4,057	2,000	2,000	2,000
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>3,696</b>	<b>2,617</b>	<b>675</b>	<b>720</b>	<b>594</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(2,951)	(3,400)	(3,944)	(4,171)	(4,511)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(2,951)</b>	<b>(3,400)</b>	<b>(3,944)</b>	<b>(4,171)</b>	<b>(4,511)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>195</b>	<b>1,879</b>	<b>1,131</b>	<b>1,744</b>	<b>2,055</b>
<b>Closing cash &amp; cash eq.</b>	<b>7,436</b>	<b>9,315</b>	<b>10,446</b>	<b>12,191</b>	<b>14,246</b>

### Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	28.7	34.1	34.5	36.3	39.6
Adjusted EPS	28.4	33.7	34.5	36.3	39.6
Dividend per share	13.0	15.0	17.4	18.4	19.9
Book value per share	174.4	203.3	220.5	238.4	258.1

### Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.4	2.3	2.1	2.1	2.0
EV/EBITDA	15.8	14.2	13.6	13.3	12.7
Adjusted P/E	18.9	15.9	15.5	14.8	13.5
P/BV	3.1	2.6	2.4	2.2	2.1

### DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.8	76.4	74.5	74.5	0.0
Interest burden (PBT/EBIT)	120.0	126.9	120.9	124.0	0.0
EBIT margin (EBIT/Revenue)	13.5	14.5	14.1	13.8	0.0
Asset turnover (Rev./Avg TA)	107.5	101.1	97.7	95.9	0.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	0.0
Adjusted ROAE	17.5	18.7	16.3	15.8	0.0

### Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>YoY growth (%)</b>					
Revenue	7.7	7.7	8.4	5.0	4.6
EBITDA	(6.3)	12.2	5.6	3.5	5.9
Adjusted EPS	(2.5)	18.6	2.6	5.1	9.2
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	15.5	16.1	15.7	15.5	15.7
EBIT margin	13.5	14.5	14.1	13.8	13.8
Adjusted profit margin	12.3	14.1	12.7	12.7	13.3
Adjusted ROAE	17.5	18.7	16.3	15.8	16.0
ROCE	13.4	13.7	12.6	12.0	11.7
<b>Working capital days (days)</b>					
Receivables	55	59	60	59	59
Inventory	NA	NA	NA	NA	NA
Payables	24	23	24	23	23
<b>Ratios (x)</b>					
Gross asset turnover	58.2	54.1	44.4	41.6	39.2
Current ratio	3.7	3.5	3.7	3.9	4.2
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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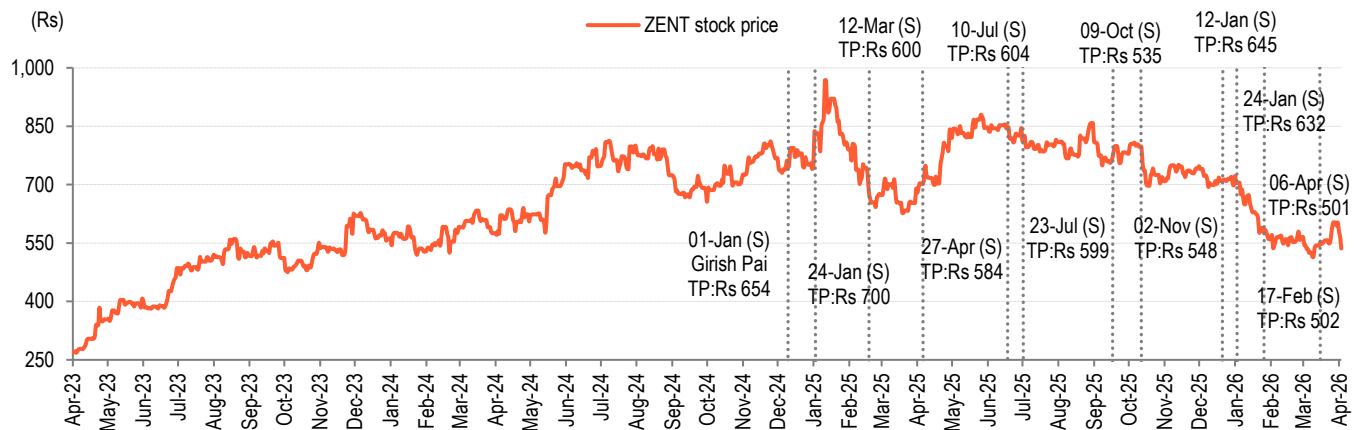
### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%  
**HOLD** – Expected return from -6% to +15%  
**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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

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



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

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