

ZENSAR TECHNOLOGIES

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Underperformer
Price (INR)	798
12 month price target (INR)	820
52 Week High/Low	985/536
Market cap (INR bn/USD bn)	181/2.0
Free float (%)	53.6
Avg. daily value traded (INR mn)	349.8

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	49.02%	49.06%	49.07%
FII	13.30%	14.56%	14.98%
DII	22.24%	20.52%	19.89%
Pledge	0%	0%	0%

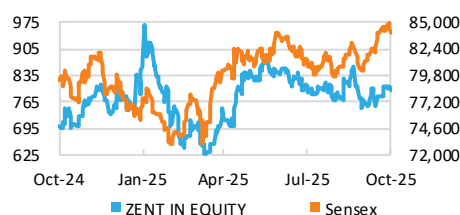
FINANCIALS

	(INR mn)			
Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	52,806	57,147	61,884	67,302
EBITDA	8,167	8,756	9,791	10,750
Adjusted profit	6,498	7,205	7,738	8,577
Diluted EPS (INR)	28.4	31.4	33.7	37.3
EPS growth (%)	(2.4)	10.3	7.4	10.8
RoAE (%)	17.0	16.6	15.9	15.6
P/E (x)	28.0	25.4	23.7	21.4
EV/EBITDA (x)	22.6	21.1	18.8	17.0
Dividend yield (%)	1.0	1.1	1.1	1.1

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Rev (USD mn)	624	655	-1.6%	-3.2%
EBIT	7,148	7,773	-0.3%	-1.1%
Adjusted profit	6,498	7,205	2.2%	-1.0%
Diluted EPS (INR)	28.4	31.4	2.1%	-1.0%

PRICE PERFORMANCE



Growth will take longer to recover

Zensar reported decent Q2FY26 results. Revenue was flat CC QoQ to USD162.8mn, above our estimate of +0.1% CC QoQ. EBIT margin expanded 20bp QoQ to 13.7%, higher than our estimates. PAT of INR1.8bn too beat estimate. TCV was weak at USD158.7mn (-7.7% QoQ/-21.4% YoY).

Zensar continues to face headwinds in the TMT vertical, which are likely to persist. Along with that the decline in TCV in Q2, would delay the growth recovery. We are tweaking FY26E/27E EPS by +2.1%/-1% as higher other income partially compensated for lower growth. We are lowering target multiple to 22x (from 25x) as we roll forward to Sep-27E, yielding a TP of INR820 (earlier INR850); retain 'HOLD'.

Sharp decline in TMT affects growth; TCV soft

Revenue was flat CC QoQ (+3.4% YoY). Growth was driven by BFS (+5.6% QoQ) followed by Healthcare (+4.2% QoQ) while Manufacturing & consumer reported +0.1% QoQ. The TMT vertical fell 9.9% QoQ, as Hi-Tech clients are focusing AI hardware spends thereby reducing IT spends. Management anticipates headwind in TMT to continue going ahead. Deal-wins were soft at USD158.7mn (-7.7% QoQ/-21.4% YoY), with a H1FY26 book to bill of 1.02x, hurt by a couple of deals shifting to the next quarter and fewer renewals. ~28% of the deals were AI-influenced, involving AI-infused solutions for clients.

Stable margins despite wage hikes

EBIT margin expanded 20bp to 13.7%, +60bp YoY. EBITDA margins were 15.4%, +20bp QoQ, despite absorption of wage hikes effective July 1, partially offset by Fx tailwind, enhanced utilisation, Improved offshore mix and targeted cost control initiatives. Management continues to aspire for mid teen margin range. Utilisation improved to 84.8%, +50bp QoQ/ +200bp YoY, and net employee count declined by 70 in Q2 while attrition stayed below 10% for the third consecutive quarter at 9.8%. Management highlighted reduced dependence on H-1B visas, representing < 3% of employees and continues to strengthen its local hiring strategy across key markets.

Growth recovery; limited valuation upside; retain 'HOLD'

Zensar's growth remained subdued, affected by continued weakness in the TMT vertical. Management had indicated last quarter that TMT had bottomed out, but that no longer appears to be the case. With lower-than-expected growth in Q2, the recovery to double-digit growth is likely to take longer. Furthermore, Zensar is trading at 24x FY27E P/E, well above its ten-year historical average of ~17x, making the risk-reward unattractive; retain 'HOLD/SU' recommendation.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	14,213	13,080	8.7	13,850	2.6
EBITDA	2,200	2,010	9.5	2,106	4.5
Adjusted Profit	1,822	1,557	17.0	1,820	0.1
Diluted EPS (INR)	7.9	6.8	16.3	7.9	0.1

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	52,806	57,147	61,884	67,302
Cost of revenues	34,434	37,347	40,256	43,847
Gross Profit	18,372	19,800	21,628	23,454
SG&A	10,205	11,044	11,836	12,704
EBITDA	8,167	8,756	9,791	10,750
Depreciation	1,019	983	1,075	1,075
EBIT	7,148	7,773	8,717	9,675
Add: Other income	1,602	1,958	1,800	2,000
Profit before tax	8,577	9,558	10,317	11,435
Prov for tax	2,079	2,354	2,579	2,859
Less: Other adj	0	0	0	0
Reported profit	6,498	7,205	7,738	8,577
Less: Excp.item (net)	0	0	0	0
Adjusted profit	6,498	7,205	7,738	8,577
Diluted shares o/s	229	230	230	230
Adjusted diluted EPS	28.4	31.4	33.7	37.3
DPS (INR)	7.9	8.9	8.9	8.9
Tax rate (%)	24.2	24.6	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Cost of revenues (%)	65.2	65.4	65.1	65.2
SG&A expenses (%)	19.3	19.3	19.1	18.9
Depreciation (%)	1.9	1.7	1.7	1.6
EBIT margin (%)	13.5	13.6	14.1	14.4
Net profit margin (%)	12.3	12.6	12.5	12.7
Revenue growth (% YoY)	7.7	8.2	8.3	8.8
EBIT growth (% YoY)	(3.1)	8.7	12.1	11.0
Adj. profit growth (%)	(2.3)	10.9	7.4	10.8

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.4	87.4	88.0	88.0
USD revenue (USD mn)	624.4	655.3	703.2	764.8
YoY growth (%)	5.4	4.9	7.3	8.8
CC YoY growth (%)	5.4	4.9	7.3	8.8
Tax rate (%)	24.2	24.6	25.0	25.0
Capex (INR mn)	353.0	1,500.0	1,500.0	1,500.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	28.0	25.4	23.7	21.4
Price/BV (x)	4.5	4.0	3.6	3.2
EV/EBITDA (x)	22.6	21.1	18.8	17.0
Dividend yield (%)	1.0	1.1	1.1	1.1

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	454	454	454	454
Reserves	40,243	45,403	51,095	57,627
Shareholders funds	40,697	45,857	51,549	58,081
Minority interest	0	0	0	0
Borrowings	7,195	7,195	7,195	7,195
Trade payables	469	516	567	624
Other liabs & prov	2,752	3,302	3,963	4,755
Total liabilities	51,729	57,609	64,162	71,720
Net block	908	1,425	1,850	2,276
Intangible assets	10,795	10,795	10,795	10,795
Capital WIP	6	6	6	6
Total fixed assets	11,709	12,226	12,651	13,077
Non current inv	5,305	5,305	5,305	5,305
Cash/cash equivalent	2,708	2,581	3,043	4,316
Sundry debtors	7,901	8,691	9,560	10,516
Loans & advances	21,294	25,697	30,140	34,628
Other assets	2,322	2,571	2,869	3,227
Total assets	51,729	57,609	64,162	71,720

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	8,577	9,558	10,317	11,435
Add: Depreciation	1,019	983	1,075	1,075
Interest (net of tax)	(912)	(1,785)	(1,600)	(1,760)
Others	(271)	0	0	0
Less: Changes in WC	(551)	(770)	(805)	(834)
Operating cash flow	5,650	5,632	6,408	7,057
Less: Capex	(353)	(1,500)	(1,500)	(1,500)
Free cash flow	5,297	4,132	4,908	5,557

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	17.0	16.6	15.9	15.6
RoCE (%)	14.7	14.5	14.1	14.1
Div Payout Ratio(%)	27.9	28.4	26.4	23.8
Working cap/Sales (%)	52	57	61	63
Receivable days	53	53	54	54
Asset Turnover Ratio	0.5	0.5	0.5	0.5
Current Ratio	11.6	11.4	11.1	10.9
Net debt/equity (x)	0.1	0.1	0.1	0

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(2.4)	10.3	7.4	10.8
RoE (%)	17.0	16.6	15.9	15.6
EBITDA growth (%)	(6.3)	7.2	11.8	9.8
Payout ratio (%)	27.9	28.4	26.4	23.8

Q2FY26 conference call: Key highlights

- **Gen AI:** Zensar continued to scale up its AI talent base and launched ZenseAI, a next-gen program aimed at driving enterprise-level innovation.
- **Demand environment:** While the overall macro environment remains largely unchanged, cost optimisation and productivity-linked programs are gaining momentum, alongside steady demand in cloud services. Additionally, there is an increasing client focus on vendor consolidation and outcome-based solutions.
- **Revenue** grew 4.2% YoY and 3.4% CC YoY. BFSI grew +5.6% QoQ, Healthcare grew +4.2% QoQ, Manufacturing & resources reported 0.1% QoQ while Hi-tech declined 9.9%QoQ.
- Effective July 1, Zensar announced salary hikes and absorbed the impact of one-time bonus and wage hikes, partially offset by operating efficiencies. Gross margin improved to 31%, +50bp QoQ.
- **EBITDA margins** came in at 15.4%, +20bp QoQ, despite absorption of wage hikes (USD3.2mn), partially offset by Fx tailwind and operating efficiencies like enhanced Utilization, improved offshore mix and targeted cost control initiatives.
- **Deal wins** came in at USD158.7mn, -7.7% QoQ with 1.02 book to bill in H1FY26. The softness was due to shifting of couple of deals to next quarter and limited renewals with most renewals happened in Q1 or Q2. Also, 28% of deals are AI-influenced order bookings, led with AI-infused solutions to the clients.
- **Employee front:** Utilisation improved to 84.8%, +50bp QoQ/+200bp YoY along with gross addition of 831 employees. This is the third consecutive quarter with attrition remaining below 10%, at 9.8%.
- **Vertical performance:** Management has seen traction across all verticals except CMT. Management highlighted that the **CMT** segment is facing a slowdown, with significant opex being rationalised by clients. Zensar's exposure to this segment has been declining, and the impact is likely to be lower compared with peers.
- Management is seeing a secular shift in the CMT vertical, especially in the tech space, which is heavily investing toward capex, particularly in GPUs and data centres.
- The scenario is improving in Manufacturing and consumer segment and reporting lot of spend in retail while seeing traction in Africa and Europe.
- Excluding for CMT segment headwinds, management remains positive, supported by a strong and well-qualified pipeline — the highest to date — including a healthy mix of large deals and broad-based strength across other verticals.
- Management highlighted that the dependence on H-1B visas remains low, representing < 3% of employees and continues to strengthen its local hiring strategy across key markets.

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)	FY25	FY26E	FY27E
Total revenues	13,850	13,589	1.9	12,881	7.5	52,806	57,147	61,884
Direct cost	8,761	8,853	(1.0)	8,157	7.4	33,904	36,918	39,761
Gross profit	5,089	4,736	7.5	4,724	7.7	18,902	20,229	22,123
Other expenses	1,051	842	24.8	1,092	(3.8)	3,723	3,789	4,224
EBITDA	2,106	2,125	(0.9)	1,962	7.3	8,167	8,756	9,791
Depreciation	231	238	(2.9)	247	(6.5)	1,019	983	1,075
EBIT	1,875	1,887	(0.6)	1,715	9.3	7,148	7,773	8,717
Less: Finance cost	36	49	(26.5)	42	(14.3)	173	173	200
Other income	567	460	23.3	424	33.7	1,602	1,958	1,800
PBT	2,406	2,298	4.7	2,097	14.7	8,577	9,558	10,317
Tax	586	534	9.7	518	13.1	2,079	2,354	2,579
Less: Minority Interest	0	0		0		0	0	0
Reported profit	1,820	1,764	3.2	1,579	15	6,498	7,205	7,738
Adjusted profit	1,820	1,764	3.2	1,579	15.3	6,498	7,205	7,738
Diluted EPS (INR)	7.9	7.7	2.8	6.9	14.6	28.4	31.4	33.7
as % of net revenues	0.0	0.0	0.0	0.0	0.0			
Gross profit	36.7	34.9		36.7		35.8	35.4	35.7
Other expenses	7.6	6.2		8.5		7.1	6.6	6.8
EBITDA	15.2	15.6		15.2		15.5	15.3	15.8
EBIT	13.5	13.9		13.3		13.5	13.6	14.1
Reported net profit	13.1	13.0		12.3		12.3	12.6	12.5
Tax rate	24.4	23.2		24.7		24.2	24.6	25.0

Source: Company, Nuvama Research

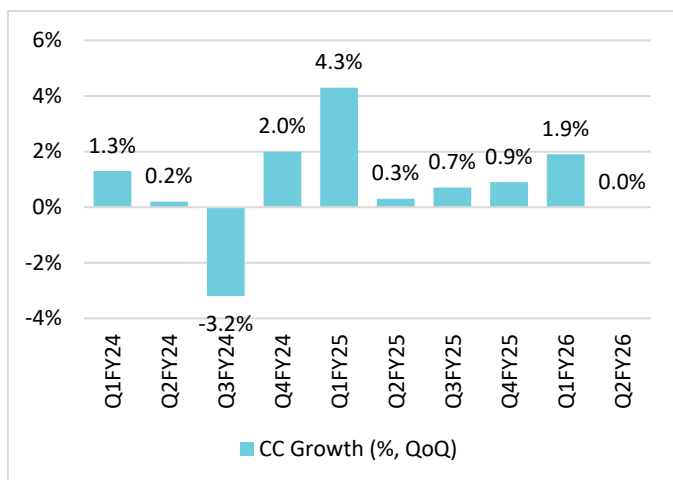
Exhibit 2: Revenue breakdown by industry and geography

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue by Industry												
Hi-tech	31.8%	29.4%	30.7%	29.7%	27.2%	25.9%	25.5%	24.7%	22.4%	21.4%	21.7%	22.3%
Manufacturing & Consumer Services	24.7%	24.5%	23.4%	24.2%	25.9%	26.1%	26.3%	25.8%	26.2%	27.7%	26.7%	25.3%
Banking & Financial Services	33.7%	35.0%	35.8%	36.3%	37.3%	38.6%	38.7%	39.7%	40.9%	40.1%	41.0%	41.5%
Healthcare & Life Sciences	9.8%	11.1%	10.1%	9.8%	9.6%	9.4%	9.5%	9.8%	10.5%	10.8%	10.6%	10.8%
Revenue by Geography												
US	71.6%	70.0%	70.3%	69.4%	66.1%	66.0%	67.2%	68.7%	67.6%	67.3%	67.4%	68.3%
Europe	17.4%	18.7%	18.1%	19.2%	21.6%	21.4%	20.8%	19.8%	21.1%	21.2%	21.4%	20.5%
Africa	11.0%	11.3%	11.6%	11.4%	12.3%	12.5%	12.0%	11.5%	11.3%	11.5%	11.2%	11.2%

Source: Company, Nuvama Research

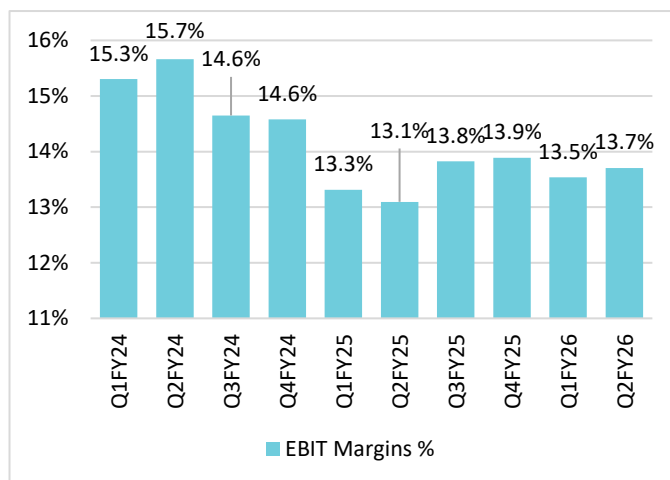
Key charts

Exhibit 3: Revenue growth (CC QoQ)



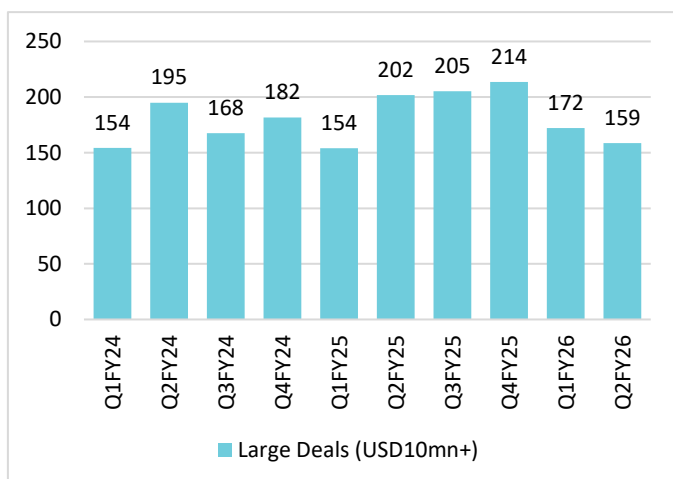
Source: Company, Nuvama Research

Exhibit 4: EBIT margins



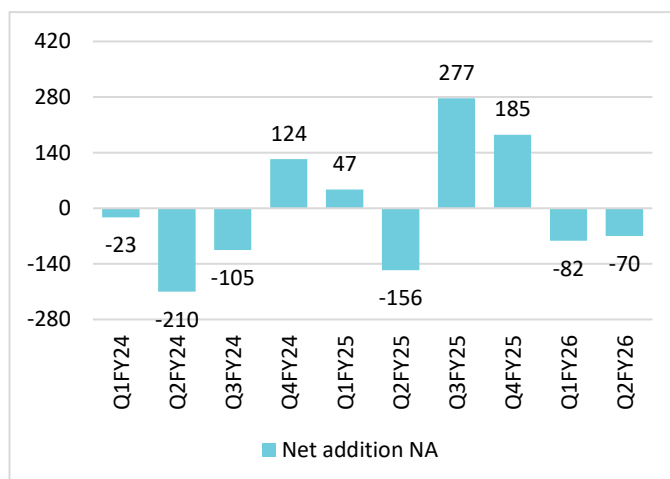
Source: Company, Nuvama Research

Exhibit 5: Large deals (USD mn)



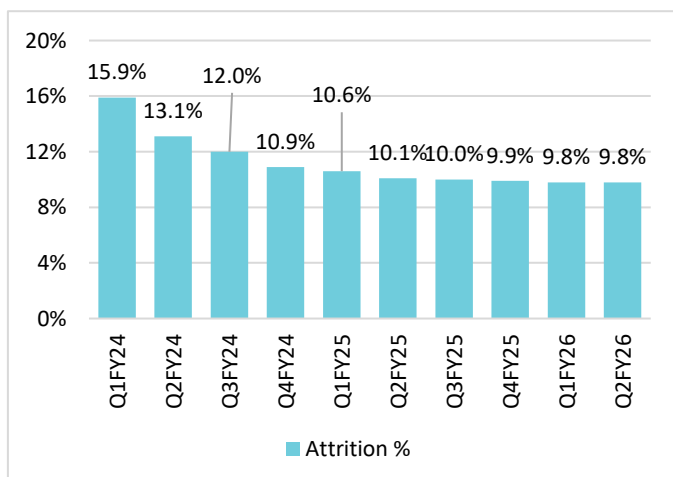
Source: Company, Nuvama Research

Exhibit 6: Net headcount reduction QoQ



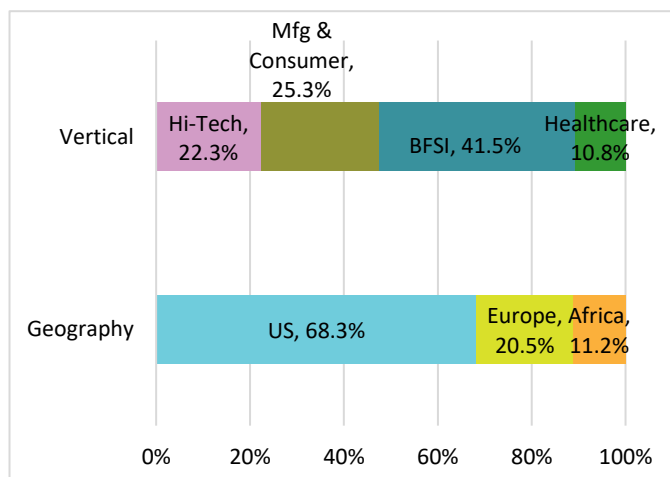
Source: Company, Nuvama Research

Exhibit 7: Attrition



Source: Company, Nuvama Research

Exhibit 8: Revenue breakdown by vertical and geography



Source: Company, Nuvama Research

Company Description

Zensar is a mid-sized IT services company and part of the RPG Enterprise Group, an industrial conglomerate with a presence across diverse businesses ranging from tyres to life sciences. RPG Group owns 49% of Zensar.

Zensar Technologies' offerings includes Experience Services, Advanced engineering services, Data engineering and analytics, Application services and Foundation services.

Zensar provides services around Digital Infrastructure, Digital Experience Management, Digital Workplace Solutions, Digital Operations, Digital Enterprise Security, AI & Analytics, DevOps and Agile, Application Modernization, Cloud and Enterprise Applications. It also offers solutions such as Wired Autonomous Cloud, Wired Experience, Intelligent SOC, User First Modern Workplace, ZenCare, Connected Intelligence, Digital Assurance, Smart ADM, Blockchain and ZenTrust.

The company focuses on customers belonging to six key industries – Hi-Tech, Manufacturing, Consumer Services, Banking, Insurance and Emerging. Zensar primary operates in three geographies – US, Europe and Africa.

The company has also made certain acquisitions and established alliances with various companies to build an enhanced portfolio of services and solutions.

Investment Theme

To drive profitable growth, the new CEO's strategy is centred on investing in hunting capabilities, partnerships, and growth areas such as Cloud and Digital.

Growth over last four years impacted by a declining legacy business, largely in the Core Application Services (CAS) area. Digital now contributes 70.3% to revenue. Therefore, growth business is now a much bigger revenue contributor.

Over the last couple of years, Zensar has divested non-core businesses—Rest of World and Third Party Maintenance. These initiatives are welcome as they are directed towards sharpening management focus and investments in growth.

However, Zensar is likely to underperform its peers, over the near to medium term, primarily due to its relative inability to win cost-takeout deals (which will be the focus in a year of economic downturn/recession) and the ongoing management transition.

Key Risks

- High client concentration
- High exposure to South African rand
- Generic currency risks
- Impact of US economy
- Supply-side issues

Additional Data

Management

CEO	Manish Tandon
CFO	Pulkit Bhandari
COO	Vijaysimha A.J
Other	
Auditor	Price Waterhouse LLP

Holdings – Top 10*

	% Holding		% Holding
Swallow Associa	26.67	SOFREAL Mercant	2.64
Summit Securiti	11.02	Franklin Resour	2.33
Instant Holding	8.44	Vanguard Group	2.05
HDFC AMC	6.13	Goldman Sachs G	1.77
Amansa Holdings	3.55	Goldman Sachs I	1.75

*Latest public data

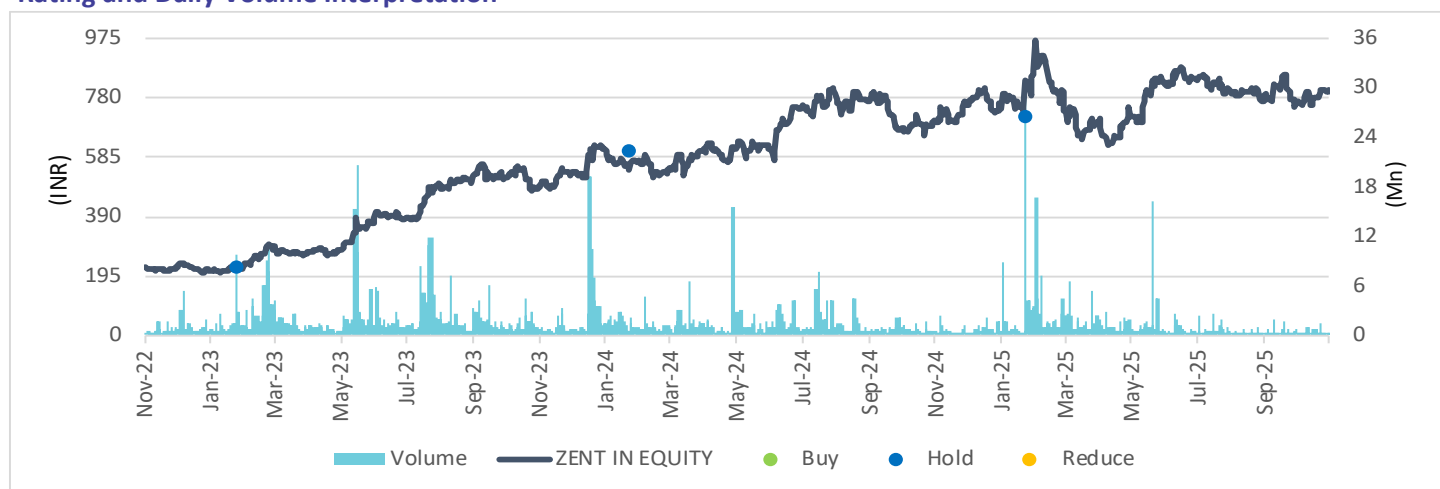
Recent Company Research

Date	Title	Price	Reco
22-Jul-25	Solid results; valuations full; <i>Result Update</i>	812	Hold
25-Apr-25	Strong deal-wins; headwinds to impact Q1; <i>Result Update</i>	702	Hold
22-Jan-25	Decent performance despite furloughs; <i>Result Update</i>	770	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
31-Oct-25	IT	Amazon: AWS accelerates on AI spends; <i>Sector Update</i>
30-Oct-25	IT	Alphabet: AI lifts Cloud growth ; <i>Sector Update</i>
30-Oct-25	IT	Microsoft: Cloud & AI momentum continues; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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