

Price: 686

Recommendation: Buy

Industry: Computers - Software

Sector: Information Technology

Report Date: 03-Apr-2025

Zensar Technologies is advancing its market position through strategic initiatives and operational efficiency, marked by a 220 basis point increase in utilization. The company has diversified its offerings, with Advanced Engineering, Data Analytics, and Cloud Services now making up 54.5% of revenue. Zensar is reducing reliance on the TMT sector, expanding into semiconductors, and focusing on AI-driven innovation. With a strong order book, Zensar aims for double-digit growth by FY '26.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2160 Cr	Operating Profit(Year)	480 Cr	Operating Profit Margin	22.2 %
Previous Year	1823 Cr	Operating Profit(Quarter)	118 Cr	EBITDA Margin	32.08 %
Current Quarter	559 Cr	PAT (Year)	473 Cr	Net Profit Margin	23.4 %
Previous Quarter	556 Cr	PAT (Quarter)	153 Cr	EPS	24.7
Revenue (QYoY)	501 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	27.8	Sales Growth	9.04 %	Sales Growth	0.54 %
PEG Ratio	1.88	PAT Growth	59.8 %	Sales Growth QYoY	11.58 %
EV/EBITDA	20.2	EPS Growth	17.62 %	PAT Growth	31.9 %
P/B	5.61	Dividend Yield	1.31	PAT Growth QYoY	51.49 %
Capital Allocation		Holdings		Leverage	
RoE	19.0 %	Promoter	49.1 %	Debt/Equity	0.03
RoA	16.0 %	FII	15.1 %	Debt	85.9 Cr
RoCE	24.2 %	DII	19.8 %	Market Cap	15577 Cr
RoIC	44.2 %	Public	16.0 %	Enterprise value	15417 Cr
		No of Shares	22.7 Cr	Cash Equivalents	246 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Zensar Technologies has embarked on several new initiatives and business strategies to enhance its market position and drive growth. The company has focused on operational efficiency, with a notable increase in utilization by 220 basis points year-on-year. This improvement is attributed to accelerated fulfillment and capability enrichment efforts. Zensar has also expanded its service line offerings, with Advanced Engineering Services, Data Engineering and Analytics, Experience Services, and Cloud Infrastructure and Security Services now contributing 54.5% to the revenue. The company is committed to AI capability enrichment, leveraging four major AI solution stacks to deliver value to clients. Notably, Zensar has developed a Gen AI engine for modernization, a client risk assessment assistant, and a Gen AI application for business insights.

In terms of diversification, Zensar has made significant strides in reducing its reliance on the TMT sector, which now accounts for 21.4% of revenues, down from 27% last year. The company has added new clients in the semiconductor space and continues to focus on broadening its client base within the TMT vertical. Zensar's strategy includes increasing the number of services sold per customer and enhancing client mining efforts, which has resulted in a client moving into the \$20 million revenue bucket. The company is also focused on increasing annuity revenues to reduce revenue variability and fluctuation.

Looking ahead, Zensar is optimistic about its growth prospects, with a strong order book of \$205.3 million, the highest to date. The company aims to achieve double-digit growth in FY '26, supported by its solid foundation of operational excellence, client centricity, and a people-first approach. Zensar is also well-positioned to capitalize on the potential increase in discretionary spending driven by advancements in Generative AI and Agentic AI. The company is confident in its ability to navigate industry challenges and continue its growth trajectory.

While Zensar has demonstrated strong performance, there are areas for improvement. The company acknowledges the need to further enhance its farming capabilities and continue diversifying its client base. Additionally, the impact of macroeconomic uncertainties and policy changes remains a concern. However, Zensar's strategic focus on operational efficiency, client diversification, and AI-driven innovation positions it well for future growth. The company's commitment to sustainability, as evidenced by its improved Ecovadis score and renewable energy initiatives, further strengthens its market position.

ZENSARTECH Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
PB Fintech.	71843.74	346.07	1.13%	10.66%	48.31%	41.19%	92.16%
Oracle Fin.Serv.	65871.54	28.69	28.98%	2.47%	-5.94%	-6.30%	-26.93%
Coforge	47874.28	62.52	24.09%	8.36%	42.82%	6.58%	-9.45%
Hexaware Tech.	41580.48	35.42	23.50%	0.60%	20.58%	6.41%	65.40%
KPIT Technologi.	33211.04	43.77	31.19%	0.45%	17.58%	-8.24%	21.17%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a year-on-year growth of 9.04% and a quarter-on-quarter growth of 0.54%. This indicates a steady upward trend in sales, reflecting effective market strategies and possibly increased demand for its offerings.
Profit & Loss	Operating profit and PAT have shown significant growth, with PAT increasing by 59.8% year-on-year. This suggests improved operational efficiency and cost management, contributing to enhanced profitability.
Profitability Matrix	The company maintains strong profitability with an operating profit margin of 22.2% and a net profit margin of 23.4%. These figures highlight effective cost control and pricing strategies, ensuring sustainable profit levels.
Valuation Matrix	The valuation metrics indicate a healthy market perception, with a trailing P/E of 27.8 and a PEG ratio of 1.88. These suggest that the company is valued fairly in relation to its growth prospects, maintaining investor confidence.
Growth (YoY)	Year-on-year growth metrics are positive, with notable increases in sales and PAT. This reflects the company's successful strategic initiatives and market expansion efforts, positioning it well for future growth.
Growth (QoQ)	Quarter-on-quarter growth is modest but positive, with sales and PAT showing incremental increases. This steady growth trajectory indicates consistent performance and resilience in the current market environment.
Capital Allocation	The company demonstrates strong capital efficiency, with a RoE of 19% and RoCE of 24.2%. These metrics suggest effective use of capital to generate returns, supporting long-term financial stability.
Holdings	The ownership structure is balanced, with promoters holding 49.1% and public holding 16%. This distribution suggests a stable governance framework, potentially reducing volatility and aligning interests with shareholders.
Leverage	The company maintains a low debt-to-equity ratio of 0.03, indicating minimal leverage. This conservative financial structure reduces risk and enhances financial flexibility, allowing for strategic investments and growth opportunities.

Analyst viewpoint: Zensar Technologies has demonstrated strong performance with impressive growth metrics, showcasing a quarter-on-quarter sales increase of 0.54% and a remarkable PAT growth of 31.9%. The company has efficiently managed its capital with a RoE of 19% and RoCE of 24.2%, supporting a stable financial position and investor confidence. Diversification efforts are paying off, as Zensar reduces reliance on the TMT sector, while its strategic expansion into semiconductors and AI-driven services further strengthens its market stance. The recent concall highlighted the company's operational excellence and strategic client mining, contributing to a robust order book of \$205.3 million. These strategic initiatives, coupled with a valuation metric of a P/E ratio of 27.8 and an attractive PEG ratio, suggest a positive outlook in the short to mid-term.

Despite strong growth trajectories, it is mindful to note the need for enhanced client diversification and farming capabilities amidst macroeconomic uncertainties. However, with its focus on innovation and operational efficiency, Zensar is well-positioned to capitalize on growth opportunities while navigating industry challenges. The company's commitment to sustainability initiatives and AI innovation further underscores its competitive edge, making it a favorable investment choice in the dynamic Information Technology sector.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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