MOTILAL OSWAL

22 October 2019

2QFY20 Results Update | Sector: Technology

Zensar Technologies

BSE SENSEX	S&P CNX
38,964	11,588
Bloomberg	ZENT IN
Equity Shares (m)	226
M.Cap.(INRb)/(USDb)	44.8 / 0.6
52-Week Range (INR)	271 / 193
1, 6, 12 Rel. Per (%)	-10/-15/-40
12M Avg Val (INR M)	24
Free float (%)	51.1

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	39.0	43.0	48.6
EBITDA	5.1	6.1	7.1
PAT	3.2	3.3	4.1
EPS (INR)	14.4	14.7	17.9
Gr. (%)	40.6	3.0	21.3
BV/Sh (INR)	85.9	97.2	110.9
RoE (%)	18.0	16.1	17.2
RoCE (%)	21.4	20.0	20.9
P/E (x)	13.9	13.5	11.1
P/BV (x)	2.3	2.0	1.8

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR199 **TP: INR280 (+41%)** **Buy**

Revenue growth takes a pause

- **Soft topline, steady margins**: 2QFY20 revenue increased 12.8% YoY (v/s est. of 14.8%) to USD152m. EBIT increased 6.2% YoY to INR1,115m (margin of 10.4%) v/s our expectation of 5.2% decline YoY. Despite higher operational income, PAT declined 16% YoY to INR799m (v/s est. of INR843m) led by higher interest expense at INR139m (v/s est. of INR39m) and lower other income at INR9m (v/s est. of INR74m).
- **Deal completion drags revenue growth**: ZENT reported 15.8% QoQ drop in the CIS business, 7.7% drop in Retail vertical and 3.3% drop in revenues from the US. All of this was a result of the completion of a large transformation-based project by one of its top-10 customers operating in the public sector. ZENT remains confident of winning additional projects from the customer; however, near-term revenue from the same can suffer due to some delays in decision making. Deals won during the quarter stood at USD120, lower than the booked revenue and six quarter TCV average.
- **Retail outlook muted:** While the Retail revenue hit can be attributed to the completion of a large deal, the outlook appears gloomy as well. Sector specific issues are causing spending delays/cuts from big box retailers leading to near/medium-term volatility. ZENT has identified growth segments within the vertical; however, its focus on small/niche retailers and technology retail is not enough to offset the macro impact for the segment. Retail should take at least a couple of quarters before returning to sustained growth.
- **Valuation and view:** ZENT's turnaround efforts have been more protracted with overhaul in the US sales, the addition of inorganic digital capabilities, the discontinuation of non-core business and the long tail of non-scalable accounts, which is now nearing completion. Only sale of the third-party maintenance business is an area that needs addressing. However, we remain conscious of the near-term weakness led by macro headwinds and vertical specific challenges, thus driving our estimates lower by ~8% for FY20/21. We expect 10.9%/11.6% USD revenue/EPS CAGR over FY19-21. Our price target of INR280 discounts forward earnings by 15x and implies a 41% upside. Maintain **Buy**.

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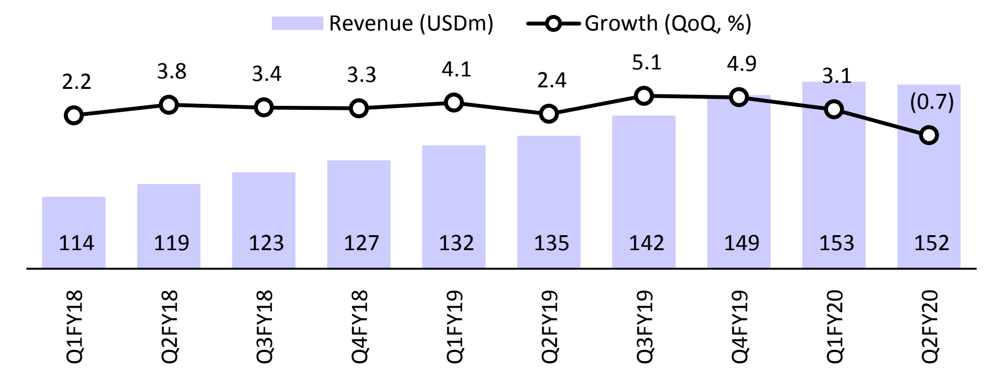
Quarterly Perf.												(INR M)
Y/E March	FY19				FY20E				FY19	FY20E	Est.	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY20	
Revenue (USD m)	**132**	**135**	**142**	**149**	**153**	**152.3**	**153**	**156**	**557**	**615**	**155**	**-1.7**
QoQ (%)	4.1	2.4	5.1	4.9	3.1	-0.7	0.5	2.2	15.6	10.4	1.0	-168bp
Revenue (INR m)	**8,827**	**9,465**	**10,220**	**10,476**	**10,661**	**10,723**	**10,714**	**10,949**	**38,988**	**43,047**	**10,841**	**-1.1**
YoY (%)	19.8	24.1	28.8	28.6	20.8	13.3	4.8	4.5	29.7	10.4	14.5	-121bp
GPM (%)	**31.1**	**29.4**	**27.5**	**28.9**	**29.4**	**29.1**	**29.3**	**30.5**	**29.1**	**29.6**	**28.8**	**34bp**
SGA (%)	16.5	16.5	16.0	15.7	15.2	15.1	15.5	15.8	16.1	15.4	16.0	-86bp
EBITDA	**1,252**	**1,275**	**1,171**	**1,381**	**1,515**	**1,500**	**1,477**	**1,605**	**5,079**	**6,098**	**1,386**	**8.2**
EBITDA Margin (%)	**14.2**	**13.5**	**11.5**	**13.2**	**14.2**	**14.0**	**13.8**	**14.7**	**13.0**	**14.2**	**12.8**	**120bp**
EBIT Margin (%)	12.1	11.1	9.1	10.8	10.7	10.4	10.2	11.1	10.7	10.6	9.2	121bp
Other income	169	391	5	228	146	181	138	134	793	599	232	-21.8
ETR (%)	27.8	28.1	28.0	29.9	28.4	28.5	28.0	28.0	28.5	28.2	28.0	
PAT	**836**	**951**	**587**	**870**	**787**	**799**	**833**	**921**	**3,244**	**3,340**	**843**	**-5.3**
QoQ (%)	15.1	13.8	-38.3	48.3	-9.6	1.5	4.3	10.6			7.2	
YoY (%)	77.1	52.1	-0.7	19.9	-5.8	-16.0	42.0	5.9	40.6	3.0	43.8	
EPS (INR)	**3.7**	**4.2**	**2.6**	**3.9**	**3.5**	**3.5**	**3.7**	**4.1**	**14.4**	**14.7**	**3.7**	
Headcount	**8,790**	**9,138**	**9,456**	**9,748**	**10,166**	**10,219**	**10,329**	**10,279**	**9,748**	**10,279**	**10,116**	1.0
Utilization (%)	85.8	82.6	81.7	83.4	82.4	84.1	80.5	81.0	83.4	82.0	82.0	210bp
Offshore rev. (%)	35.4	33.6	32.6	32.6	31.9	33.3	32.0	31.9	33.5	32.3	32.4	87bp

Revenue misses estimates due to weakness in CIS

- ZENT's revenue growth of 0.3% QoQ CC was below our estimate of 2.0%. This was on the back of a strong 1Q.
- Cross-currency impact of 100bp resulted in dollar revenue decline at -0.7% QoQ (v/s est. of +1.0% QoQ) and growth of 12.9% in YoY terms.

Exhibit 1: Growth momentum takes a pause

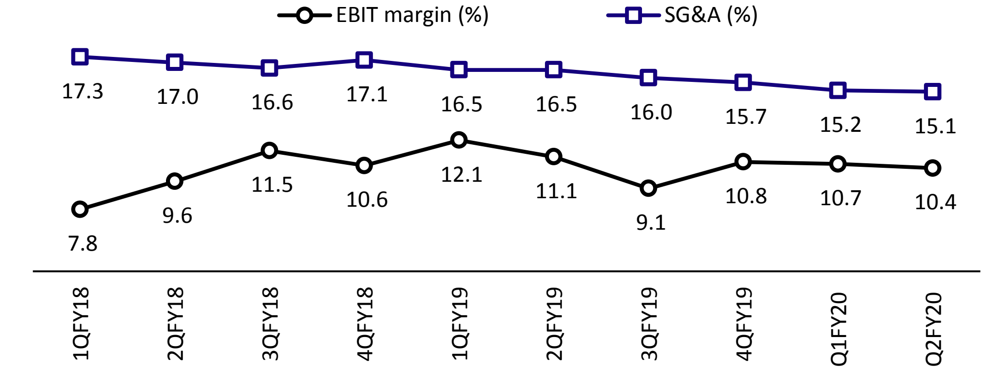


Source: MOFSL, Company

Profitability – Beat on EBIT due to lower SGA

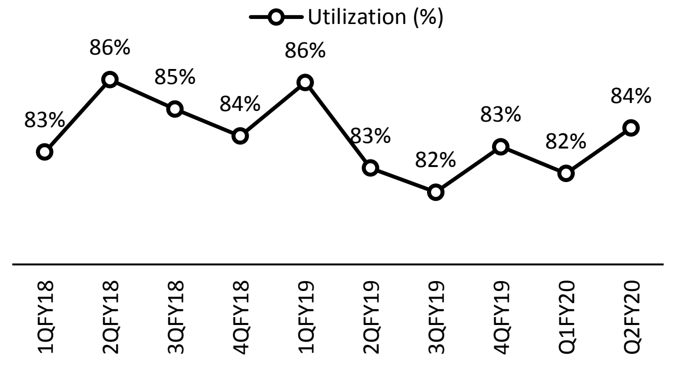
- EBIT margins decreased 30bp QoQ to 10.4% (v/s 10.7% in 1QFY20); it was 120bp above our est. of 9.2% due to lower-than-expected SGA of 15% (v/s 16%).
- PAT at INR799m (1.6% QoQ) was below expectations due to higher interest expense (INR139m v/s est. of INR39m) and lower other income (INR9m v/s est. of INR74m).
- Utilization increased by 170bp QoQ to 84.1%

Exhibit 2: EBIT margin decreased 30bp QoQ



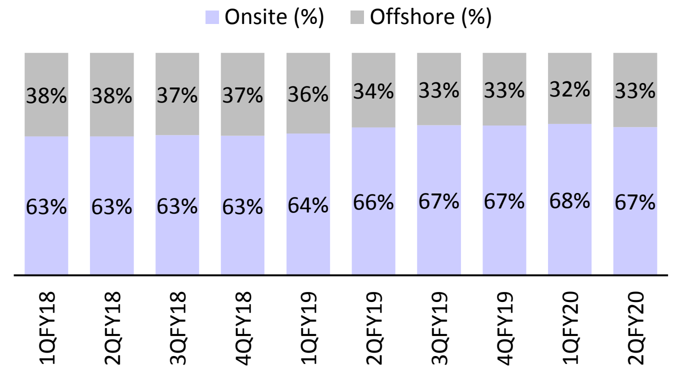
Source: MOFSL, Company

Exhibit 3: Utilization increased by 170bp QoQ



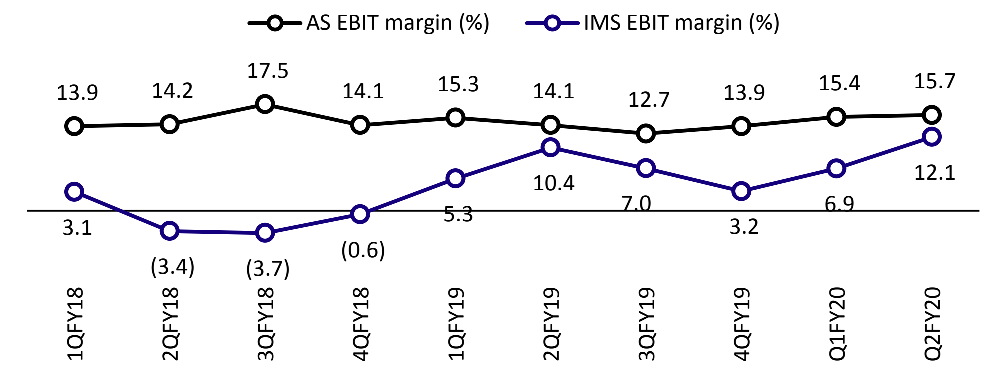
Source: MOFSL, Company

Exhibit 4: Higher onsite proportions are keeping margins much lower than Tier II universe



Source: MOFSL, Company

Exhibit 5: IMS margins revive post restructuring in 4QFY19



Source: MOFSL, Company

Vertical wise: FS leads growth, while Retail declines

- Vertical-wise, BFSI grew 15.2% QoQ CC while Manufacturing grew a marginal 0.6%. In BFSI, growth was led by Insurance (17.1%).
- Retail continued its decline and shrank 7.7% sequentially. Emerging remained volatile and declined 45.5% QoQ CC.

Exhibit 6: Robust growth in FS

	Contribution	QoQ
Manufacturing	52.7	0.6
Retail and consumer services	17.2	-7.7
Financial services	27.3	15.2
Emerging	2.8	-45.5

Source: MOFSL, Company

- Total new deal booking TCV for the quarter was USD120m. This compares with USD700m+ over FY19 and USD160m in 1QFY20. Large deal ratio - 52%; currently, Zensar is vying for deals with TCV of over USD5m.
- Of the 0.3% QoQ CC growth in 2QFY20, Digital Application Services grew 3.6% while Cloud and Infrastructure Services (CIS) declined 15.8%.

Exhibit 7: Total Digital grew 3.5% QoQ CC

	Contribution	QoQ
Application Management Services	**85.6**	**3.6**
Digital Services	44.2	7.0
Core Application Services	41.3	0.1
Infrastructure Management Services	**14.4**	**-15.8**
Maintenance	4.1	5.2
Core Infra Services	4.4	-27.8
Cloud, Digital led next gen CIS	5.9	-17.0

Source: MOFSL, Company

- Geography-wise growth was led by Europe and Africa. In QoQ CC terms, US declined 3.3%, while Europe and Africa grew 5.1% and 23.4%, respectively

Exhibit 8: Europe and Africa led growth

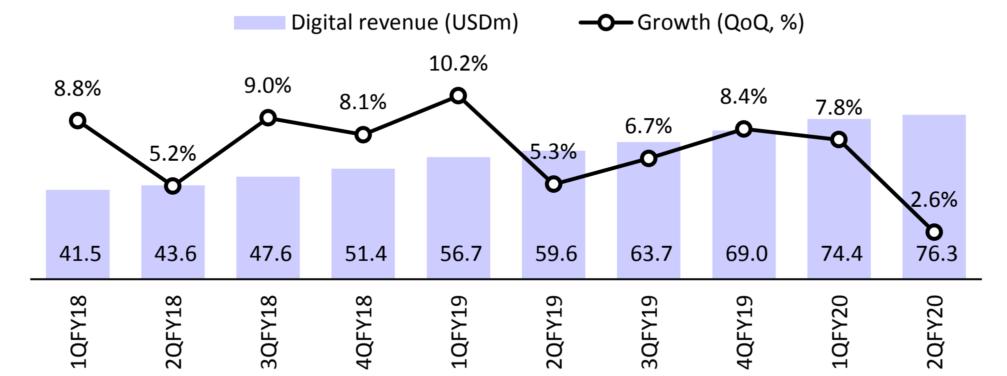
	Contribution	QoQ
USA	74.0	-3.3
Europe	15.3	5.1
Africa	10.6	23.4

Source: MOFSL, Company

Strategy well in progress

- Digital was up 3.5% QoQ CC; it now contributes ~50% to total revenues.

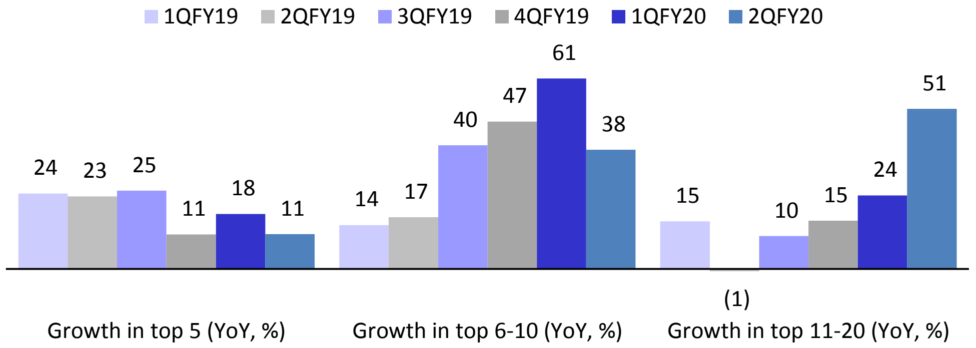
Exhibit 9: Slowdown in Digital growth; it now constitutes 50.1% to revenues



Source: MOFSL, Company

- Headcount grew by 53 employees QoQ to 10,219. Attrition rate inched up marginally to 17.0%.
- Mining efforts are witnessing success as Top 5 clients grew 15% YoY while Top 6-10 grew by 38% YoY. The top 11- 20 clients grew 51% YoY.

Exhibit 10: Growth momentum amongst top clients



Source: MOFSL, Company

Takeaways from management commentary

- **Demand environment and deal pipeline:** Demand environment is stable and ZENT is continuing to invest to sustain growth. Deal wins include USD10m+ renewals and new wins, it doesn't include smaller renewals. Low deal TCV was attributed to delay in decision making. ZENT is at an advanced stage in quite a few deals and is facing delays. CIS has been a strong performer; many opportunities exist in top account within the CIS space (only 30% penetration of Cloud adoption in large companies).
- **Revenue growth:** Large CIS transformation project completion in a top-10 client resulted in soft growth. ZENT was confident of winning additional projects, but it didn't come through. Client is in the public sector where decision making is slow. ZENT is not looking for entry into new verticals for growth. Focus is to pivot toward HiTech & Manufacturing, BFSI and leverage new service offerings as Retail remains soft.
- **Verticals:**
  - **Retail:** Retail segment is soft and will remain so for some time. There are specific sector opportunities available but big box retailers will remain soft. There are delays in decision making in retail. Emphasis is on micro verticals with focus on smaller niche retailers. ZENT is taking e-commerce and supply chain to small retailers. It is steady but not enough to turnaround the decline. Retail tech is also a focused area. Supply chain from Keystone is doing well.
  - **BFSI**: Cynosure and strong Guidewire capabilities led growth in the P&C insurance business. Much growth in Africa was led by farming; growth in the US was due to new client wins.
  - **Hi-Tech and Manufacturing:** For clients, there has been shift from capex to opex. If tariff changes occur, then there can be a problem. Though clients are talking about it, there has been no impact on client spending so far (and for upcoming quarters).
- **Margins:** Core business' EBITDA margin stood at 14%; guidance for the medium term is at 15%. In 2QFY20, margin was managed well despite wage hikes and less forex tailwind. Movement from onsite to offshore increased and there is room for more. More levers are available despite increase in utilization, such as leveraging automation /non-linearity, optimizing onshore-offshore mix, and sub-contracting costs.
- **Europe:** 90% of revenues come from the UK. Management has not seen any macro impact but cited that it keeps popping up in client conversations.

- **Cash**: Decline in cash is due to payment of dividend in 2QFY20. Also there was payment for acquisition in 2QFY20. Company incurred capex of USD6.5m.
- **MVS:** ZENT has classified the MVS business in one separate entity and others (Core business) in a different entity. Formalities for the same should get closed over the next 60-70 days. Current focus is on reviving revenue growth and profitability of the business. Company has cited that it will keep looking for a buyer.

Change in Estimates

Exhibit 11: Change in estimates

	Revised			Earlier			Change	
	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY20E	FY21E
Revenue (USD m)	557	615	685	557	626	702	(1.7)	(2.5)
Growth (YoY, %)	15.6	10.4	11.4	15.6	12.3	12.3	(190)	(89)
EBITDA margin (%)	13.0	14.1	14.6	13.0	14.4	15.3	(23)	(74)
EBIT Margins (%)	10.7	10.6	11.0	10.1	10.6	11.2	(5)	(20)
EPS (INR)	14.4	14.7	17.9	14.4	16.0	19.6	(7.7)	(8.8)

Source: MOFSL, Company

Valuation and view

- **Execution for next leg of growth in progress**: Post the leadership change at ZENT, execution has become fast-tracked, with several steps taken toward realigning the organization with its growth engines. In line with this, several services/solutions have been launched, sales function has been augmented and there is a renewed focus on client mining and large deals. These initiatives are currently in the investment mode and likely to start adding to growth along with Digital and IMS.
- **Digital – the key trigger**: Digital accounted for 44% of ZENT's revenue and has been seeing growth of 40% YoY. Over the last year, it has built several solutions: [1] The Vinci – a cloud orchestration and managed services platform, [2] ZenAnalytica – predictive analytics, [3] SmartBlox – blockchain feasibility assessment, [4] RPA – using bots to automate processes and [5] Digital Workplace Services. Although deal sizes are currently smaller, nearly 50% of ZENT's wins lately have been in Digital. It has further augmented its presence in Digital with the addition of Foolproof and Keystone, adding capabilities across user experience and supply chain solutions.
- **Aggressive consolidation of non-core business**: Over the last two years, ZENT has cut out non-core geographies, verticals and service lines. Since the leadership change, the company has renewed focus on strategic accounts, and is in the process of cutting its long tail of low-yield and non-scalable accounts. Pruning of these accounts has been on-going for the last six quarters, and has fairly bettered the business mix.
- **Expect rebound in revenue growth**: On account of ongoing restructuring, the company clocked 5% revenue growth in FY18 (including 2.5% from the integration of Keystone). However, with the implementation of growth engines well in progress, and a clean base to work on, we expect a revival in revenue growth to 10.9% over FY19-21E (organic).
- **Margin resurrection**: Our thesis was also hinged on improvement in margins led by two factors – (i) better organic growth, and (ii) higher IMS margins. Both of

these factors have started to reflect in numbers now and should bode well for earnings growth going forward. 10.9% USD revenue growth coupled with margin expansion lead to 11.6% earnings CAGR over FY19-21E.

- **Valuation view:** ZENT's turnaround efforts have been more protracted with the overhaul in US sales, the addition of inorganic digital capabilities, the discontinuation of non-core business and the long tail of non-scalable accounts. This is now nearing completion, with this only sale of the third-party maintenance business as the remnant areas to address. However we remain conscious of near term weakness led by macro headwinds and vertical specific challenges therefore driving our estimates lower by ~8% for FY20/21. We expect 10.9%/11.6% USD revenue/EPS CAGR over FY19-21. Our price target of INR280 discounts forward earnings by 15x and implies a 41% upside. Maintain **Buy**.

Key triggers

- Broad-based pick-up in revenue growth
- Margin improvement despite investments
- Significant increase in deal wins and deal pipeline

Key risk factors

- Problems in top accounts
- Risk from slower spend on ERP
- Hindrances in structural recovery of margins

Exhibit 12: 1-year forward P/E band

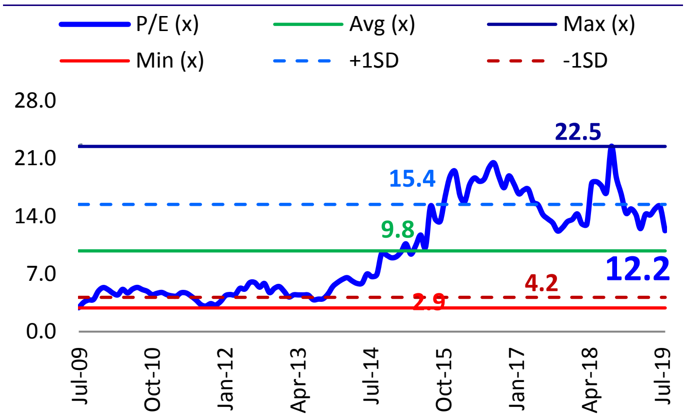
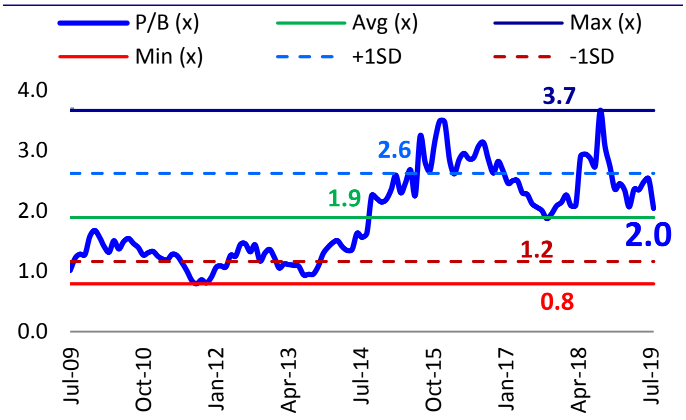
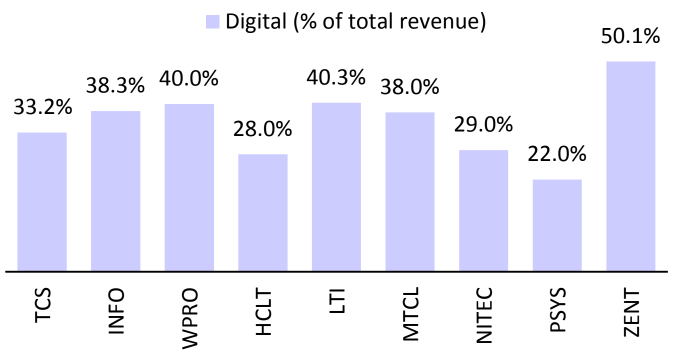


Exhibit 13: 1-year forward P/B band



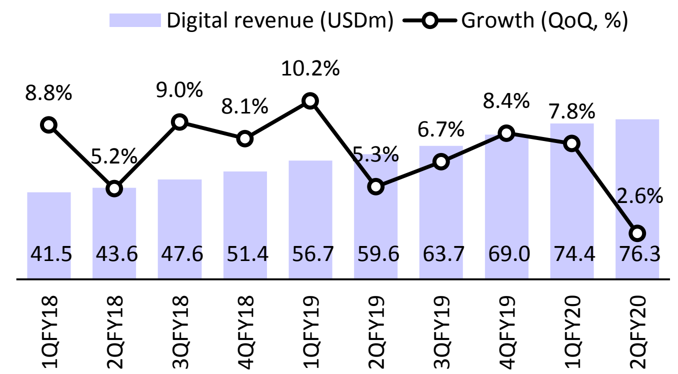
Story in charts

Exhibit 14: Contribution of Digital to total revenue among the highest in the industry



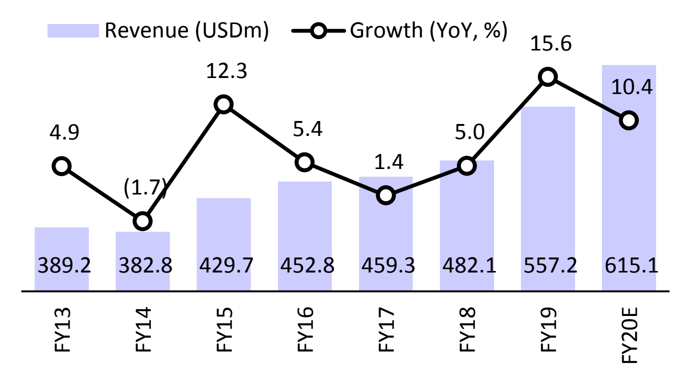
Source: MOFSL, Company

Exhibit 15: Digital traction softens



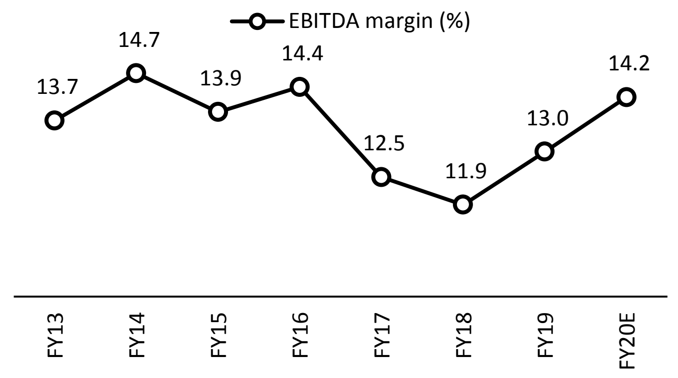
Source: MOFSL, Company

Exhibit 16: Expect organic revenue growth in double digits



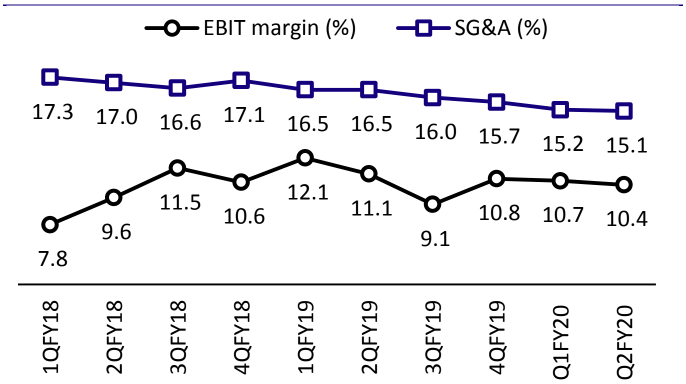
Source: MOFSL, Company

Exhibit 17: …coupled with margin expansion…



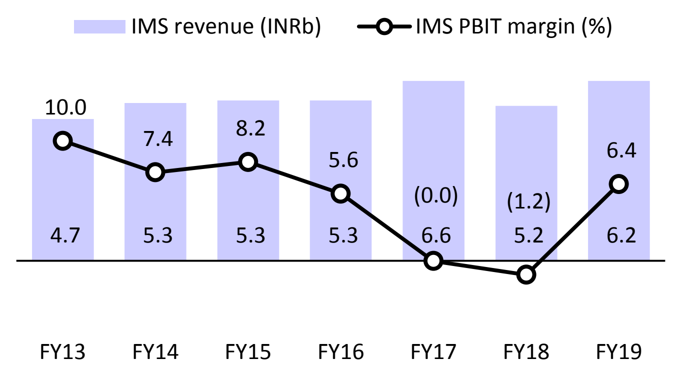
Source: MOFSL, Company

Exhibit 18: …assisted by investments trailing off…



Source: MOFSL, Company

Exhibit 19: …and better IMS margins



Source: MOFSL, Company

Operating metrics

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Geographic Mix - %									
USA	72	73	72	76	76	77	77	76	74
Europe	14	14	14	14	15	15	15	15	15
ROW	14	13	14	10	9	8	8	9	11
Vertical Mix - %									
Manufacturing	49	49	51	49	52	51	51	52	53
Retail and consumer services	29	29	27	25	22	21	22	19	17
Financial services	19	20	20	24	23	24	23	24	27
Emerging	3	3	1	2	3	4	4	5	3
Service Mix - %									
Application Management Services	83	83	86	85	85	83	85	83	86
Infra. Management Services	17	17	14	15	15	17	15	17	14
Maintenance	6	5	5	5	5	5	4	4	4
Services	11	12	9	10	10	13	11	10	10
Project Type - %									
Fixed price	51	53	54	52	53	53	54	57	57
Time & material	49	47	46	48	47	47	46	43	43
Revenue by delivery - %									
Onsite	63	63	63	64	66	67	67	68	67
Offshore	38	37	37	36	34	33	33	32	33
Client concentration - %									
Top 5	35	36	39	38	38	39	37	38	38
Top 6-10	8	9	9	8	9	10	11	11	10
Top 10	44	45	48	46	47	50	48	49	48
Top 11-20	13	11	12	11	11	11	11	12	13
Top 20	56	56	59	57	58	60	59	61	63
Number of million dollar clients									
1 Million dollar +	70	66	63	86	94	96	90	91	93
5 Million dollar +	8	9	13	19	20	20	19	20	23
10 Million dollar +	4	4	2	5	7	7	9	9	9
20 Million dollar +	2	2	2	2	2	2	2	2	2
Client metrics									
Repeat business (%)	82	80	87	87	86	88	84	85	86
Number of active clients	248	260	253	246	280	280	285	308	309
New clients added in the period	29	12	28	42	38	26	17	7	5
Employee metrics									
Total headcount	8,414	8,597	8,905	8,790	9,138	9,456	9,748	10,166	10,219
Gross employees added during the period	419	684	900	724	906	1,045	10	1,279	977
Net employees added during the period	(153)	183	308	(115)	348	318	292	418	53
Utilization	86	85	84	84	86	83	82	83	84
Attrition	15	15	15	19	17	17	16	17	17

Financials and Valuations

Key Assumptions (INR M)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
INR/USD Rate	54.3	60.5	61.1	65.5	66.5	62.3	70.0	70.0	71.0
Revenues (USD m)	389.2	382.8	429.7	452.8	459.3	482.1	557.2	615.1	685.1
Offshore Revenue (%)	30.0	32.3	33.3	35.5	33.2	37.3	33.5	32.3	32.0
Total Headcount	6,508	6,791	8,174	8,256	8,524	8,905	9,748	10,279	10,599
Net Addition	(613)	283	1,383	82	268	381	843	531	320
Per Capita Productivity (USD)	59,805	56,364	52,574	54,850	53,883	54,138	57,160	59,838	64,637

Income Statement (INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Sales	**21,145**	**23,156**	**26,277**	**29,643**	**30,556**	**30,058**	**38,988**	**43,047**	**48,641**
Change (%)	18.6	9.5	13.5	12.8	3.1	(1.6)	29.7	10.4	13.0
Cost of Services	14,809	15,957	18,329	20,366	21,603	21,220	27,626	30,313	33,814
SG&A Expenses	3,444	3,803	4,307	5,015	5,135	5,254	6,283	6,636	7,734
EBITDA	**2,892**	**3,396**	**3,641**	**4,262**	**3,819**	**3,583**	**5,079**	**6,098**	**7,094**
% of Net Sales	13.7	14.7	13.9	14.4	12.5	11.9	13.0	14.2	14.6
Depreciation	332	383	415	454	486	651	894	1,544	1,751
Interest	100	109	112	106	88	227	373	366	93
Other Income	332	290	364	181	220	202	503	195	302
Forex	-187	205	181	407	21	463	290	403	139
PBT	**2,606**	**3,399**	**3,659**	**4,289**	**3,487**	**3,370**	**4,605**	**4,787**	**5,691**
Tax	861	1,023	1,013	1,169	1,103	1,013	1,310	1,350	1,593
Rate (%)	33.0	30.1	27.7	27.3	31.6	30.1	28.5	28.2	28.0
Minority Interest	0	0	-1	-26	-35	-50	-51	-97	-44
PAT	**1,745**	**2,375**	**2,646**	**3,094**	**2,349**	**2,306**	**3,244**	**3,340**	**4,053**
Net Income	**1,745**	**2,375**	**2,646**	**3,094**	**2,349**	**2,306**	**3,244**	**3,340**	**4,053**
Change (%)	10.0	36.1	11.4	17.0	-24.1	-1.8	40.6	3.0	21.4

Balance Sheet (INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	2,179	2,188	2,217	2,232	2,244	450	450	450	450
Reserves	5,110	7,267	9,353	10,420	12,461	16,239	18,973	21,523	24,621
Net Worth	**7,289**	**9,455**	**11,570**	**12,651**	**14,705**	**16,689**	**19,424**	**21,973**	**25,071**
Minority Interest	-	11	12	39	74	137	170	170	170
Loan	2,353	2,032	1,396	1,967	2,049	838	3,353	3,103	2,853
Capital Employed	**9,642**	**11,498**	**12,977**	**14,658**	**16,828**	**17,664**	**22,946**	**25,246**	**28,094**
Gross Block	6,341	6,503	8,201	1,884	2,490	2,508	3,052	4,052	5,052
Less : Depreciation	-2,372	-2,287	-2,728	-710	-1,175	-1,654	-1,921	-3,465	-5,216
Net Block	**3,969**	**4,215**	**5,474**	**1,174**	**1,315**	**854**	**1,131**	**587**	**-164**
CWIP	25	21	14	2	10	23	56	56	56
Other LT Assets	545	608	617	3,653	4,970	7,305	10,433	10,485	10,537
Curr. Assets	**8,035**	**10,015**	**11,240**	**13,861**	**14,732**	**14,633**	**19,278**	**21,195**	**25,574**
Current Investments	417	1,478	931	1,078	1,467	1,302	454	554	654
Inventories	1,049	1,288	1,226	1,259	1,127	1,060	985	1,587	1,794
Debtors	3,354	3,581	4,539	5,400	5,327	6,423	8,762	7,504	8,479
Cash & Bank Balance	1,420	1,458	1,960	2,769	3,291	2,069	3,259	2,042	4,672
Loans & Advances	856	817	880	0	0	0	0	0	0
Other Current Assets	937	1,392	1,704	3,354	3,521	3,780	5,819	9,507	9,976
Current Liab. & Prov	**2,931**	**3,361**	**4,368**	**4,032**	**4,199**	**5,301**	**7,951**	**7,077**	**7,908**
Current Liabilities	1,059	1,507	1,305	1,826	2,061	1,839	3,010	3,526	3,965
Other liabilites	1,556	1,385	2,426	2,184	2,138	3,461	4,941	3,551	3,943
Provisions	315	468	637	22	0	0	0	0	0
Net Current Assets	**5,104**	**6,654**	**6,872**	**9,829**	**10,533**	**9,332**	**11,327**	**14,118**	**17,666**
Application of Funds	**9,642**	**11,498**	**12,977**	**14,658**	**16,828**	**17,515**	**22,946**	**25,246**	**28,094**

Financials and Valuations

Ratios									(INR Million)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Basic (INR)									
EPS	**8.0**	**10.9**	**12.2**	**13.6**	**10.4**	**10.2**	**14.4**	**14.7**	**17.9**
Cash EPS	9.6	12.7	14.1	15.6	12.6	13.1	18.3	21.6	25.7
Book Value	33.6	43.6	53.3	55.8	65.2	74.0	85.9	97.2	110.9
DPS	1.6	2.0	2.2	2.4	2.4	2.2	2.8	2.9	3.6
Payout %	20.0	18.4	18.4	17.6	23.0	21.5	19.5	20.0	19.9
Valuation (x)									
P/E		18.2	16.3	14.6	19.1	19.5	13.9	13.5	11.1
Cash P/E		14.7	14.9	11.7	9.4	13.3	12.1	17.3	8.4
EV/EBITDA		12.3	11.3	10.0	10.9	11.6	8.6	7.3	5.9
EV/Sales		1.8	1.6	1.4	1.4	1.4	1.1	1.0	0.9
Price/Book Value		4.6	3.7	3.6	3.1	2.7	2.3	2.0	1.8
Dividend Yield (%)		1.0	1.1	1.2	1.2	1.1	1.4	1.5	1.8
Profitability Ratios (%)									
RoE	26.7	28.4	25.2	25.6	17.2	14.7	18.0	16.1	17.2
RoCE	30.3	30.8	28.6	30.2	23.2	17.7	21.4	20.0	20.9
RoIC	24.4	25.8	25.1	26.5	19.9	15.6	17.9	15.7	17.0
Turnover Ratios									
Debtors (Days)	74	78	86	95	94	78	82	94	94
Fixed Asset Turnover (x)	5.3	5.5	4.8	25.2	23.2	30.0	38.0	73.4	(295.7)

Cash Flow Statement									(INR Million)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
CF from Operations	2,212	2,720	2,823	3,805	3,354	3,184	4,511	5,237	5,884
Cash for Working Capital	-1,152	-625	382	-1,218	-281	-1,737	-2,038	-3,866	1,686
Net Operating CF	**1,060**	**2,094**	**3,206**	**2,587**	**3,073**	**1,447**	**2,473**	**1,371**	**7,570**
Net Purchase of FA	-334	-323	-372	-423	-349	-1,088	-2,384	-1,000	-1,000
Free Cash Flow	**726**	**1,771**	**2,834**	**2,164**	**2,724**	**358**	**89**	**371**	**6,570**
Net Purchase of Invest.	87	-961	-1,448	1	-1,538	-404	2,154	-104	-104
Net Cash from Invest.	**-247**	**-1,284**	**-1,819**	**-422**	**-1,887**	**-1,492**	**-231**	**-1,104**	**-1,104**
Proc. from equity issues	16	59	62	42	46	-1,731	34	0	0
Proceeds from LTB/STB	-776	-422	-395	-375	-286	-1,473	2,274	-616	-343
Dividend Payments	-379	-411	-542	-969	-261	-581	-740	-777	-942
Cash Flow from Fin.	**-1,139**	**-774**	**-874**	**-1,302**	**-501**	**-3,785**	**1,567**	**-1,393**	**-1,285**
Exchange difference	8	10	0	-54	-163	2,607	-13	-103	-2,552
Net Cash Flow	**-318**	**46**	**512**	**809**	**522**	**-1,223**	**3,797**	**-1,229**	**2,629**
Opening Cash Bal.	**1,739**	**1,413**	**1,448**	**1,960**	**2,769**	**3,292**	**-538**	**3,271**	**2,042**
Add: Net Cash	-318	46	512	809	522	-1,223	3,797	-1,229	2,629
Closing Cash Bal.	**1,420**	**1,458**	**1,960**	**2,769**	**3,291**	**2,069**	**3,259**	**2,042**	**4,672**

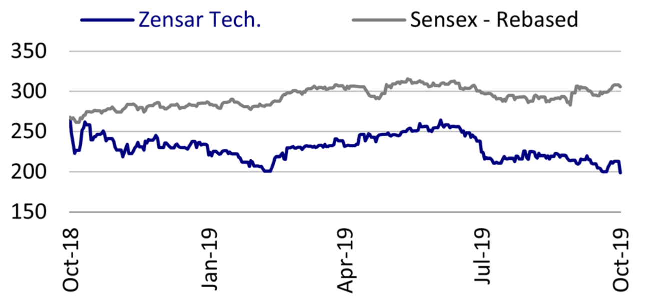
E: MOFSL Estimates

Corporate profile

Company description

Zensar Technologies Ltd. develops software and it also provides IT consulting and related services. The Company has expertise in key verticals of retail, manufacturing, logistics, financial services, telecom and utilities. Zensar offers end-to-end solutions across diverse technology platforms &industry domains through a Global Delivery Model, which delivers 24 X 7 services.

Exhibit 1: Sensex rebased



Source: MOFSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Jun-19	Mar-19	Jun-18
Promoter	48.9	48.9	48.9
DII	25.3	2.3	11.4
FII	17.0	17.1	7.5
Others	8.9	31.7	32.3

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Marina Holdco (Fpi) Ltd	22.9
Amansa Holdings Private Limited	5.8
Hdfc Trustee Co Ltd A/C Hdfc Retirement Savings Fund-Hybrid-Equity Plan	2.0
Fidelity Advisor Series I - Fidelity Advisor Small	1.6
Fidelity Puritan Trust-Fidelity Low-Priced Stock F	1.6

Source: Capitaline

Exhibit 4: Top management

Name	Designation
H V Goenka	Chairman
Sandeep Kishore	Managing Director & CEO
Gaurav Tongia	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
A T Vaswani	Sudip Nandy
Arvind Agrawal	Venkatesh Kasturirangan
Ben Druskin	Harsh Mariwala*
Ketan Dalal	Tanuja Randery*
Shashank Singh	

*Independent

Exhibit 6: Auditors

Name	Type
Deloitte Haskins & Sells LLP	Statutory
Ernst & Young LLP	Internal
SVD & Associates	Secretarial Audit

Source: Capitaline

Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	14.7	15.3	-4.2
FY21	17.9	19.0	-5.8

Source: Bloomberg

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
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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