

ZENSARTECH LTD.

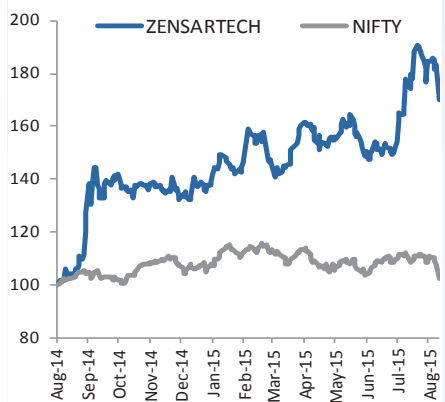
Result Update	
CMP	976
Target Price	930
Previous Target Price	930
Upside	-5%
Change from Previous	0%

Market Data	
BSE Code	504067
NSE Symbol	ZENSARTECH
52wk Range H/L	1011/563
Mkt Capital (Rs Cr)	4340
Av. Volume(,000)	90
Nifty	8131

Stock Performance			
	1Month	3 Month	1Year
Absolute	-8.4	10.8	81.0
Rel.to Nifty	-2.5	15.1	80.9

Share Holding Pattern-%			
	1QFY16	4QFY15	3QFY15
Promoters	48.2	47.7	48.1
FII	13.1	13.0	12.7
DII	1.3	0.5	0.0
Others	37.5	38.8	39.2

Company Vs NIFTY



Private equity group Apax Partners acquired a 23.2% stake in mid-tier infotech firm Zensar Technologies for Rs 860 crore by buying out existing investor Electra Partners, highlighting renewed investor interest in middle-rung technology and business process outsourcing companies.

Harsh Goenka-led RPG Group will continue to remain the promoter and single-largest shareholder with 48% stake.

The deal booking and pipeline is looking good and expects to perform well going forward. Order pipeline continues to be stable at \$ 350 mn+ mainly on the back of good demand seen in digital, Mobility, and Cloud Computing side. Considering healthy order pipeline and its earning visibility in near future. Overall, we see a strong momentum in growth from across sectors and geographies.

We initiated Buy rating on the stock at Rs.704/share on 11 may 2015, which now arrived at Rs.976/share. We believe for FY16E the stock is fairly valued. After 38% price appreciation Now We recommending book Profit on the stock.

Q1 has been a quarter of robust growth for Zensar on all fronts. The company has been focusing on new client acquisition and strategic deals in Digital and eCommerce, which has resulted in good wins and a substantial order pipeline. We are happy to see the market adoption of Zensartech's digital solutions, which forms a strong foundation for growth in the financial year.

With this company is focusing at some inorganic opportunity in Germany to add SAP capabilities. Further inorganic growth will remain a key sensitive scenario for the stock. We see Dollar or US to remain healthy, so geographically US will continue to add 70%-75% of revenue for the near year. On the cross currency front , Management do not see any larger impact for the near term, currently 55% of its Dollar receivables are hedged @65. On the front growth, management remain intact at 15%-20% in each segment.

Eyes 20% digital growth this year :

The company's acquisition of Professional Access Inc has helped the books manifold. The acquired company's business has grown sequentially 3.5 percent and focuses on the e-commerce space. Management mentioned, the digital and ecommerce certainly should be tracking at 20 % growth this year, maybe more. If one look at the enterprise business, it all depends on the market and to a certain extent currency. US is main market for enterprise, that has grown over 12 percent sequential quarter.

Financials	2012	2013	2014	2015	2016E
Sales	1824	2132	2361	2683	2774
EBITDA	249	300	364	392	429
Net Profit	159	175	238	265	266
EPS	37	40	54	61	65
P/E	4.9	6.1	6.9	10.6	9.9

(Source: Company/Eastwind)

Investment Arguments :

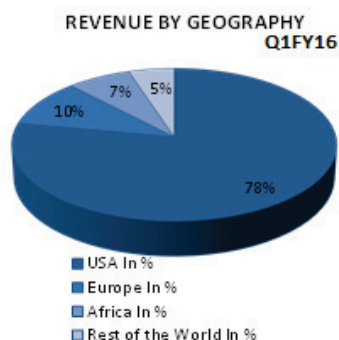
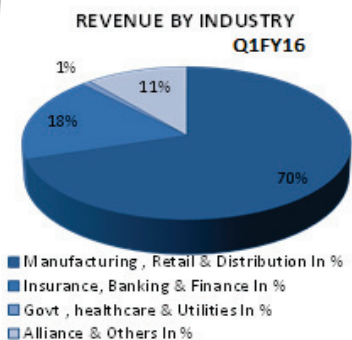
- PA will face little low competition as there are only ~10 companies in ATG implementation space globally. PA is the only Oracle Platinum partner in Advanced Oracle ATG implementation and will increase Zensar's penetration in Oracle.
- We believe this acquisition will further strengthen revenue by cross selling through Oracle EBS, Oracle Retail and Fusion Middleware solutions for global clients.
- With this company is focusing at some inorganic opportunity in Germany to add SAP capabilities. Further inorganic growth will remain a key sensitive scenario for the stock.
- We don't see any drastical organic growth in its business , so the only key revenue driver will be any acquisition in SAP or enhanced business performance in PA.
- We see Dollar or US to remain healthy, so geographically US will continue to add 70%-75% of revenue for the near year.
- On the cross currency front , Management do not see any larger impact for the near term, currently 55% of its Dollar receivables are hedged @65.
- On the front growth, management remain intact at 15%-20% in each segment.

View & Valuation

The deal booking and pipeline is looking good and expects to perform well going forward. Order pipeline continues to be stable at \$ 350 mn+ mainly on the back of good demand seen in digital, Mobility, and Cloud Computing side. Considering healthy order pipeline and its earning visibility in near future. Overall, we see a strong momentum in growth from across sectors and geographies.

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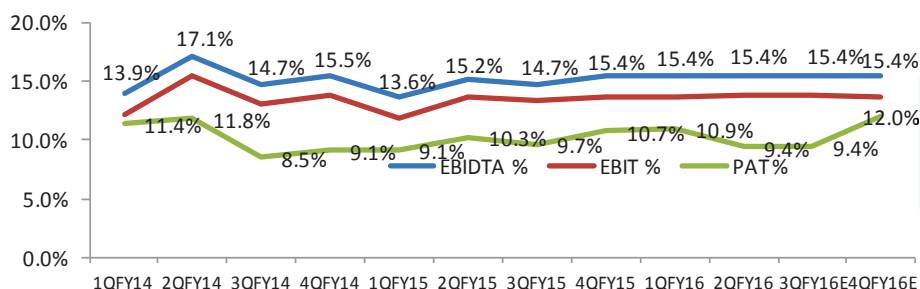
Business Performance :-



-Facing weakness in Banking segment which is comparatively small for the company.

-Over a period of time Digital and e-com will touch 20% of revenue.

-In FY16 company is going to focus retail.



We don't see any spike in margins as company already increased its margins from 13% to 15.5%.

Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY13	FY14	FY15	FY16E		FY13	FY14	FY15	FY16E
Revenue	2129	2336	2656	2774	EPS	40.1	54.3	59.7	60.9
Other Income	3	25	27	33	Book Value	167.3	216.3	261.0	312.4
Total Revenue	2132	2361	2683	2807	DPS	9.3	11.2	12.9	13.6
COGS	194	173	202	212	Payout	23%	21%	22%	22%
GPM	91%	93%	92%	100%	Valuation(x)				
Other Expenses	610	667	436	0	P/E	6.1	6.9	10.8	13.1
EBITDA	300	364	392	429	Price / Book Value	1.5	1.7	2.5	2.1
EBITDA Margin (%)	14%	16%	15%	15%	Dividend Yield (%)	4%	3%	2%	2%
Depreciation	33	38	42	44	Profitability Ratios				
EBIT	267	325	350	385	RoE	24%	25%	23%	20%
Interest	10	10	11	13	RoCE	39%	40%	39%	33%
PBT	261	340	366	405	Turnover Ratios				
Tax	86	102	101	139	Asset Turnover (x)	1.7	1.6	1.5	1.4
Tax Rate (%)	33%	30%	28%	34%	Debtors (No. of Days)	57.5	55.9	62.4	62.0
Reported PAT	175	238	265	266	Inventory (No. of Days)	18.0	20.1	16.9	20.0
Dividend Paid	41	49	57	58	Creditors (No. of Days)	18.2	23.5	17.9	20.0
No. of Shares	4	4	4	4	Net Debt/Equity (x)	0.2	0.1	0.0	0.0
Source: Eastwind/Company					Source: Eastwind/Company				

BALANCE SHEET					CASH FLOW STATEMENT				
	FY13	FY14	FY15	FY16E		FY13	FY14	FY15	FY16E
Share Capital	44	44	44	44	OP/(Loss) before Tax	261	340	366	389
Reserves	685	902	1113	1321	Depreciation	33	38	42	46
Net Worth	729	946	1157	1365	Direct Taxes Paid	-75	-105	-101	-113
Long term Debt	133	75	1	1	Operating profit before	296	388	419	447
Short term Debt	0	21	97	111	CF from Op. Activity	106	231	283	326
Deferred Tax	0	0	0	0	Purchase of Current inve	-276	-374	55	-19
Total Capital Employed	862	1020	1158	1367	Capital expenditure on f	-34	-33	265	-69
Net Fixed Assets	399	424	117	140	CF from Inv. Activity	-25	-128	-96	-133
Capital WIP	1	0	0	0	Repayment of Long Tern	-65	-52	-73	0
Debtors	335	358	454	471	Interest Paid	-12	-12	-11	-12
Cash & Bank Balances	142	146	196	300	Divd Paid (incl Tax)	-38	-41	-57	-60
Trade payables	106	151	130	152	CF from Fin. Activity	-114	-99	-141	-72
Total Provisions	55	76	101	106	Inc/(Dec) in Cash	-33	4	46	122
Net Current Assets	803	1001	1124	1287	Add: Opening Balance	174	141	150	178
Total Assets	1257	1486	1735	1967	Closing Balance	141	145	196	300
Source: Eastwind/Company					Source: Eastwind/Company				