

Result Update

CMP	810
Target Price	930
Previous Target Price	930
Upside	15%
Change from Previous	0%

Market Data

BSE Code	504067
NSE Symbol	ZENSARTECH
52wk Range H/L	1010/437
Mkt Capital (Rs Cr)	3598
Av. Volume(,000)	16
Nifty	7981

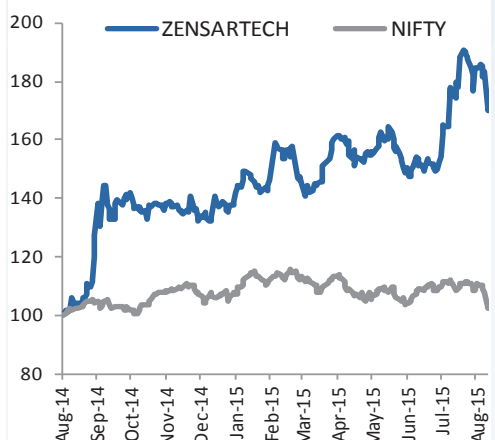
Stock Performance

	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



Q1FY16_Result Update

Zensar Technologies reported YoY revenue growth of 16.5% from INR 604.78 crore to INR 704.64 crore in Q1FY16.(YoY of 7.8% revenue growth in Dollar term). The rupee has depreciated against the dollar significantly over the past one year. The PAT increased by 36.2% from INR 55.98 crore in Q1 FY 15 to INR 76.27 crore in Q1 FY 16.

This 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.

Company generated healthy revenue of 83 million \$ from AMS busines,against our expectation of 78 million \$. The revenue from Subsidiary business (Professional Access) was flat at 12 million \$, while the organic revenue jump to 71 million \$ (Expectation 66 million \$).

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.

Eves 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. Company is still watchful on what will happen in Europe because company focus in Europe has been UK and some of the UN agencies and that continues to grow. Overall deal pipeline is just over USD 350 million at this point of time which is very good because company have already covered close to 96-97 percent of our current year's revenue requirement through the very visible deal pipeline or order book.

	Rs,Cr				
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)

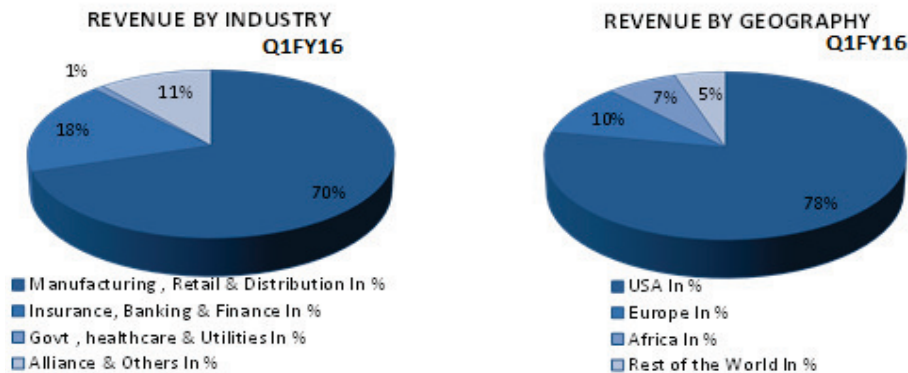
Investment Arguments :

- 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. We Recommend "HOLD" on the stock to our target price at Rs 930. At a CMP of Rs 809 stock is trading at 12.28x of FY16E EPS.

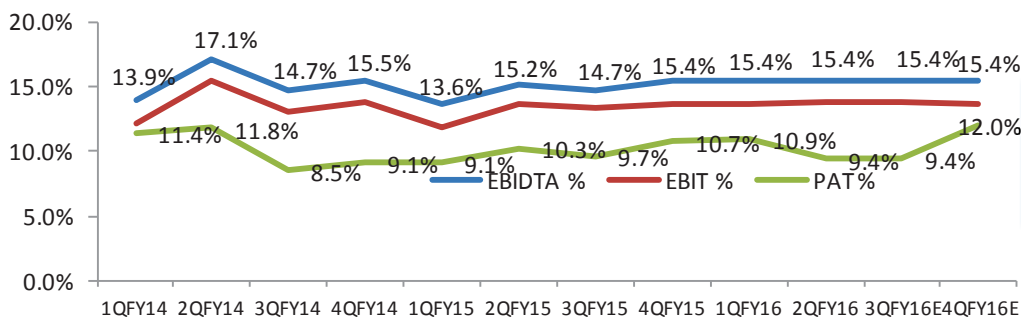
Business Performance :-



-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



We dont see any spike in margins as company already increased its margins from 13% to 15.5%.

Financials Snap Shot

INCOME STATEMENT				
	FY13	FY14	FY15	FY16E
Revenue	2129	2336	2656	2774
Other Income	3	25	27	33
Total Revenue	2132	2361	2683	2807
COGS	194	173	202	212
GPM	91%	93%	92%	100%
Other Expenses	610	667	436	0
EBITDA	300	364	392	429
EBITDA Margin (%)	14%	16%	15%	15%
Depreciation	33	38	42	44
EBIT	267	325	350	385
Interest	10	10	11	13
PBT	261	340	366	405
Tax	86	102	101	139
Tax Rate (%)	33%	30%	28%	34%
Reported PAT	175	238	265	266
Dividend Paid	41	49	57	58
No. of Shares	4	4	4	4

Source: Eastwind/Company

RATIOS				
	FY13	FY14	FY15	FY16E
EPS	40.1	54.3	59.7	60.9
Book Value	167.3	216.3	261.0	312.4
DPS	9.3	11.2	12.9	13.6
Payout	23%	21%	22%	22%
Valuation(x)				
P/E	6.1	6.9	10.8	13.1
Price / Book Value	1.5	1.7	2.5	2.1
Dividend Yield (%)	4%	3%	2%	2%
Profitability Ratios				
RoE	24%	25%	23%	20%
RoCE	39%	40%	39%	33%
Turnover Ratios				
Asset Turnover (x)	1.7	1.6	1.5	1.4
Debtors (No. of Days)	57.5	55.9	62.4	62.0
Inventory (No. of Days)	18.0	20.1	16.9	20.0
Creditors (No. of Days)	18.2	23.5	17.9	20.0
Net Debt/Equity (x)	0.2	0.1	0.0	0.0

Source: Eastwind/Company

BALANCE SHEET				
	FY13	FY14	FY15	FY16E
Share Capital	44	44	44	44
Reserves	685	902	1113	1321
Net Worth	729	946	1157	1365
Long term Debt	133	75	1	1
Short term Debt	0	21	97	111
Deferred Tax	0	0	0	0
Total Capital Employed	862	1020	1158	1367
Net Fixed Assets	399	424	117	140
Capital WIP	1	0	0	0
Debtors	335	358	454	471
Cash & Bank Balances	142	146	196	300
Trade payables	106	151	130	152
Total Provisions	55	76	101	106
Net Current Assets	803	1001	1124	1287
Total Assets	1257	1486	1735	1967

Source: Eastwind/Company

CASH FLOW STATEMENT				
	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	261	340	366	389
Depreciation	33	38	42	46
Direct Taxes Paid	-75	-105	-101	-113
Operating profit before v	296	388	419	447
CF from Op. Activity	106	231	283	326
Purchase of Current inve	-276	-374	55	-19
Capital expenditure on fi	-34	-33	265	-69
CF from Inv. Activity	-25	-128	-96	-133
Repayment of Long Terr	-65	-52	-73	0
Interest Paid	-12	-12	-11	-12
Divd Paid (incl Tax)	-38	-41	-57	-60
CF from Fin. Activity	-114	-99	-141	-72
Inc/(Dec) in Cash	-33	4	46	122
Add: Opening Balance	174	141	150	178
Closing Balance	141	145	196	300

Source: Eastwind/Company