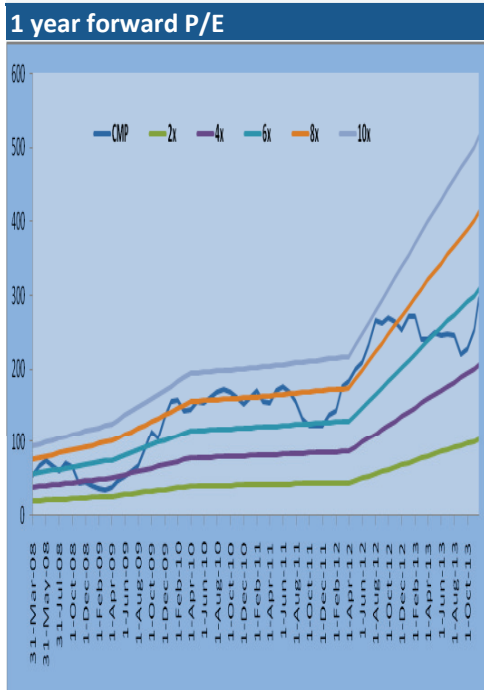


Results update	Buy
CMP	327
Target Price	400
Previous Target Price	-
Upside	22%
Change from Previous	-

Market Data	
BSE Code	504067
NSE Symbol	ZENSARTECH
52wk Range H/L	336/181
Mkt Capital (Rs Crores)	1451
Average Daily Volume	20884
Nifty	6115

Stock Performance			
	1M	1yr	YTD
Absolute	25.8	31.6	3.3
Rel. to Nifty	26.6	22.9	1.4

Share Holding Pattern-%			
	Current	1QFY14	4QFY13
Promoters	48.27	48.35	48.36
FII	11.99	11.68	10.75
DII	0.96	1.26	1.28
Others	38.78	38.71	39.61



Good set of numbers with surprise growth on IMS segment ;

For 2QFY14; Walking on the growth path, again Zensar tech witnessed strong numbers than expectation. The Net Sales grew by 12.4% QoQ led by healthy growth in Application Management Services (AMS) and Infrastructure Mgt Services (IMS). Wherein the IT services business in USD terms has grown by 3.1%, in constant currency terms this growth was 5.2%. PAT grew by 16% QoQ.

Management expects good growth starting from 4QFY14 with its Infrastructure Management (IM) business gaining momentum. The deal booking and pipeline is good and expects to perform well going forward. It expects double digit growth in the Enterprise Services business for the FY15 on the back of healthy pipeline. Also, it anticipates good growth from the IMS for the FY'15.

Margin ramp up: During the quarter, and despite wage hike of 7% given to offshore employees its EBITDA margin improved by 320bps(QoQ) to 17.1% on account of favorable currency gain and higher offshore share in the revenues. PAT margin was up by 40bps (QoQ) to 11.8%.

Segmental growth: During the quarter, the Revenues from the Core Application Management Services (68% of sales) grew by 16% QoQ and the Infrastructure Management Services (23% of sales) grew by 11% QoQ. However, Product & Licenses business fell by 20% QoQ. In USD terms, Enterprise services (nothing but Application Management Services) are the star performer and grew by 5.4% QoQ during the quarter.

Geographical scenario: In the lead markets, Enterprise services business grew in US market grew by 3.6%, Europe grew by 7.5% and Africa grew by 9.2% sequentially. Given the order book Enterprise business expects to grow robustly going forward. It consciously slowed down in the Japan market as it is not profitable and closed one account in Singapore as well. The Chosen markets to perform are the Middle East, China and Africa going forward.

Vertical Metrics: Manufacturing and retail vertical outperformed with 2.4%QoQ growth and now contributes 63% of revenues. BFSI and Govt are other key verticals that remained flat.

View and Valuation: The deal booking and pipeline is good and expects to perform well going forward. It expects double digit growth in the Enterprise Services business for the FY15E on the back of healthy pipeline. Also, it anticipates good growth from the IMS for the FY'15E.

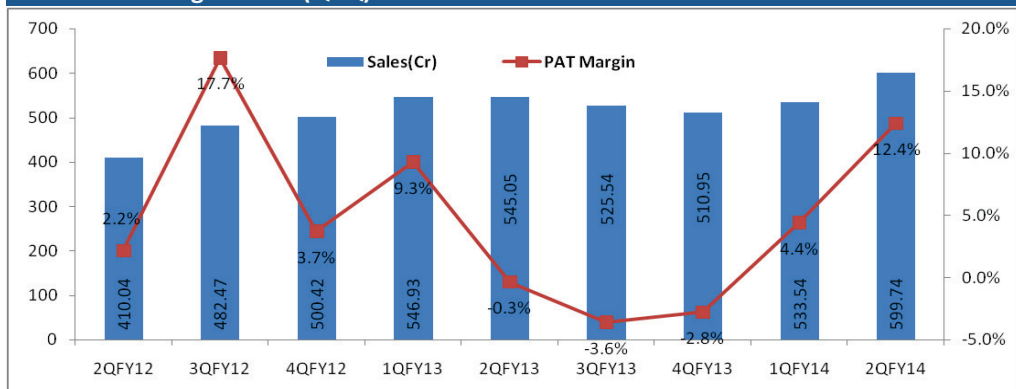
Order pipeline continues to be stable at \$ 200 mn mainly on the back of good demand seen in Mobility, Cloud Computing and social networking side. Considering the heavy pipeline and its earning visibility in near future, we initiate "BUY" view on the stock with a target price of Rs 400. At a CMP of Rs 327, stock trades at 5.7x FY14E EPS.

Financials	Rs, Crore				
	2QFY14	1QFY13	(QoQ)-%	2QFY13	(YoY)-%
Revenue	599.7	533.5	12.4	545.05	10.0
EBITDA	102.54	74.1	38.4	81.05	26.5
PAT	70.6	60.9	15.9	32.17	119.5
EBITDA Margin	17.1%	13.9%	320bps	14.9%	220bps
PAT Margin	11.8%	11.4%	40bps	5.9%	590bps

(Source: Company/Eastwind)

Zensar Tech

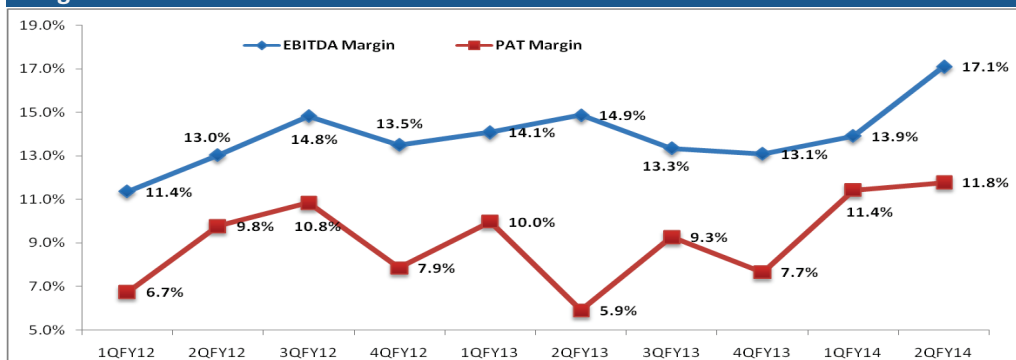
Sales and sales growth-%(QoQ)



(Source: Company/Eastwind)

USD terms revenue has grown by 3.1%, in constant currency terms this growth was 5.2%.

Margin-%



(Source: Company/Eastwind)

EBITDA margin improved by 320bps(QoQ) to 17.1% on account of favorable currency gain and higher offshore share in the revenues.

Operating Metrics

Revenue Mix-Geographies	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14
USA	72%	71%	72%	74%	76%	75%
Europe	9%	9%	9%	9%	8%	9%
Africa	8%	9%	9%	9%	9%	10%
Row	11%	11%	10%	8%	7%	6%
Revenue Mix-Service Type						
Application Management Services	64%	66%	68%	64%	65%	68%
Infrastructure Magt Services	21%	22%	21%	24%	23%	23%
Products and License	15%	12%	11%	12%	12%	9%
Revenue Mix-Project Type						
Fixed Price	33%	30%	31%	34%	37%	37%
Time & Materials	35%	40%	40%	36%	33%	36%
Support Services	17%	18%	17%	18%	18%	18%
Product Sales	15%	12%	12%	12%	12%	9%
Revenue Mix-Vertical						
Manufacturing , Retail & Distribution	52%	53%	54%	54%	61%	63%
Insurance, Banking & Finance	20%	21%	20%	19%	20%	20%
Govt , healthcare & Utilities *	7%	11%	11%	10%	2%	2%
Alliance & Others	21%	15%	15%	17%	15%	17%

(Source: Company/Eastwind)

Zensar Tech

Clients/Headcounts Metrics;

Number of million dollar						
\$1mn+	47	43	41	40	49	47
\$5mn+	6	7	7	8	6	6
\$10mn+	1	2	2	2	1	1
\$20mn+	1	1	1	1	1	1
Client Contribution to Business						
top 5 clients	35%	35%	35%	35%	37%	39%
top 10 clients	40%	42%	42%	43%	43%	46%
DSO	69	59	56	55	66	61
Effort & Utilization						
Onsite	69%	72%	70%	69%	68%	67%
Offshore	31%	28%	30%	31%	32%	33%
Utilization (Including Trainees)	81%	82%	83%	82%	81%	80%
Headcount	7286	6825	6504	6508	6519	6657

Financials;

Rs, Cr	FY10	FY11	FY12	FY13	FY14E	FY15E
Net Sales	497.08	562.56	700.15	2114.52	2403.19	3205.99
Other Operating Income	0.00	15.03	12.57	13.95	16.82	22.44
Total income from operations (net)	497.08	577.59	712.72	2128.47	2420.01	3228.44
Purchases of stock-in-trade	0.00	0.00	0.00	236.86	269.30	359.27
Employee Cost	393.17	343.12	411.36	1177.83	1258.40	1678.79
Other expenses	0.00	135.71	165.98	418.73	532.40	710.26
Total Expenses	393.17	478.83	577.34	1833.42	2060.11	2748.31
EBITDA	103.91	98.76	135.38	295.05	359.90	480.13
Depreciation	24.92	25.88	25.05	33.16	38.59	51.48
Other Income	8.15	14.20	27.91	8.66	72.60	80.71
Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	78.99	72.88	110.33	261.89	321.31	428.65
Interest Cost	0.55	0.85	1.03	9.95	9.61	7.69
PBT	86.59	86.23	137.21	260.60	384.30	501.67
Tax	2.43	-2.24	42.67	86.07	134.50	175.58
PAT	84.16	88.47	94.54	174.53	249.79	326.08
Growth-%						
Sales	17.8%	13.2%	24.5%	202.0%	13.7%	33.4%
EBITDA	28.7%	-5.0%	37.1%	117.9%	22.0%	33.4%
PAT	38.9%	5.1%	6.9%	84.6%	43.1%	30.5%
Margin -%						
EBITDA	20.9%	17.6%	19.3%	14.0%	15.0%	15.0%
EBIT	15.9%	13.0%	15.8%	12.4%	13.4%	13.4%
PAT	16.9%	15.7%	13.5%	8.3%	10.4%	10.2%
Expenses on Sales-%						
Employee Cost	79.1%	59.4%	57.7%	55.3%	52.4%	52.4%
Other expenses	0.0%	23.5%	23.3%	19.7%	11.2%	11.2%
Tax rate	2.8%	-2.6%	31.1%	33.0%	35.0%	35.0%
Valuation						
CMP	272.10	157.85	180.00	248.58	327.00	327.00
No of Share	2.16	4.34	4.34	4.36	4.37	4.37
NW	293.93	366.96	417.42	751.69	958.03	1238.10
EPS	38.96	20.38	21.78	40.03	57.16	74.62
BVPS	136.08	84.55	96.18	172.41	219.23	283.32
RoE-%	28.6%	24.1%	22.6%	23.2%	26.1%	26.3%
Dividen Payout ratio	16.4%	19.9%	37.3%	21.9%	17.4%	14.1%
P/BV	2.00	1.87	1.87	1.44	1.49	1.15
P/E	6.98	7.74	8.26	6.21	5.72	4.38

(Source: Company/Eastwind)