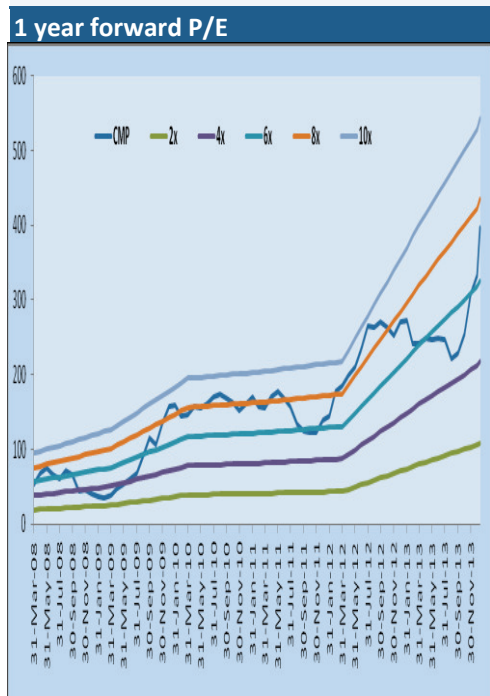


Result update	Buy
CMP	434
Target Price	480
Previous Target Price	440
Upside	11%
Change from Previous	9%

Market Data	
BSE Code	504067
NSE Symbol	ZENSARTECH
52wk Range H/L	474/181
Mkt Capital (Rs Crores)	1904
Average Daily Volume	20884
Nifty	7790

Stock Performance	1M	1yr	YTD
Absolute	5.3	76.7	31.2
Rel. to Nifty	2.5	46.7	3.8

Share Holding Pattern-%	Current	3QFY14	2QFY14
Promoters	48.28	48.26	48.27
FII	12.31	12.01	11.99
DII	0.54	0.65	0.96
Others	38.87	39.08	38.78



## Better revenue growth, margin down because of one-off impact:

Zensar Tech revealed better revenue growth than expectation; revenue grew by 3.8% (QoQ) in USD term and 0.7 % (QoQ) in INR term led by 3.8% (QoQ) volume growth with stable pricing growth.

Growth across all segments, verticals and geographies were better than expectation despite visa related issue in africa and weak growth traction from India. PAT was below than expectation, up by 1.3%(QoQ)

Management expects good growth traction is going to start and its Infrastructure Management (IM) business gaining momentum. The deal booking and pipeline looking 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. Overall FY15E would be stronger year than FY14E led IM business growth, expected to report more than 20% growth in FY15E

**Margin declined with one time impact:** During the quarter, EBITDA margin declined by 210bps(QoQ) to 13.6% impacted by one-off due to temporarily slowdown in one client in Africa, visa related issue and rupee appreciation. Management has decided for wage hike in 2QFY15E, proposed salary hike to onshore employee at 1-1.5% and offshore at 7-7.5%, margin could be impacted by 100-150bps (QoQ). However, management has very optimistic to retain its margin at 15-16% mark by implement cost rationalization effort.

**On segmental growth;** It is roughly 4.6% (QoQ) growth in applications business, 2.5% in the infrastructure management services and about 1.5% in products, sequentially. The Company looks forward to satisfying progress in all businesses on all parameters in FY 15E.

**Aggressive footing across geographies:** During the quarter, all the geographies reported growth though Asia and India are laggards. There is uptick in applications business in the US, which showed a sequential growth of 0.7%, and in Europe, which showed a sequential growth of 0.7%, in INR term terms. Africa and Row are also reported healthy growth.

**Healthy order Pipeline:** The quarter has been good with several new client additions. The Company has been focusing on new client acquisition and strategic deals in core markets as well as domestic market. They won 12 deals, signed \$25-30mn in 1QFY15E and chasing 25-30 deals, total deals pipeline around \$400mn.

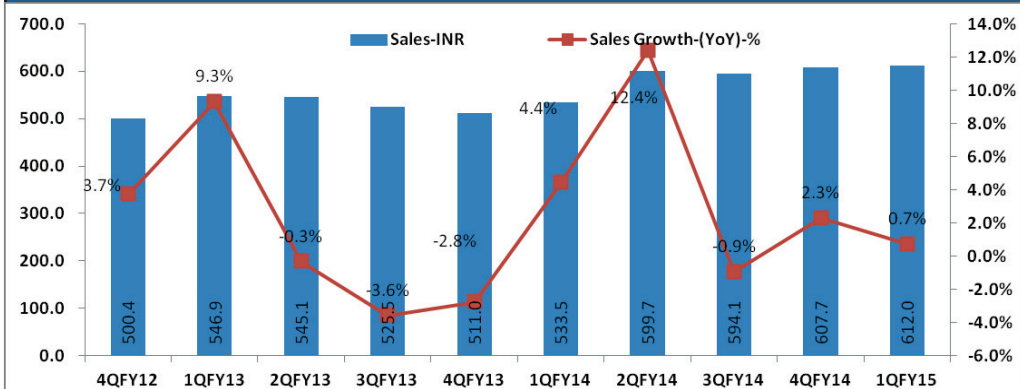
**View and Valuation:** The deal booking and pipeline is good and expects to perform well going forward. **Order pipeline continues to be stable at \$ 400 mn mainly on the back of good demand seen in Mobility, Cloud Computing and social networking side.** Considering healthy order pipeline and its earning visibility in near future, we maintain "BUY" view on the stock with a target price of Rs 480. At a CMP of Rs 434, stock trades at 6.6x FY15E EPS.

Financials	1QFY15	4QFY14	(QoQ)-%	1QFY14	Rs, Crore (YoY)-%
Revenue	611.95	607.7	0.7	533.5	14.7
EBITDA	83.49	94.07	(11.2)	74.19	12.5
PAT	55.98	55.2	1.4	60.9	-8.1
EBITDA Margin	13.6%	15.5%	(240bps)	13.9%	(30bps)
PAT Margin	9.1%	9.1%	-	11.4%	(230bps)

(Source: Company/Eastwind)

# Zensar Tech

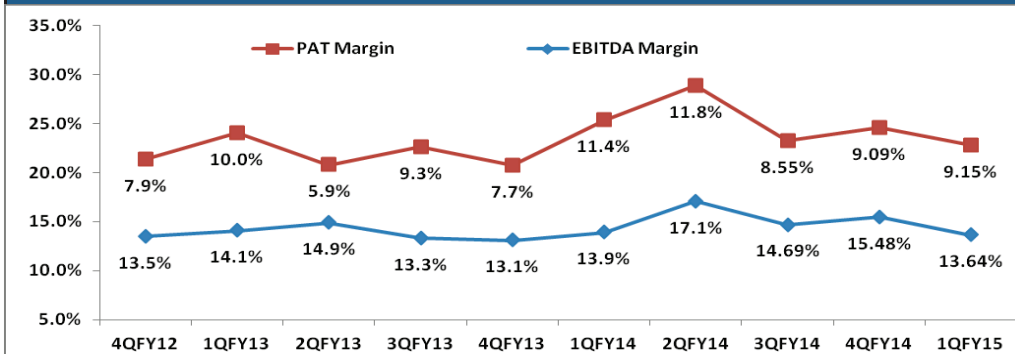
## Sales and Sales Growth-%



(Source: Company/Eastwind)

The IM outlook seems to be good and will have fewer challenges. Overall it expects FY'15 will be good year.

## Margin-%



(Source: Company/Eastwind)

## Sales and Sales Metrics

Revenue Mix-Geographies	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15
USA	72%	71%	72%	74%	76%	75%	75%	75%	75%
Europe	9%	9%	9%	9%	8%	9%	10%	11%	11%
Africa	8%	9%	9%	9%	9%	10%	9%	8%	8%
Row	11%	11%	10%	8%	7%	6%	6%	6%	6%
Revenue Mix-Service Type									
Application Management Services	64%	66%	68%	64%	65%	68%	65%	68%	68%
Infrastructure Magt Services	21%	22%	21%	24%	23%	23%	23%	22%	22%
Products and License	15%	12%	11%	12%	12%	9%	12%	10%	10%
Revenue Mix-Project Type									
Fixed Price	33%	30%	31%	34%	37%	37%	35%	36%	38%
Time & Materials	35%	40%	40%	36%	33%	36%	36%	37%	34%
Support Services	17%	18%	17%	18%	18%	18%	17%	17%	18%
Product Sales	15%	12%	12%	12%	12%	9%	12%	10%	10%
Revenue Mix-Vertical									
Manufacturing , Retail & Distribution	52%	53%	54%	54%	61%	63%	61%	64%	66%
Insurance, Banking & Finance	20%	21%	20%	19%	20%	20%	21%	19%	20%
Govt , healthcare & Utilities *	7%	11%	11%	10%	2%	2%	2%	2%	1%
Alliance & Others	21%	15%	15%	17%	15%	17%	16%	15%	13%

(Source: Company/Eastwind)

# Zensar Tech

## Clients/Headcounts Metrics;

Revenue Mix-Geographies	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15
Number of million dollar									
\$1mn+	47	43	41	40	49	47	49	52	55
\$5mn+	6	7	7	8	6	6	6	6	7
\$10mn+	1	2	2	2	1	1	2	2	2
\$20mn+	1	1	1	1	1	1	1	1	1
Client Contribution to Business									
top 5 clients	35%	35%	35%	35%	37%	39%	36%	39%	32%
top 10 clients	40%	42%	42%	43%	43%	46%	43%	45%	38%
DSO	69	59	56	55	66	61	59	58	58
Effort & Utilization									
Onsite	69%	72%	70%	69%	68%	67%	69%	67%	68%
Offshore	31%	28%	30%	31%	32%	33%	31%	33%	32%
Utilization (Including Trainees)	81%	82%	83%	82%	81%	80%	79%	79%	79%
Headcount	7286	6825	6504	6508	6519	6657	6741	6791	6894

## Financials;

Rs, Cr	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Net Sales	497.08	562.56	700.15	2114.52	2315.60	2688.13	3096.65
Other Operating Income	0.00	15.03	12.57	13.95	19.41	22.53	27.87
Total income from operations (net)	497.08	577.59	712.72	2128.47	2335.01	2710.67	3124.52
Purchases of stock-in-trade	0.00	0.00	0.00	236.86	206.50	243.96	296.83
Employee Cost	393.17	343.12	411.36	1177.83	1326.90	1517.97	1765.35
Other expenses	0.00	135.71	165.98	418.73	443.46	536.71	609.28
Total Expenses	393.17	478.83	577.34	1833.42	1976.86	2298.65	2671.46
EBITDA	103.91	98.76	135.38	295.05	358.15	412.02	453.06
Depreciation	24.92	25.88	25.05	33.16	38.35	41.70	48.48
Other Income	8.15	14.20	27.91	8.66	30.28	40.66	46.87
Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	78.99	72.88	110.33	261.89	319.80	370.32	404.57
Interest Cost	0.55	0.85	1.03	9.95	10.28	8.22	7.40
PBT	86.59	86.23	137.21	260.60	339.80	402.75	444.04
Tax	2.43	-2.24	42.67	86.07	102.33	114.79	124.33
PAT	84.16	88.47	94.54	174.53	237.47	287.97	319.71
Growth-%							
Sales	17.8%	13.2%	24.5%	202.0%	9.5%	16.1%	15.2%
EBITDA	28.7%	-5.0%	37.1%	117.9%	21.4%	15.0%	10.0%
PAT	38.9%	5.1%	6.9%	84.6%	36.1%	21.3%	11.0%
Margin -%							
EBITDA	20.9%	17.6%	19.3%	14.0%	15.5%	15.3%	14.6%
EBIT	15.9%	13.0%	15.8%	12.4%	13.8%	13.8%	13.1%
PAT	16.9%	15.7%	13.5%	8.3%	10.3%	10.7%	10.3%
Expenses on Sales-%							
Employee Cost	79.1%	59.4%	57.7%	55.3%	57.3%	56.5%	57.0%
Other expenses	0.0%	23.5%	23.3%	19.7%	8.9%	9.1%	9.6%
Tax rate	2.8%	-2.6%	31.1%	33.0%	30.1%	28.5%	28.0%
Valuation							
CMP	272.1	157.85	180	248.58	374	434	434
No of Share	2.16	4.34	4.34	4.36	4.37	4.37	4.37
NW	293.93	366.96	417.42	751.69	938.03	1174.88	1443.46
EPS	38.96	20.38	21.78	40.03	54.34	65.90	73.16
BVPS	136.08	84.55	96.18	172.41	214.65	268.85	330.31
RoE-%	28.6%	24.1%	22.6%	23.2%	25.3%	24.5%	22.1%
Dividen Payout ratio	16.4%	19.9%	37.3%	21.9%	21.5%	17.8%	16.0%
P/BV	2.00	1.87	1.87	1.44	1.74	1.61	1.31
P/E	6.98	7.74	8.26	6.21	6.88	6.59	5.93

(Source: Company/Eastwind)