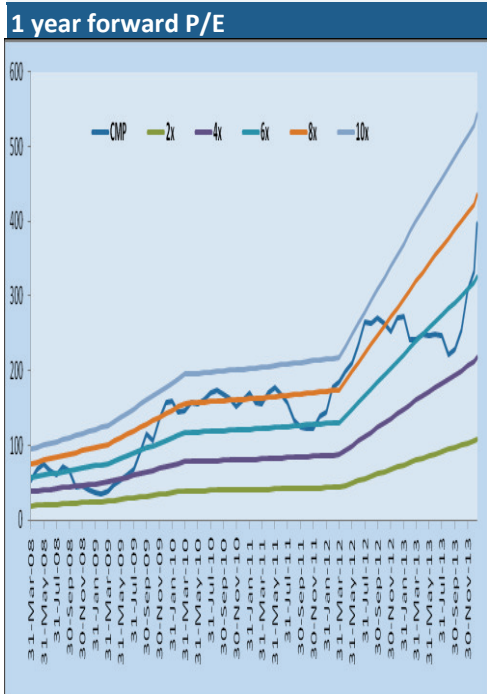


Result update	Buy
CMP	580
Target Price	800
Previous Target Price	530
Upside	38%
Change from Previous	51%

Market Data	
BSE Code	504067
NSE Symbol	ZENSARTECH
52wk Range H/L	685/262
Mkt Capital (Rs Crores)	2547
Average Daily Volume	20884
Nifty	8028

Stock Performance	1M	1yr	YTD
Absolute	-0.27	112.1	78.96
Rel. to Nifty	-1.01	80.52	45.07

Share Holding Pattern-%	Current	1QFY15	4QFY14
Promoters	48.1	48.18	48.28
FII	12.41	12.19	12.31
DII	0.39	0.47	0.54
Others	39.1	39.16	38.87



**Beats the street on all counts, and confident to catch a healthy growth ahead:**

Zensar Tech revealed strong revenue growth than expectation; revenue grew by 5.4% (QoQ) in USD term and 7.2%(QoQ) in INR term led by healthy growth across regions and a strong pick up in retail.

Growth across all segments, verticals and geographies were strong. Visa related issue in Africa shorted out and domestic market is looking aggressive for demand per se. PAT was up by 19.3%(QoQ), while PAT were down by -5.4% on YoY basis due to the currency swing below than expectation.

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 FY14 led IM business growth.

**Margin improved despite wage hike and one off expenses:** During the quarter, EBITDA margin improved by 150bps(QoQ) to 15.1% despite wage hike to onshore employee at 1-1.5% and offshore at 7-7.5% and onetime expense related to professional acquisition. However, management is very optimistic to retain its margin at 15-16% mark by implement cost rationalization effort.

**On segmental growth;** It is roughly 14%(QoQ) growth in Applications Management Services led by huge demand from Enterprise Services and Retail space, flat growth in the Infrastructure Management Services, QoQ. 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. There is uptick in applications business in the US, which showed a sequential growth of 5.7%, and Europe and RoW, both showed a sequential growth of 7.2%, in INR term terms. Africa reported healthy growth of 20.6%.

**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. Zensar's retail business signed new deals worth \$25 million during the quarter. The company reported addition of 16 clients.

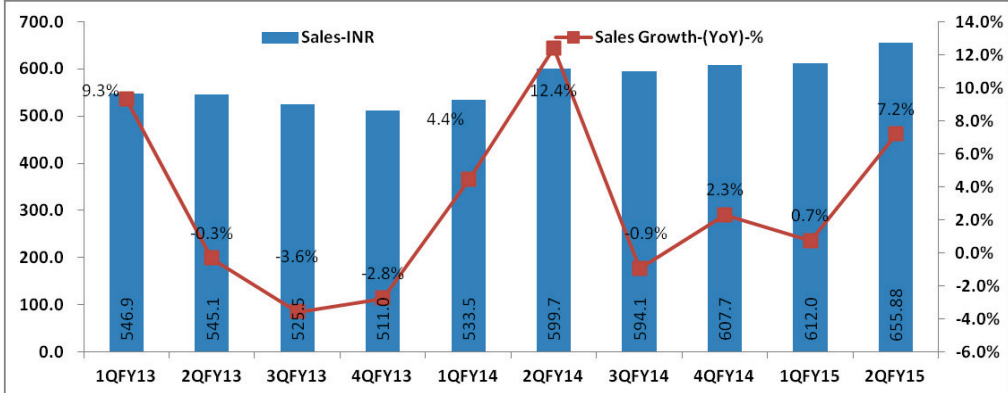
**View and Valuation:** The deal booking and pipeline is looking good and expects to perform well going forward. Order pipeline continues to be stable at \$ 400 mn mainly on the back of good demand seen in digital, Mobility, and Cloud Computing side. **Considering healthy order pipeline and its earning visibility in near future. Overall, we see a strong momentum in growth from across sectors and geographies. We maintain "BUY" view on the stock with a target price of Rs 800. At a CMP of Rs 580 stock trades at 8.6x FY15E EPS.**

Financials	Rs, Crore				
	2QFY15	1QFY15	(QoQ)-%	2QFY14	(YoY)-%
Revenue	655.88	611.95	7.2	599.7	9.4
EBITDA	98.98	83.49	18.6	102.54	-3.5
PAT	66.79	55.98	19.3	70.6	-5.4
EBITDA Margin	15.1%	13.6%	150bps	17.1%	(200bps)
PAT Margin	10.2%	9.1%	110bps	11.8%	(160bps)

(Source: Company/Eastwind)

# Zensar Tech

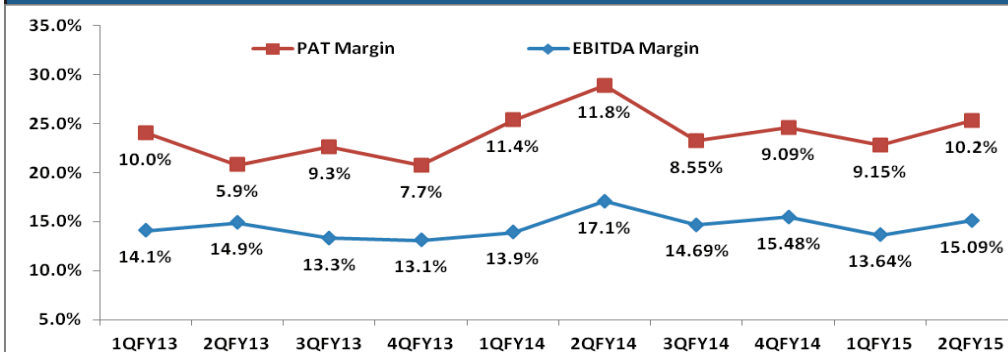
## Sales and Sales Growth-%



(Source: Company/Eastwind)

Zensar Tech Management expects FY'15 will be good year. 3Q FY15E revenue growth could be soft on seasonality, while 4Q FY15E would report a healthy growth.

## Margin-%



(Source: Company/Eastwind)

Management is very optimistic to retain its margin at 15-16% mark by implement cost rationalization effort.

## Sales and Sales Metrics

Revenue Mix-Geographies	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
USA	72%	71%	72%	74%	76%	75%	75%	75%	75%	74%
Europe	9%	9%	9%	9%	8%	9%	10%	11%	11%	11%
Africa	8%	9%	9%	9%	9%	10%	9%	8%	8%	9%
Row	11%	11%	10%	8%	7%	6%	6%	6%	6%	6%
Revenue Mix-Service Type										
Application Management Services	64%	66%	68%	64%	65%	68%	65%	68%	68%	71%
Infrastructure Magt Services	21%	22%	21%	24%	23%	23%	23%	22%	22%	22%
Products and License	15%	12%	11%	12%	12%	9%	12%	10%	10%	7%
Revenue Mix-Project Type										
Fixed Price	33%	30%	31%	34%	37%	37%	35%	36%	38%	39%
Time & Materials	35%	40%	40%	36%	33%	36%	36%	37%	34%	37%
Support Services	17%	18%	17%	18%	18%	18%	17%	17%	18%	17%
Product Sales	15%	12%	12%	12%	12%	9%	12%	10%	10%	7%
Revenue Mix-Vertical										
Manufacturing , Retail & Distribution	52%	53%	54%	54%	61%	63%	61%	64%	66%	67%
Insurance, Banking & Finance	20%	21%	20%	19%	20%	20%	21%	19%	20%	21%
Govt , healthcare & Utilities *	7%	11%	11%	10%	2%	2%	2%	2%	1%	1%
Alliance & Others	21%	15%	15%	17%	15%	17%	16%	15%	13%	12%

(Source: Company/Eastwind)

# Zensar Tech

## Clients/Headcounts Metrics;

Revenue Mix-Geographies	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
Number of million dollar										
\$1mn+	47	43	41	40	49	47	49	52	55	65
\$5mn+	6	7	7	8	6	6	6	6	7	9
\$10mn+	1	2	2	2	1	1	2	2	2	2
\$20mn+	1	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%	39%
top 10 clients	40%	42%	42%	43%	43%	46%	43%	45%	38%	46%
DSO	69	59	56	55	66	61	59	58	58	59
Effort & Utilization										
Onsite	69%	72%	70%	69%	68%	67%	69%	67%	68%	67%
Offshore	31%	28%	30%	31%	32%	33%	31%	33%	32%	33%
Utilization (Including Trainees)	81%	82%	83%	82%	81%	80%	79%	79%	79%	79%
Headcount	7286	6825	6504	6508	6519	6657	6741	6791	6894	7065

## 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	293.97	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%	23.8%	8.8%
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%	10.9%	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	272.10	157.85	180.00	248.58	374.00	580	580
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	945.70	1184.26	1442.61
EPS	38.96	20.38	21.78	40.03	54.34	67.27	73.16
BVPS	136.08	84.55	96.18	172.41	216.41	271.00	330.12
RoE-%	28.6%	24.1%	22.6%	23.2%	25.1%	24.8%	22.2%
Dividen Payout ratio	16.4%	19.9%	37.3%	21.9%	18.3%	19.1%	19.2%
P/BV	2.00	1.87	1.87	1.44	1.73	2.14	1.76
P/E	6.98	7.74	8.26	6.21	6.88	8.62	7.93

(Source: Company/Eastwind)