

- ❑ Zensar Technologies Limited (ZENSARTECH) has reported consolidated revenue of ₹9,368 million in Q1-FY22 as against ₹9,912 million in Q1-FY21. In US dollar terms the revenue growth was 1.6% YoY and 5.8% QoQ at \$127.2 million. The growth was underpinned by healthy performance in its key verticals Hi-Tech/Manufacturing and Financial Services, and momentum in its US and South Africa regions.
- ❑ On profitability front, the company's consolidated EBITDA margin stood at 18.4% at ₹1,726 million in Q1-FY22 as against 14.4% at ₹1,430 million in same quarter previous year. The consolidated profit after tax (PAT) margin for the company stood 11% at ₹1,146 million as against 7.6% at ₹752 million in same quarter previous year.
- ❑ On segment basis, Hi-Tech/Manufacturing and Financial Services were key drivers for the company during the quarter. The Hi-Tech/Manufacturing segment grew 9.2% at \$67.7 million in the quarter
- ❑ During the quarter, ZENSARTECH has also won deals in Application and development maintenance from three companies from US and Europe with other deals including from cloud services, Digital services, Application and development maintenance, CX Services and Enterprise application services from key players in the industry.
- ❑ In terms of guidance, the management has not given specific guidance however it has reiterated that it continues to strengthen its go-to-market along stated focus areas and to work closely with its clients during the pandemic to deepen its expertise and strengthen its offerings. The company also has stepped up its initiatives to enhance the skills of its associates and prepare them for transformative projects with its clients and carry out new directions in thinking.
- ❑ In its update of new acquisition of M3bi, the company has augmented and strengthened its advanced engineering and data analytics capabilities for same. Also, the company is expected to report revenues from Q2-FY22 onwards.
- ❑ We have incorporated latest quarterly numbers for ZENSARTECH and have revised our estimates for the company in terms of both revenues and earnings. We continue to remain positive on the company for medium to long term, we maintain our rating to **BUY** with a revised target price **₹463 per share**.

## Q1-FY22 results (Consolidated)

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	FY21	FY20	Chg
Net Sales	9,368	9,912	-5.5%	37,814	41,817	-9.6%
Operating Expense	7,642	8,482	-9.9%	30,966	36,746	-15.7%
EBITDA	1,726	1,430	20.7%	6,848	5,071	35.1%
Other Income	184	180		255	884	
Depreciation	426	444		1,747	1,592	
EBIT	1,484	1,166	27.3%	5,356	4,363	22.8%
Interest	89	152		536	605	
PBT	1,395	1,014	37.6%	4,820	3,758	28.3%
Tax	369	265		1,259	1,042	
Exceptional Items	-	-		(491)	-	
<b>PAT</b>	<b>1,026</b>	<b>749</b>	<b>37.0%</b>	<b>3,070</b>	<b>2,716</b>	<b>13.0%</b>
Minority /Other Adj.	120	3		(131)	(49)	
<b>Consolidated PAT</b>	<b>1,146</b>	<b>752</b>	<b>52.4%</b>	<b>2,939</b>	<b>2,667</b>	<b>10.2%</b>

  

Margins	Q1-FY22	Q1-FY21	ChgBPS	FY21	FY20	ChgBPS
Operating Margin %	18.4%	14.4%	400	18.1%	12.1%	598
Net Margin %	11.0%	7.6%	340	8.1%	6.5%	162

## Financials (Consolidated):

(In ₹ Mn.)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	41,817	37,814	41,119	48,224
Operating Expense	37,401	30,966	33,296	38,575
EBITDA	4,416	6,848	7,822	9,648
Other Income	1,539	255	411	482
Depreciation	1,592	1,747	1,977	2,233
EBIT	4,363	5,356	6,257	7,898
Interest	605	535	385	321
Misc. items	-	(491)	-	-
PBT	3,758	4,329	5,872	7,577
Tax	1,042	1,260	1,556	2,008
Minority Interest	(82)	(130)	-	-
PAT	2,634	2,939	4,316	5,569

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	5.4%	-9.6%	8.7%	17.3%
Operating Margin %	10.6%	18.1%	19.0%	20.0%
Net Margin %	6.3%	7.8%	10.5%	11.5%

(In ₹ Mn.)	FY-20	FY-21	FY-22E	FY-23E
<b>Liabilities</b>				
Equity Share Capital	791	451	451	451
Reserves & Surplus	20,109	22,972	27,288	32,857
Total Shareholder's Funds	20,900	23,423	27,739	33,308
Minority Interest	237	287	287	287
Long-Term Liabilities	654	-	-	-
Other Long-term Liabilities	3,771	3,239	3,239	3,239
Deferred Tax Liability	(497)	(492)	(492)	(492)
Short-term Liabilities	10,394	7,384	8,035	9,423
<b>Total</b>	<b>35,459</b>	<b>33,842</b>	<b>38,808</b>	<b>45,766</b>
<b>Assets</b>				
Net Fixed Assets	13,340	8,580	8,359	8,173
Long-Term L&A	771	-	-	-
Non Current Investments	114	1,540	1,540	1,540
Other Non-Current Assets	657	3,795	3,795	3,795
Current Asset	20,576	19,928	25,115	32,259
<b>Total</b>	<b>35,459</b>	<b>33,842</b>	<b>38,808</b>	<b>45,766</b>

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	11.7	13.0	19.1	24.7
P/E (x)	34.4	30.8	21.0	16.3
P/B (x)	4.3	3.9	3.3	2.7
ROE	12.6%	12.5%	15.6%	16.7%

Source: Company, Anand Rathi Research

## Key Risks:

- ❑ The company's business is exposed to foreign exchange risks.

## Rating and Target Price history:

### LTTS rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 27 July 2021 close.

### LTTS rating details

Date	Rating	Target Price (₹)	Share Price (₹)
21-Jun-21	BUY	360	294
27-July-21	BUY	463	403

Source: Bloomberg, Anand Rathi Research

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