



Pick of the Week



Zensar Technologies Ltd.

January 04, 2026

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs 699.35	Buy in Rs 685-715 band and add on dips in Rs 625-640 band	Rs 770	Rs 830	2-3 quarters

HDFC Scrip Code	ZENTEC
BSE Code	504067
NSE Code	ZENSARTECH
Bloomberg	ZENT IN
CMP Jan 02, 2026	699.35
Equity Capital (Rs Cr)	45.3
Face Value (Rs)	2.0
Equity Share O/S (Cr)	22.7
Market Cap (Rs Cr)	15,968
Book Value (Rs)	188.6
Avg. 52 Wk Volumes	14,94,517
52 Week High	985.0
52 Week Low	535.9

Share holding Pattern % (Sept, 2025)	
Promoters	49.0
Institutions	35.5
Non Institutions	15.5
Total	100



* Refer at the end for explanation on Risk Ratings

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Our Take:

Zensar Tech is a Pune-based IT Services Company with revenue diversified across service offerings, including digital application services (DAS), comprising core application services and digital services. The digital foundation services include cloud, digital-led next-gen core infrastructure service and core infrastructure services. Its clientele is distributed across the manufacturing (industrial and hi-tech), retail, and banking and financial services (BFSI) domains, resulting in sector-wise diversification. With over 10,500 employees across 33 locations, Zensar provides engineering and technology solutions to more than 145+ leading companies.

Zensar's deal pipeline was soft in Q2FY26, marking a decline of 7.7% QoQ and 21.4% YoY and order wins stood at \$ 158.7 mn in Q2FY26, vs. \$ 172 mn in Q1FY26, \$ 213.5 mn in Q4FY25, \$ 205.3 mn in Q3FY25, \$ 202 mn in Q2FY25 and \$154 mn in Q1FY25. Book-to-bill stood at 1x of TTM revenue. Its AI platform, ZenseAI, influenced 28% of Q2 order bookings, a positive indicator of the company's positioning in new-age digital deals. Zensar's deal pipeline has remained strong, with vendor consolidation and outcome-based engagements, driving selective deal momentum. The nature of deals is evolving, with longer tenures and a shift toward more complex, high-quality engagements, including managed services.

Zensar continues to strengthen its go-to-market along with its stated focus areas. The company has continued to focus on strategy execution and long-term growth led by Advanced Engineering, Experience Services, and other service lines. Zensar is pursuing global expansion with plans to establish a new subsidiary in Brazil. The company is focusing on AI-driven platforms, including ZenseAI, and scaling its BFSI and healthcare verticals. We expect strong revenue growth momentum going forward, with 10.3%/12% revenue growth in FY27E/FY28E, respectively, supported by healthy deal wins and a revival in the Healthcare and Life Sciences vertical, with stability in the top account.

Valuation & Recommendation:

Zensar has grown organically and inorganically over the years, and the company's focus on AI-driven solutions, operational efficiency, and diversification across sectors positions it well for future growth. Cost optimisation and productivity-led programs are seeing stronger traction, supported by cloud modernisation, cybersecurity, and early generative AI initiatives. We believe Zensar Tech will deliver long-term sustainable growth led by a healthy deal pipeline and strong execution.

The company expects EBITDA margin to stabilise in mid-teens; higher fresher intake and near-shore locations will reduce dependence on subcontractors and increase utilisation. Driving deal momentum, annuity revenues, increasing investment in sales & talent, leadership, and tuck-in acquisitions to build capability bode well for long-term revenue growth.

We believe the stock's base case fair value is Rs 770 (18.5x FY28E EPS), and its bull case fair value is Rs 830 (20x FY28E EPS) over the next two to three quarters. Investors can buy in the Rs 685-715 band and add further on dips in the Rs 625-640 band (15.25x FY28E EPS). At the LTP of Rs 699.35, the stock trades at 16.8x FY28E EPS.

Financial Summary:

Particulars (Rs Cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	1421	1308	8.7	1385	2.6	4902	5281	5701	6405	7257
EBITDA	220	201	9.5	211	4.5	872	817	869	1000	1158
Depreciation	25	30	-15.2	23	9.1	134	102	98	105	112
Other Income	49	41	19.5	57	-13.4	159	160	207	217	233
Interest Cost	4	5	-17.8	4	2.8	21	17	15	14	12
Tax	58	52	11.1	59	-1.0	211	208	237	275	317
APAT	182	156	17.0	182	0.1	665	650	725	824	951
Diluted EPS (Rs)	8.0	6.8	17.0	8.0	0.1	29.1	28.4	31.7	36.1	41.6
RoE-%						20.0	16.6	16.4	16.6	17.1
P/E (x)						24.0	24.6	22.0	19.4	16.8
EV/EBITDA (x)						15.8	16.5	14.8	12.3	10.1

(Source: Company, HDFC sec)

Q2FY26 Result Update

- Zensar Tech reported inline revenue with estimates, and net profit was above expectations in Q2FY26. The company expects this growth momentum to continue as businesses increasingly prioritise innovation to drive value.
- Consolidated revenue grew by 2.6% QoQ and 8.7% YoY to Rs 1421 crore. In Q2FY26, the company reported revenue of \$162.8M, a YoY growth of 4.2% in reported currency and 3.4% in constant currency. This translates to a 0.5% QoQ growth in reported currency.
- EBIT was up by 3.9% QoQ, and 13.7% YoY to Rs 195 crore in Q2FY26 and EBIT margin inched down by 30bps QoQ to 13.4% in Q2FY26 vs. 13.1% in Q2FY25. Net profit was at Rs 182 crore in Q2FY26, and net profit was unchanged QoQ and 17% YoY. Net Profit margin stood at 12.5% in the quarter.
- On operating metrics in Q2FY26, Banking and Financial Services reported a QoQ revenue growth of 5.6% and YoY growth of 11.0% in reported currency. Healthcare and Life Sciences reported a QoQ revenue growth of 3.9% and YoY growth of 11.3% in reported currency. Manufacturing and Consumer Services reported a QoQ revenue growth of 0.1% and YoY growth of 0.1% in reported currency and Telecommunication, Media and Technology reported a QoQ revenue decline of 9.9% and a YoY decline of 6.7% in reported currency.
- Revenue/EBIT/PAT grew 8.1%/11.5%/16.1% YoY in H1FY26.

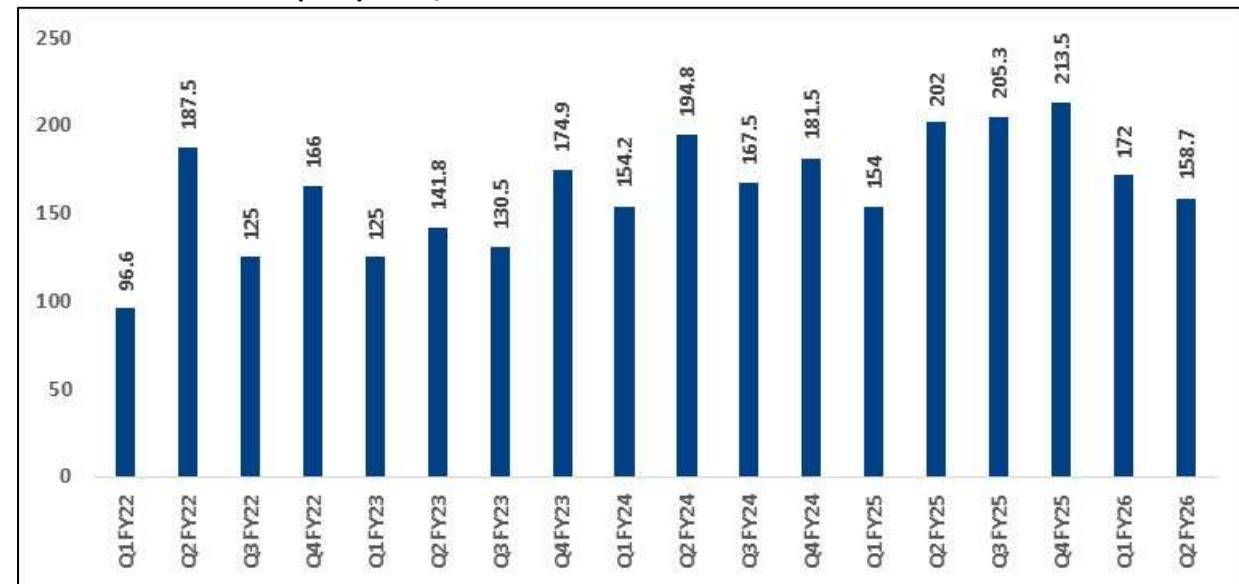
Key Updates

Expectations of healthy deal wins and a strong deal pipeline going forward

Zensar's deal pipeline was soft in Q2FY26, marking a decline of 7.7% QoQ and 21.4% YoY and order wins stood at \$ 158.7 mn, vs. \$ 172 mn in Q1FY26, \$ 213.5 mn in Q4FY25, \$ 205.3 mn in Q3FY25, \$ 202 mn in Q2FY25 and \$154 mn in Q1FY25. Book-to-bill stood at 1x of TTM revenue. Its AI platform, ZenseAI, influenced 28% of Q2 order bookings, a positive indicator of the company's positioning in new-age digital deals. Some deals were deferred, but the overall pipeline remains robust heading into the next few quarters. Deal renewals were lower as renewals typically occur in Q4 and Q1, while the summer period in Europe also contributed to slower decision-making. Order book quality has improved, and average deal tenure is rising due to increased managed services.

The full-year order book was US\$774 mn in FY25, up 11% YoY from US\$698 mn in FY24. Zensar's active client number increased to 171 in Q2FY26 vs. 166 in Q1FY26 and 158 in Q2FY25. The company's clients in the \$20 million+ category stood at 6, clients in the \$10 mn+ category at 15, clients in the \$5 mn+ category at 32, and clients in the \$ 1 mn+ category stood at 84 as of September 30, 2025.

Total Contract Value (TCV)- US\$, Mn



Zensar's deal pipeline has remained strong, with vendor consolidation and outcome-based engagements driving selective deal momentum. The nature of deals is evolving, with longer tenures and a shift toward more complex, high-quality engagements, including managed services. The company is working on a few large deals, and cross-selling or value-added deals have contributed to new business from existing clients.

Additionally, the company focuses on acquiring new logos and expanding with existing clients. The company focuses on increasing client engagement and farming more business from existing accounts. This could help improve the top client account and drive long-term growth.

Transformation to AI & GenAI Strategy

Artificial intelligence has become a prime strategy for Zensar, and Zensar has launched ZenseAI, a GenAI accelerator platform, offering connected intelligence, multi-modal search, and enterprise-grade agentic AI models. Engineering velocity, value realisation in legacy modernisation, AMS/IT ops cost optimisation, responsible AI framework are key features. Its driving 30% of active pipeline and 28% of order bookings in Q2 were AI-influenced, up from 21% in the previous quarter. This increase reflects the growing importance of AI solutions in Zensar's business strategy and client engagements.

Over 50% of the workforce upskilled in AI/GenAI; GenAI capability enrichment now mandatory in all annual L&D plans. For a global fintech, the company has developed a GenAI-powered investment opportunity identification platform and for a South African retailer, GenAI-driven workflow automation reduced manual effort by 65%. This focus on AI capabilities is expected to play a crucial role in the company's global expansion, offering cutting-edge solutions to new markets.

Over the next 12–18 months, Zensar plans to deepen its enterprise-wide AI adoption, focusing on responsible, human-centric, and scalable innovation. Key priorities include customer-centric AI experiences, ethical AI practices, continuous skill development, and driving measurable business transformation.

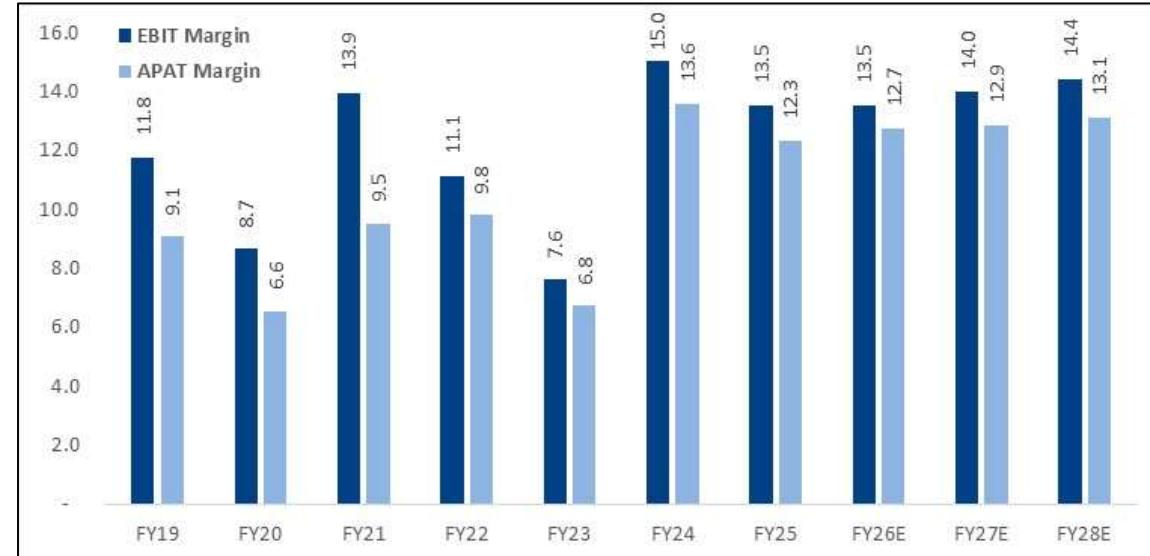
Utilisation management, pyramid optimisation, and cost rationalisation to maintain sustainable margins

Zensar's EBIT margin inched down by 30bps QoQ to 13.4% in Q2FY26 vs. 13.1% in Q2FY25. Net profit unchanged QoQ and 17.1% YoY. Net Profit margin stood at 12.5% in the quarter. Salary hikes in the quarter impacted ~2% of EBITDA, but margins still stayed mid-teens.

Utilisation improved by 50 basis points sequentially and 200 basis points YoY to 84.8% in Q2FY26. The next leg of expansion will be driven by levers such as offshoring, pricing benefits, reduced dependence on subcontractors, and higher utilisation. Considering the margin levers like improved service mix, automation, optimising employee pyramid, rationalisation of SG&A and hiring costs, and improved utilisation, the company expects that the margins should be stable in FY26E.

Zensar has many levers like offshoring, automation and lower subcontracting costs, which could help to report healthy margins, going forward. We expect that the company could report a stable EBIT margin at 14% and 14.4% for FY27E/FY28E, respectively.

Margins



Focus on BFS, Healthcare, Life Science and new services to perform well going forward

Banking and Financial Services (BFS) reported a QoQ revenue growth of 5.6% and YoY growth of 11.0%, and Healthcare and Life Sciences reported a QoQ revenue growth of 3.9% and YoY growth of 11.3% in reported currency in Q2FY26. Macro uncertainties leading to delayed spending decisions pose a challenging environment for Zensar Tech, and the company could see an impact in the near term.

Zensar is strategically focused on being a client-centric organisation, prioritising account forming and cross-selling within its existing base. The company maintains growth aspirations and has a solid order book and healthy pipeline for actively created deals. The company is closer to clients to understand their needs and continue to provide cost-saving solutions. Besides, the company is focused on clients with revenues greater than \$2 bn and plans to cross-sell the same to existing clients, thereby improving growth in the longer run. Further, the company could add one or two more verticals going forward.

Strong fundamentals led by healthy debt protection metrics and liquidity

- Zensar's portfolio has witnessed multiple challenges over the past; however, the lead indicators of deal wins and pipeline continue to look strong. The company has reported stable growth, with ~an 12% revenue CAGR and ~a 21% PAT CAGR over the last four years. We expect this rate to rise, and revenue will grow by ~11% CAGR and PAT will grow by 14% CAGR over FY25-FY28E.
- We expect EBIT Margins at 14% in FY27E and 14.4% in FY28E, EBIT could be at Rs 920/1070 crore in FY27E/FY28E, respectively.

- Zensar is now a zero-debt company with its highest-ever net cash position of US\$315.7 mn as of June 30, 2025. It has sufficient cash on its balance sheet and is seeking an M&A opportunity to accelerate its growth.
- We expect the FCF to remain positive in the future, even after factoring in annual capex. Because of cost rationalisation efforts, the company could see growth in profitability and better return ratios in the future.
- The expectation of a rise in net profit margin could result in a healthy return ratio. We expect RoE at 16.5-17% for FY27E to FY28E.
- The company has been maintaining a healthy dividend payout over the past. The company announced a dividend of Rs 13 per share for FY25, with a yield of ~2%.

What could go wrong?

- Indian rupee appreciation against the USD/EUR, pricing pressure, retention of the skilled headcounts, strict immigration norms and rise in visa costs are key concerns. However, H-1 B dependence remains very low (less than 3% of the workforce).
- The increasing competition and pricing pressures from the existing incumbents may impact the company's future growth and profitability indicators. Zensar is adapting to the changing technology landscape by focusing on digital technologies.
- Zensar derived ~27% of its revenues from its top 5 clients, ~41% from the top 10 clients, and ~57% from the top 20 clients in Q2FY26, with moderately high dependence on a single client, exposing it to client concentration risks. However, this risk is partially mitigated by a strong, established relationship and the client's growing wallet share.
- Inability to grow organically. The company has historically grown primarily through acquisitions. If it cannot turn around any acquisitions, it can impact the margins in the near term.
- A steep fall in revenue or sustained deterioration in the margins of Zensar Tech can impact cash generation.
- Any change in the contract terms of large clients, such as non-renewal of contracts or higher discounts due to aggressive competitive intensity, can impact their sustainability and scalability.
- Margins of Zensar are lower than of its similar-sized peers. However, margins will improve going forward driven by operating leverage, a decline in many of the one-time investments on building capabilities, and higher contributions from higher-margin offshore and digital services.
- Zensar's revenue from the Telecom, Media, and technologies (Hi-Tech) vertical has been declining over the past. Revenue contribution declined to 20% in Q2FY26 from 24.7% in Q1FY25 and 29.7% in Q1FY24, and Hi-tech remained under pressure. However, BFSI and Healthcare & Life Science revenue increased amid an uncertain demand environment.
- Zensar's Hi-Tech is showing weakness in allocating budget within high-tech clients, who are increasing capital expenditure on GPUs while cutting discretionary project spending. The company expects some continued stress in this segment but noted that Zensar has reduced its TMT exposure from about 27–28% last year to around 20% now, which could limit future impact.

Operating Metrics

Performance by Geography

%	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Americas	66.1	66.0	67.2	68.7	67.6	67.3	67.4	68.3	66.6
Europe	21.6	21.4	20.8	19.8	21.1	21.2	21.4	20.5	21.5
RoW	12.3	12.5	12.0	11.5	11.3	11.5	11.2	11.2	11.9
Total	100.0								

Performance by Verticals

%	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Telecom, Media & Tech-	27.2	25.9	25.5	24.7	22.4	21.4	21.7	22.3	20.0
Manufacturing & Consumer Services	25.9	26.1	26.3	25.8	26.2	27.7	26.7	25.3	25.2
Banking & Financial Services	37.3	38.6	38.7	39.7	40.9	40.1	41.0	41.5	43.6
Healthcare & Life Sciences	9.6	9.4	9.5	9.8	10.5	10.8	10.6	10.8	11.2
Total	100.0								

Client Metrics

%	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Top 5 % of revenue	31.5	29.2	28.3	28.3	28.1	27.5	27.6	27.2	27.0
Top 10 % of revenue	42.2	40.6	40.8	42.1	42.0	41.0	40.8	41.4	40.5
Top 20 % of revenue	58.3	57.5	57.2	58.7	58.4	56.8	55.8	57.6	57.1
1+ mn (Nos)	84	84	85	86	86	87	84	82	84
5+ mn (Nos)	29	32	31	31	32	34	33	32	32
10+ mn (Nos)	14	14	14	14	15	14	14	16	15
20+ mn (Nos)	4	4	4	4	4	5	6	6	6

Employee Metrics (Nos)

Nos	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total Headcount	10330	10225	10349	10396	10240	10517	10702	10620	10550
Gross addition	643	627	816	855	693	975	873	728	831
Attrition (%)	13.1	12.0	10.9	10.6	10.1	10.0	9.9	9.8	9.8
Utilisation (%)	83.1	80.7	83.7	83.9	82.8	82.9	84.6	84.3	84.8

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	4902	5281	5701	6405	7257
Growth (%)	1.1	7.7	8.0	12.3	13.3
Operating Expenses	4030	4464	4832	5405	6099
EBITDA	872	817	869	1000	1158
Growth (%)	57.8	-6.3	6.4	15.1	15.8
EBITDA Margin (%)	17.8	15.5	15.2	15.6	16.0
Depreciation	134	102	98	105	112
EBIT	738	715	771	896	1046
Other Income	159	160	207	217	233
Interest expenses	21	17	15	14	12
PBT	876	858	962	1098	1267
Tax	211	208	237	275	317
APAT	665	650	725	824	951
Growth (%)	103.0	-2.2	11.6	13.6	15.4
EPS	29.1	28.4	31.7	36.1	41.6

Balance Sheet

As at March	FY24	FY25	FY26E	FY27E	FY28E
SOURCE OF FUNDS					
Share Capital	45	45	45	45	45
Reserves	3517	4024	4496	5031	5649
Shareholders' Funds	3562	4070	4541	5077	5695
Long Term Debt	13	2	2	2	2
Net Deferred Taxes	-110	-108	-108	-108	-108
Long Term Provisions & Others	219	219	347	390	441
Minority Interest	0	0	0	0	0
Total Source of Funds	3684	4183	4782	5360	6029
APPLICATION OF FUNDS					
Net Block & Goodwill	1034	1170	1158	1149	1146
CWIP	5	1	1	1	1
Other Non-Current Assets	39	49	70	78	88
Total Non Current Assets	1079	1220	1228	1228	1235
Trade Receivables	732	790	843	948	1074
Cash & Equivalents	2240	2528	3125	3649	4245
Other Current Assets	487	527	570	641	726
Total Current Assets	3459	3845	4539	5237	6044
Short-Term Borrowings	0	0	0	0	0
Trade Payables	310	344	357	400	451
Other Current Liab & Provisions	545	539	627	705	798
Total Current Liabilities	854	882	985	1104	1249
Net Current Assets	2605	2963	3554	4132	4795
Total Application of Funds	3684	4183	4782	5360	6029

(Source: Company, HDFC sec)

Cash Flow Statement

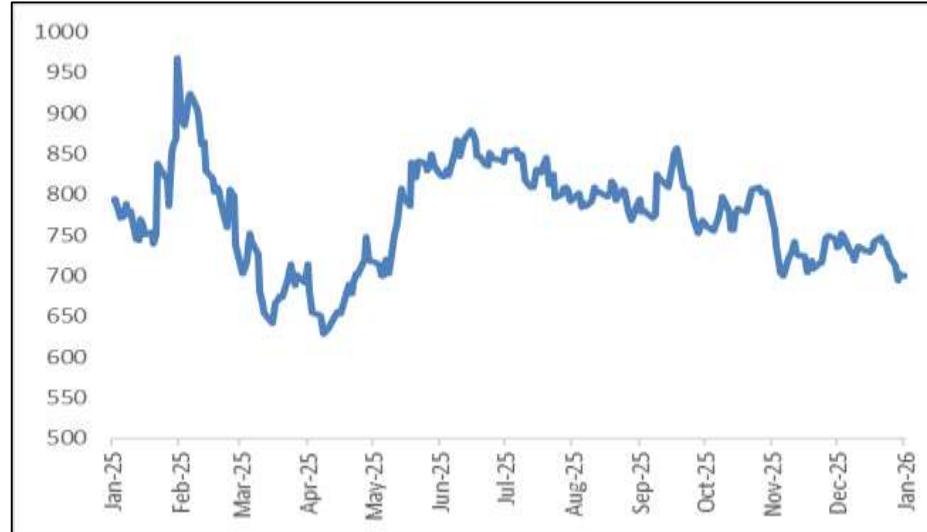
(Rs Cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	876	858	962	1,098	1,267
Non-operating & EO items	-116	-141	-182	-199	-213
Interest Expenses	19	16	15	14	12
Depreciation	134	102	98	105	112
Working Capital Change	-48	-55	113	-21	-25
Tax Paid	-233	-221	-237	-275	-317
OPERATING CASH FLOW (a)	632	558	770	723	836
Capex	-9	-146	-86	-96	-109
Free Cash Flow	623	412	685	627	728
Investments	0	0	0	0	0
Non-operating income	63	82	182	199	213
INVESTING CASH FLOW (b)	54	-64	96	103	104
Debt Issuance / (Repaid)	-70	-60	0	0	0
Interest Expenses	-3	0	-15	-14	-12
FCFE	551	352	670	613	716
Share Capital Issuance	0	0	0	0	0
Dividend	-125	-204	-254	-288	-333
FINANCING CASH FLOW (c)	-197	-265	-269	-303	-344
NET CASH FLOW (a+b+c)	489	230	597	523	596

Key Ratios

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Profitability Ratio (%)					
EBITDA Margin	17.8	15.5	15.2	15.6	16.0
EBIT Margin	15.0	13.5	13.5	14.0	14.4
APAT Margin	13.6	12.3	12.7	12.9	13.1
RoE	20.0	16.6	16.4	16.6	17.1
RoCE	15.9	13.8	13.6	13.6	14.0
Solvency Ratio (x)					
Net Debt/EBITDA	-2.6	-3.1	-3.6	-3.6	-3.7
Net D/E	-0.6	-0.6	-0.7	-0.7	-0.7
Per Share Data (Rs)					
EPS	29.1	28.5	31.8	36.1	41.6
CEPS	35.0	32.9	36.1	40.7	46.5
BV	156.0	178.2	198.9	222.3	249.4
Dividend	5.5	8.9	11.1	12.6	14.6
Turnover Ratios (days)					
Debtor days	54.5	54.6	54.0	54.0	54.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditors days	23.0	23.8	22.9	22.8	22.7
Valuation (x)					
P/E	24.0	24.6	22.0	19.4	16.8
P/BV	4.5	3.9	3.5	3.1	2.8
EV/EBITDA	15.8	16.5	14.8	12.3	10.1
EV / Revenues	2.8	2.5	2.3	1.9	1.6
Dividend Yield (%)	0.8	1.3	1.6	1.8	2.1
Dividend Payout(%)	18.7	31.4	35.0	35.0	35.0

Source: Company, HDFC sec)

One Year Price Chart



(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalities of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

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