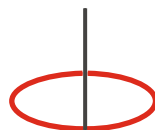


Initiating Coverage

31th March, 2022



DALAL & BROACHA
STOCK BROKING PVT. LTD.



REFRESHed & Ready to Launch

zensarTM

518, Maker Chambers V,
221 Nariman Point, Mumbai 400 021.
91-22- 2282 2992, 2287 6173
WEB: dalal.broacha.com

Mayank Babla

Senior Analyst

022-67141412

mayank.babla@dalal-broacha.com



FY23e should see the culmination of all transformative efforts at the company level and talent supply crunch at macro level which should lead to revenue run-rate improving from 2% between FY19-FY22e to 13.7% between FY21-FY24e and EBITDA margins to expand from 14.4% in Q3FY22 to 17.3% by FY24e. We estimate EPS to expand from INR 15.8 in FY21 to INR 26.4 in FY24e. Hence, we initiate coverage with a BUY on Dips rating and TP of INR 529, based on 20x FY24e EPS.

- **Strategy Refresh operationalized:** Transformation from the old 3*3*3 structure to a new Strategic Growth Opportunities (SGO) focused structure led to a better operating structure and more crystalized services (in the sense that ZT will focus on high resolution service offerings) which should provide more visibility and quality in sales, delivery, client partners and talent.
- **New additions to senior leadership** plugged the gaps across verticals. Early green shoots are visible as revenue growth performance turned around from Q1FY22 onwards
- **Expect EBITDA margins to recover to 17.3% in FY24e after plunging to ~15% due to talent supply crunch** Heightened Tech demand resulted in a supply crunch which led to employee salaries, retention costs and attrition skyrocketing from 16.3% in FY20 to 26.7% in Q3FY22. ZT has used several levers such as pyramid substitution through higher fresher intake, favorable onsite offshore mix, increased hiring in satellite centers (for eg. satellite centre launched in Kolkata on 28th March 2022) and price hikes in selective account.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	529	44

Market data

Current price	Rs	367
Market Cap (Rs.Bn)	(Rs Bn)	83
Market Cap (US\$ Mn)	(US\$ Mn)	1,093
Face Value	Rs	2
52 Weeks High/Low	Rs	587 / 254.7
Average Daily Volume	(‘000)	848
BSE Code		504067
Bloomberg		ZENT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-21	Sep-21
Promoters	49.10	49.12
Public	50.90	50.82
Total	100	100

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY20	FY21E	FY22E	FY23E	FY24E
Net sales	41,817	37,814	42,274	48,940	55,524
EBITDA	5,071	6,848	6,559	7,373	9,600
Adjusted net profit	2,716	3,561	3,871	4,359	5,978
Free cash flow	6,101	11,550	7,864	9,321	11,282
EPS (Rs)	12.0	15.8	17.1	19.3	26.4
growth (%)	-15%	31%	9%	13%	37%
P/E (x)	30.6	27.1	21.5	19.1	13.9
P/B (x)	4.0	3.5	3.2	2.8	2.4
EV/EBITDA (x)	16.0	11.2	11.0	9.3	6.8
D/E	-	-	-	-	-
ROCE (%)	14.1	19.0	16.9	16.8	21.0
RoE (%)	13.5	16.1	15.6	15.6	18.8
Dividend yield (%)	0.8	1.0	0.9	1.3	1.8

Source: Company

Mayank Babla

+91 22 67141442

name@dalal-broacha.com

However, margins remain suppressed as employee salaries and retention costs have remained higher than ever and revenue growth has been struggling due to fulfillment issues. We estimate the talent crunch to reduce by H2FY23 – post which one can expect quarterly revenue run-rate to see a meaningful uptick and margins to begin expanding

- **Stabilized key Top accounts and Healthy orderbook** run-rate bodes well for ZT and should translate into meaningful improvement in revenue run-rate and uptick in margins from FY24e

Investment Rationale

Additions to senior leadership have plugged the gaps and renewed the vigor – which is visible in performance turnaround from Q1FY22 onwards

In January 2021, Zensar Technologies (ZT) underwent a change in leadership as ex-CEO and MD Mr. Sandeep Kishore departed and paved the way for Mr. Ajay S. Bhutoria – erstwhile Chief Executive of L&T NxT.

Mr. Ajay Bhutoria boasts of 30 years of work experience in following roles

(1) Chief Executive of L&T NxT (10 months) : which is part of L&T Group and leverages the Group’s digital assets and capability around new age technologies like IoT, AR/VR, AI/ML and Cyber Security solutions to deliver differentiated and disruptive business outcomes for global customers;

(2) Global Head of Retail, Consumer Goods, Travel & Hospitality at Cognizant (17 years) : where Ajay was a part of the enterprise transformation program driving Cognizant’s strategy and a member of Cognizant’s Executive Leadership Team. Earlier roles included senior positions in the BFS vertical as well

(3) Regional Head, The Netherlands at TCS where he spent 10 years in various roles such as Program Manager, Solution Architect/ Developer and other Lead Roles

Additionally, several additions to senior leadership have been made in the last 4 to 6 quarters:

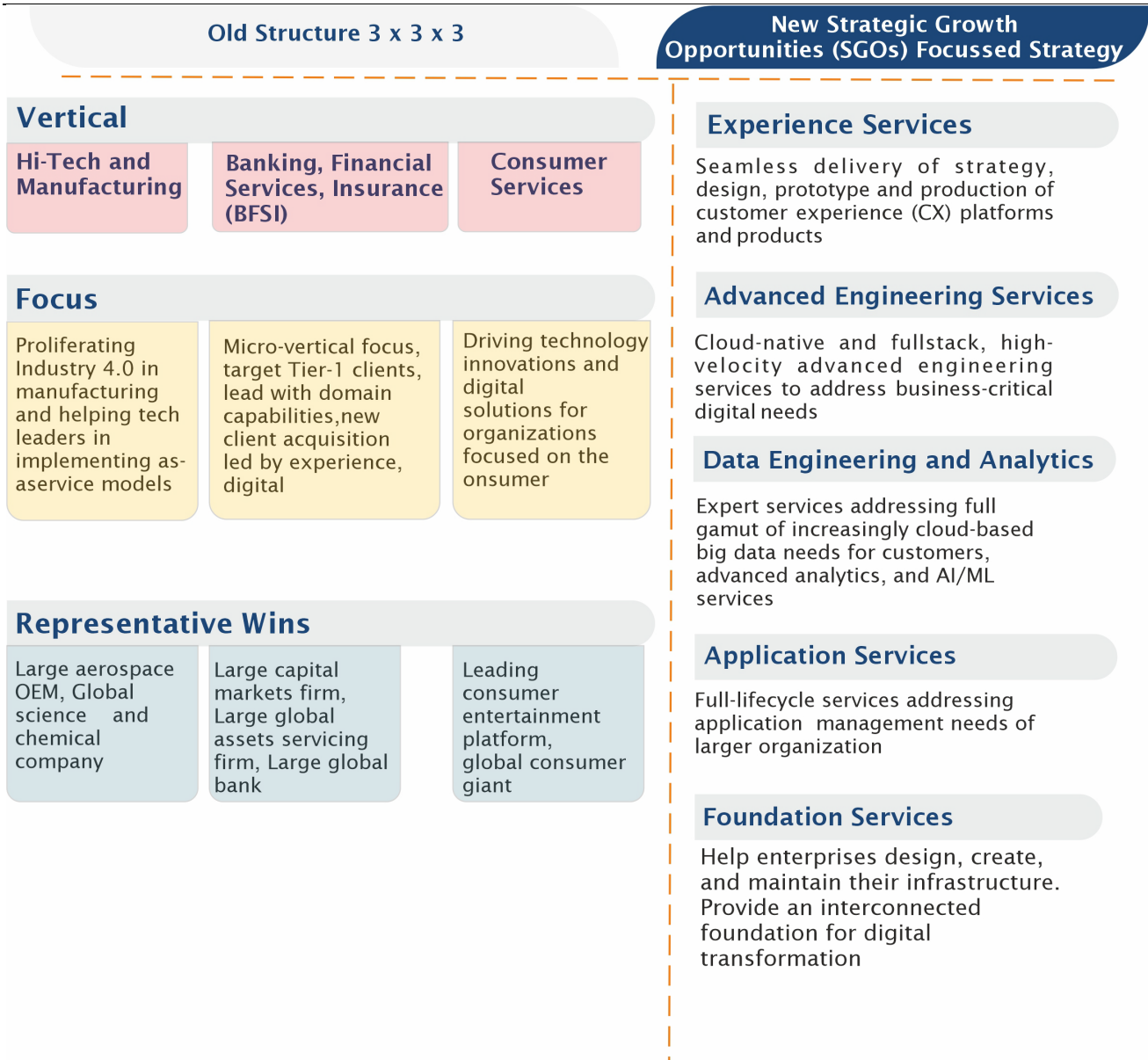
Name	Position	Joined in	Previous
Mr. Nachiketa Mitra,	BFSI -Head, Executive VP & Global Head	Q1FY21	Ex--Cognizant
Mr. Harjot Atrii	Head of Hi-Tech & Manufacturing		Internal
Mr. Samir Gosavi	Consumer Services Senior VP and Global Head	Q1FY22	Ex-Infosys
Mr. Abhijeet Vaidya	Market Head , Data Engineering & Analytics	Q2FY22	Ex--Cognizant
Mr. Raghvendra Nargoli	Consumer Services -Delivery Head	Q2FY22	Ex-Wipro
Mr. Arjun Yadavalli	Salesforce -VP & Global Head,	Q1FY22	Ex--Cognizant
Mr. Sanjib Talukdar	Insurance Industry - VP and Head	Q3FY22	Ex--Cognizant

Strategy Refresh was introduced in Q1FY22 with the aim of delivering predictable, sustainable and profitable growth in 4-8 quarters

ZT transformed its operating and reporting structure from a traditional 3*3*3 format into a very sharp structure focussed on 5 Strategic Growth Opportunities, namely:

1. **Experience Services:** refers to the integrated delivery of research, strategy, design, prototyping, and production. Company provides this through Zensar Studios which operates as Foolproof in the UK and Indigo Slate in the US (both acquisitions)
2. **Advanced Engineering Services:** provides cloud native full stack high velocity engineering to address the complex requirements that results from products and platforms built on cloud native architectures. AES gives capability to catch downstream demand coming out of Exp **Services which is significantly higher than the original dollar amount spent**.
2. Gives thrust to Cloud Native full stack work in which demand has exploded in the last 18-24 months.
3. **Data Engineering & Analytics:** addresses the fast-growing world of data, advanced analytics, artificial intelligence, and machine learning services. ZT already has foundational skills in this area and this portfolio is in place to scale up.
4. **Application Services:** meets the application lifecycle needs of our clients, including application development, support, and engineering services. It also includes enterprise application services that come through partnership with Oracle, SAP, and Salesforce.
5. **Foundation Services:** This is a key area of strength for ZT and the solutions around experience led infrastructure services driven by an interconnected foundation has found strong market resonance. ZT will continue to drive thrust in this service line. Revamped 3 years ago – experience led Infrastructure Services.

Exhibit 1: Transformation from 3*3*3 structure to 5 SGOs focussed structure



Source: Company, Dalal & Broacha Research

Traditionally, the company operated under a 3*3*3 structure of 3 Geographies (US, South Africa and UK & Europe), 3 Verticals (Hi-Tech and Manufacturing, BFSI, Consumer Services) and 3 Service Lines (Application Management Services and Maintenance & Services under Infrastructure Management Services).

Under the new structure, while the 3 Geos and Verticals will remain the same, the dynamics will change towards 5 Strategic Growth Opportunities (SGOs). The SGOs themselves will have dedicated sales and delivery units to service the verticals and geographies. ZT will structure to focus on both horizontal and vertical capabilities.

With renewed focus on 5 SGOs, a better operating structure will be provided and services will be more crystalized which should provide more visibility in the selling process as well.

Aims of Strategy Refresh

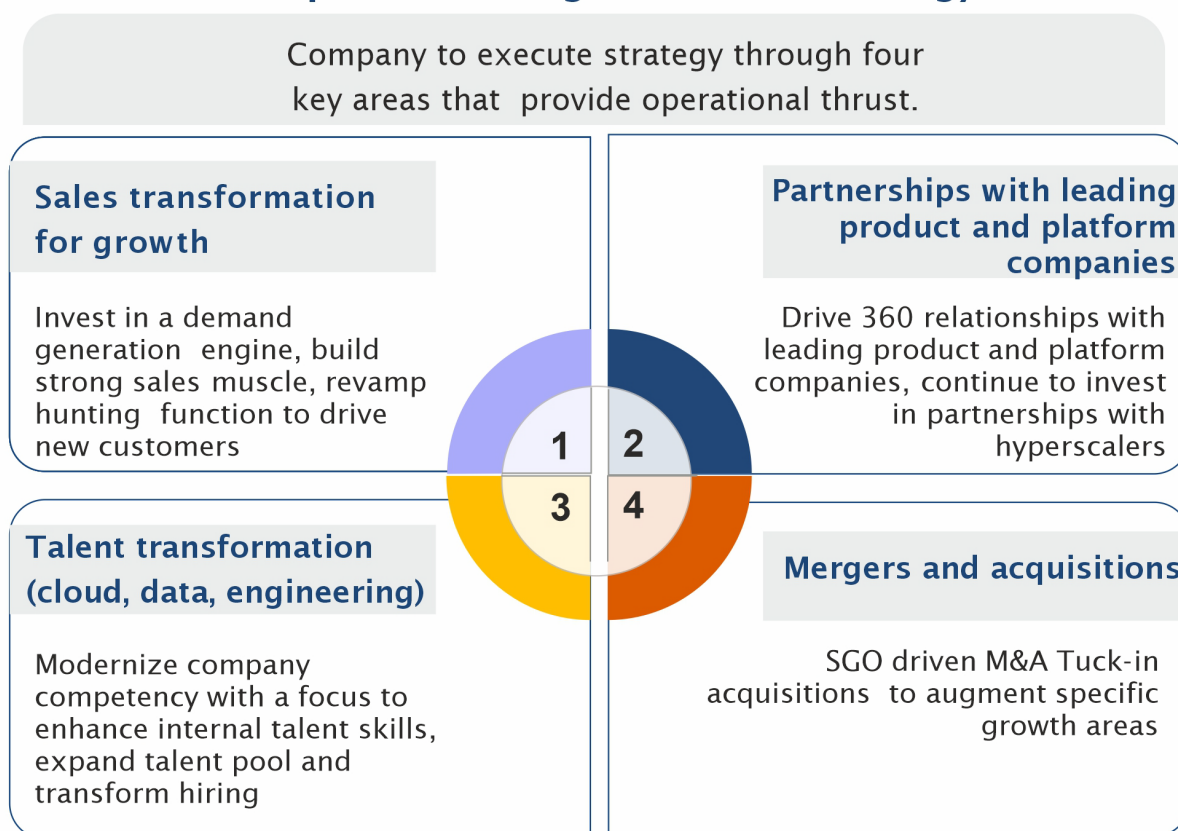
1. Refine and sharpen core capabilities starting into focused SGOs
2. Expand and enable sales organization to accelerate market penetration
3. Invest in strong demand generation engine to drive growth in existing strategic accounts and new accounts
4. Continue to invest in partnerships with hyperscalers and cloud which will help boost growth
5. Integrate current experience competency with software engineering and cloud-native development skills
6. Diversify and reduce dependence on Top Client

Operationalization of Strategy

ZT has identified 4 pillars of operationalization:

Exhibit 2: How ZT plans to operationalize Strategy Refresh

Operationalising & Execution Strategy



Source: Company, Dalal & Broacha Research

Revenue de-growth (8 quarter CQGR of -3%) stalled in Q4FY21 and trajectory reversed to upwards and onwards

Some of the problems that ZT was suffering in the traditional structure was that Application Management Services had become a huge mass (85% of revenue) and became undifferentiated- in the sense that high resolution or high end or specialty services were misplaced under it.

Secondly, traditional structure resulted in unhealthy focus on top clients rather than strengths of the organization.

After Strategy Refresh started getting operationalized, visible changes in the performance started flowing in – primarily in the topline performance which hit its inflection point in Q1FY22 (4 quarter CQGR of 7% between Q4FY21 and Q3FY22).

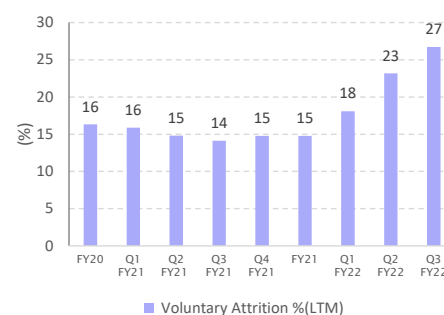
Margins expansion to ‘high-teens’ delayed due to industry-wide supply crunch of resources

Profitability was one the key targets of Strategy Refresh. ZT has used several levers such as Pyramid substitution through higher fresher intake, favorable onsite offshore mix and price hikes in selective accounts. However, this expansion was delayed because heightened Tech demand resulted in a supply crunch which led to employee salaries and attrition skyrocketing from 16.3% in FY20 to 26.7% in Q3FY22.

Just to manage high attrition, ZT had to roll out 2 salary hikes in CY21 apart from increased retention costs. Barring that, new hires were available at significant premium to previous average. **This took a toll on EBITDA margins as they shrunk from 19% in FY21 to 15% in 9MFY22.**

We estimate the talent crunch to reduce by H2FY23 – post which one can expect quarterly revenue run-rate to see a meaningful uptick and margins to begin expanding. We expect all micro as well as macro headwinds to culminate in FY23e and FY24e to be the turnaround year.

Attrition Rate (%)



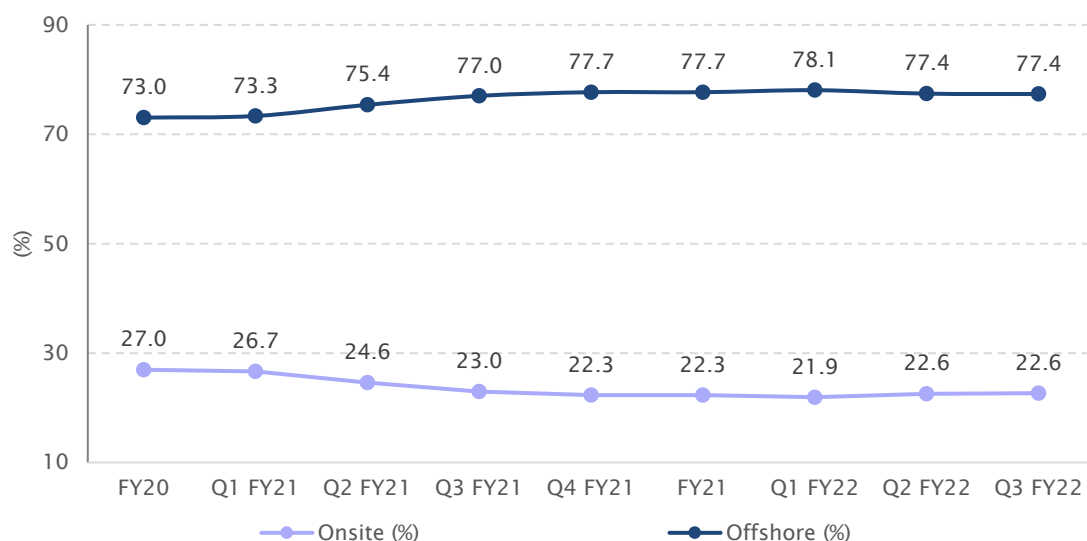
Source: Company, Dalal & Broacha Research

Right-sizing the Onsite : Offshore mix

One of the main levers for margin expansion was right-sizing the onsite offshore mix. Higher offshoring will be achieved by 2 means – shifting work offshore as project matures and an inclination towards offshore centric delivery in new deal wins.

The pandemic gave major impetus to industry-wide offshoring as travel was suspended. Clients became more comfortable with offshoring not only with “Run” the business part, but also with “Grow” the business part as Work From Home/Anywhere became the new norm.

Exhibit 3: Onsite Offshore Effort Mix



Source: Company, Dalal & Broacha Research

ZT's Onsite Offshore mix has shifted favourably from 29.3% : 70.7% in Q1FY20 to 22.6% : 77.4% in Q3FY22. The Offshore mix dropped to a low of 21.9% in Q1FY22 but increased to 22.6% in Q3FY22 on account of multi-million-dollar deal from the city of San Diego which requires onsite presence.

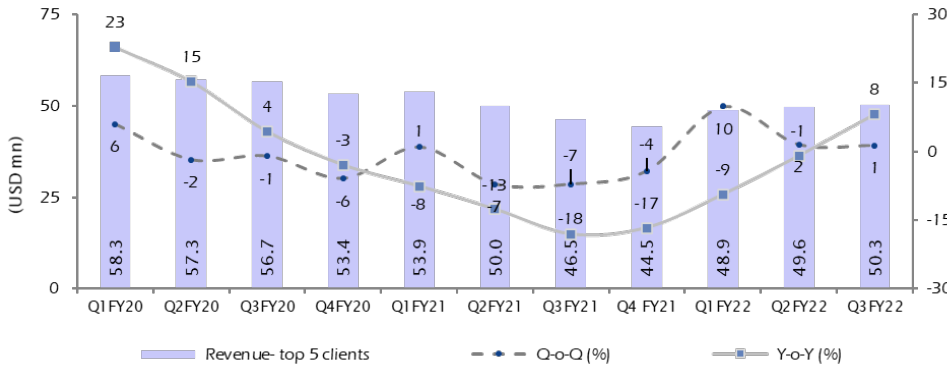
Going ahead, management has indicated that it will focus on increase its footprint near-shore into its satellite centers (for eg. Kolkata center opened on 28th March 2022).

Additionally, Subcontracting cost is another margin lever that management can utilize. Subcontracting expenses fell from 15-16% in FY20 to low of 12% in Q3FY21 and spiked again to 15% of revenue in Q3FY22. We expect subcontracting costs to show a meaningful decline from FY24e as supply crunch recedes, ZT plugs its talent and capability gap and freshers become billable.

Pressures at a Top client stabilized coupled with management’s active effort to reduce client concentration to propel revenue growth run-rate

ZT’s top account suffered shrinkage between Q4FY20 to Q3FY21 due to their own business pressures during the pandemic. Post

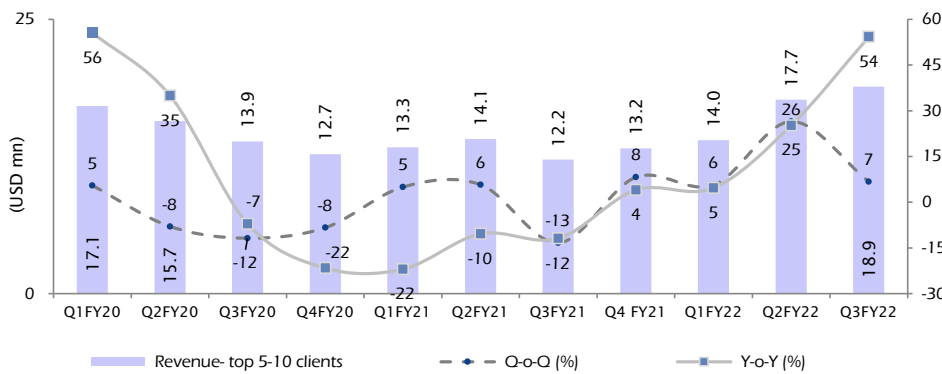
Exhibit 4: Revenue from Top 5 accounts seen reviving from Q4FY21



Source: Company, Dalal & Broacha Research

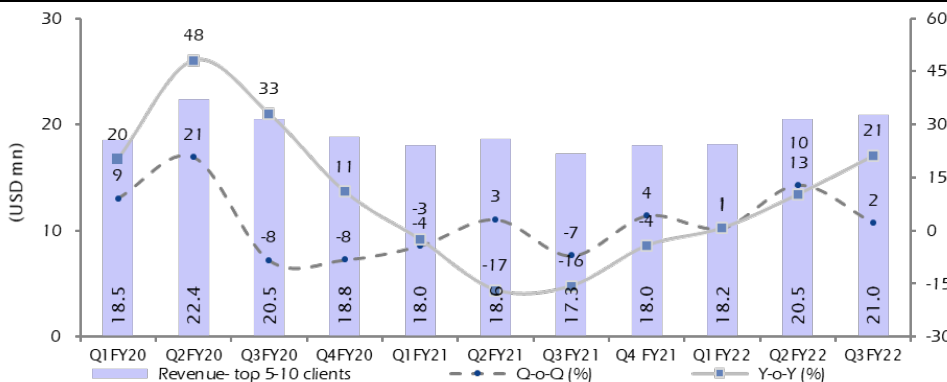
Q3FY21, said top account’s business has stabilized and the therefore business ZT does with it also stabilized. Secondly, as a result of this subdued performance, ZT actively worked on reducing dependence on the Top 5 accounts and focus on improving mind share and wallet share in accounts excluding the Top 5

Exhibit 5: Top 5-10 clients have served to propel company’s performance



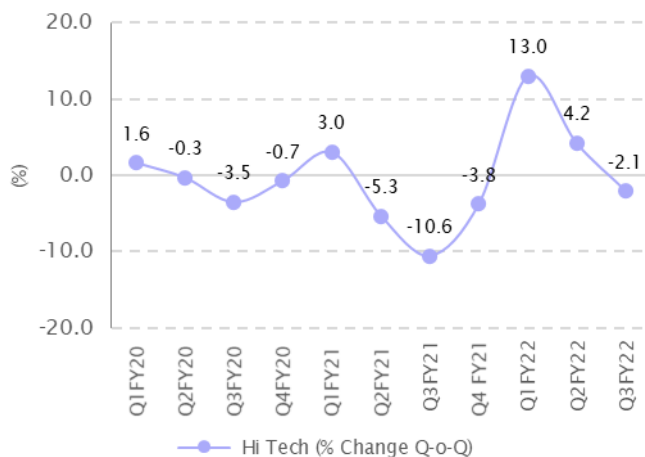
Source Company, Dalal & Broacha Research

Exhibit 6: Top 10-20 clients have recovered and should grow steadily



Source Company, Dalal & Broacha Research

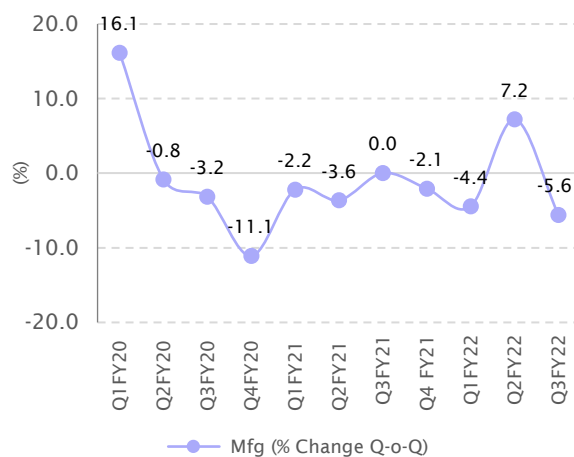
Exhibit 7: Hi-Tech vertical (36.7% of revenue) relatively steady as a key Top Account stabilized



Source: Company, Company, Dalal & Broacha Research

Hi-Tech vertical was subdued between Q1FY20 to Q4FY21 due to business pressures budget cuts on a key top client’s end. Moreover, COVID impact on the top account was even more gruesome – which impacted the Hi-Tech vertical’s performance. However, from Q1FY22 onwards, performance of said top account started stabilizing (which is evident from Hi-Tech vertical’s performance in the graph above). Going ahead, management is confident that although the performance of top accounts within the Hi-Tech vertical may be disproportionate, the overall performance will be relatively stable than before.

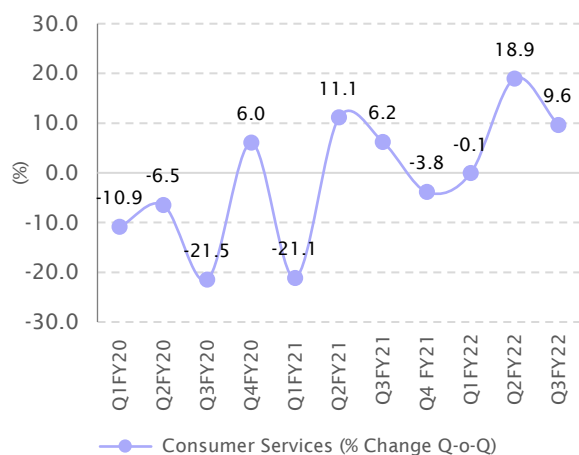
Exhibit 8: The worst seems to have been over for Manufacturing vertical (9.7% of revenue)



Source: Company, Dalal & Broacha Research

Manufacturing has undergone a revamp with a change in leadership (Mr. Harjott Atrii moved internally) in Q1FY22. ZT redesigned the Mfg vertical with a new set of offerings for clients who want to disrupt themselves to gain success in Industry 4.0. Industry 4.0’s key focus areas are Supply Chain 4.0, digital Supply Chain, connected operations, connected experiences and servitization. Management indicated that new and complete leadership team has been onboarded by Q3FY22 and all the pieces are finally coming together. Q3FY22 performance was a blip as ZT was involved with many clients in the manufacturing segment which dealt in the COVID economy and which were funded by the US government. As COVID receded, spending reduced and therefore impacted the business. However, several new logo additions have happened in 9MFY22 and management is confident that the worst seems to have passed

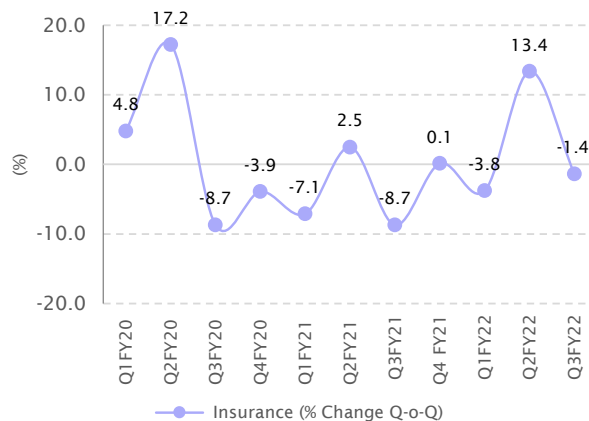
Exhibit 9: Consumer services vertical (16.1% of revenue) performance fairly stable



Source: Company, Dalal & Broacha Research

Barring Q4FY21 (in which ZT saw a significant Consumer Services project completion in UK and South Africa) Consumer services has performed fairly well for ZT, despite being the most affected industry in the pandemic. ZT further bolstered this performance as it hired a new head of Consumer Services as well as a new delivery head for Consumer Services in Q1FY22. Going ahead, management sees good traction in this vertical.

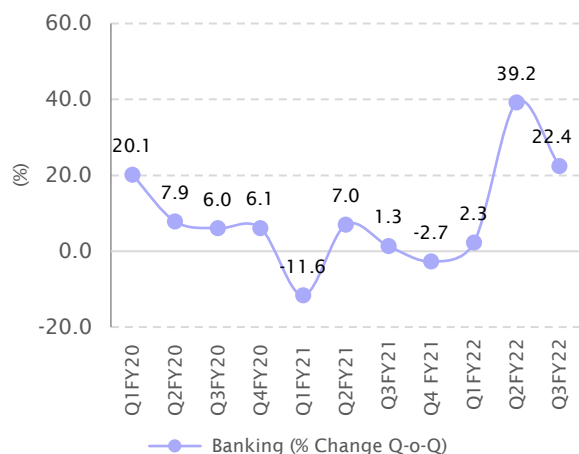
Exhibit 10: Insurance vertical (17.6% of revenue) set to revive as ZT explores new subsegments and headwinds are behind us



Source: Company, Dalal & Broacha Research

We believe that several headwinds such as clients getting acquired (by larger organization) and project completions have largely ended in Q1FY22 itself. Expect Insurance vertical to gain renewed momentum as ZT reduces its concentration on mid-segment Property & Casualty clients in the US and broadens its playfield by focusing on larger clients, going after Life & Benefits and Insurance brokerage firms, building domain capability in solution led consulting, reinforcing partnership with Guidewire and expanding capabilities on other platforms like DuckCreek. We expect these positive changes coupled with implementation of Strategy Refresh to start showing results over the next 2 to 3 quarters.

Exhibit 11: Investments in BFS 14.1% of revenue) have began yielding results

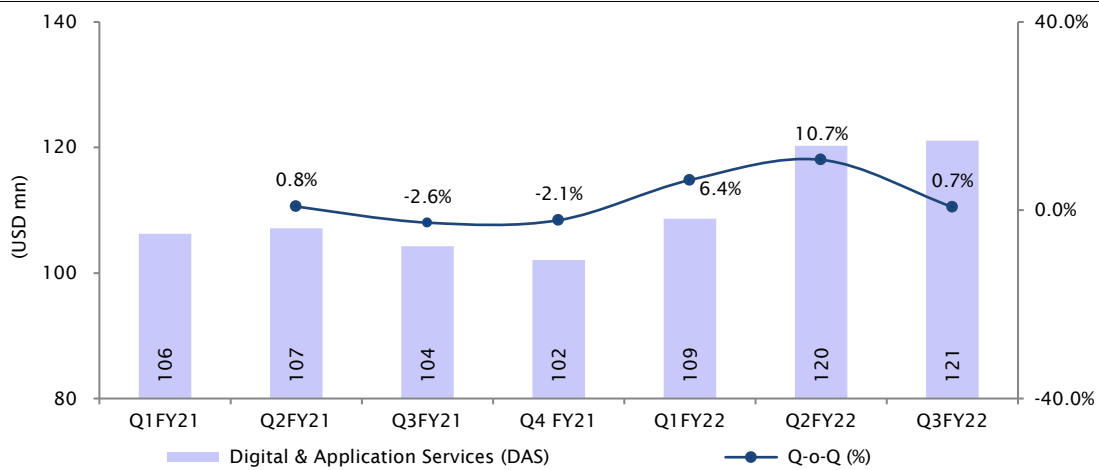


Source: Company, Dalal & Broacha Research

Vertical-wise BFS has been a fairly consistent performer. Over and above that, ZT has invested considerably in BFS vertical and has seen increased traction between Q3FY21 and Q1FY22 and therefore has seen a turnaround in performance since then. Q1FY22 onwards, BFS has seen healthy growth due to strong performance in existing clients, new logo acquisition and synergies with M3bi

Strategy Refresh to help highlight and accentuate high end services from Application Maintenance Services

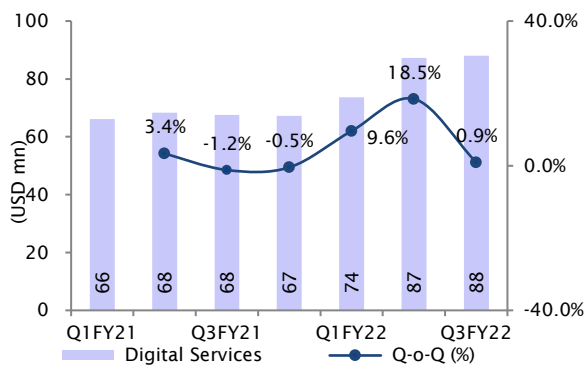
Exhibit 12: Digital & Application Services (DAS) (82.3% of revenue)



Source: Company, Dalal & Broacha Research

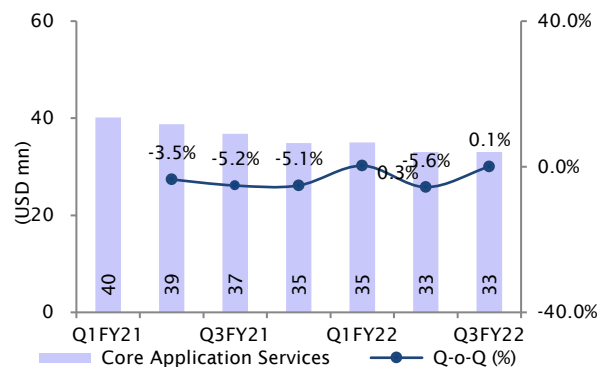
Under the 3*3*3 structure, ZT would operate under an entire block of Digital & Application Services (DAS). The management took the entire block of AMS and put a very sharp structure around these services in the form of five SGOs, which is Experience Services, Advanced Engineering Services, Data Engineering and Analytics, Application Services and Foundation Services and to channelize these five SGOs into specific go-to-market.

Exhibit 13: Digital Services (59.9% of total revenue and subset of DAS)



Source: Company, Dalal & Broacha Research

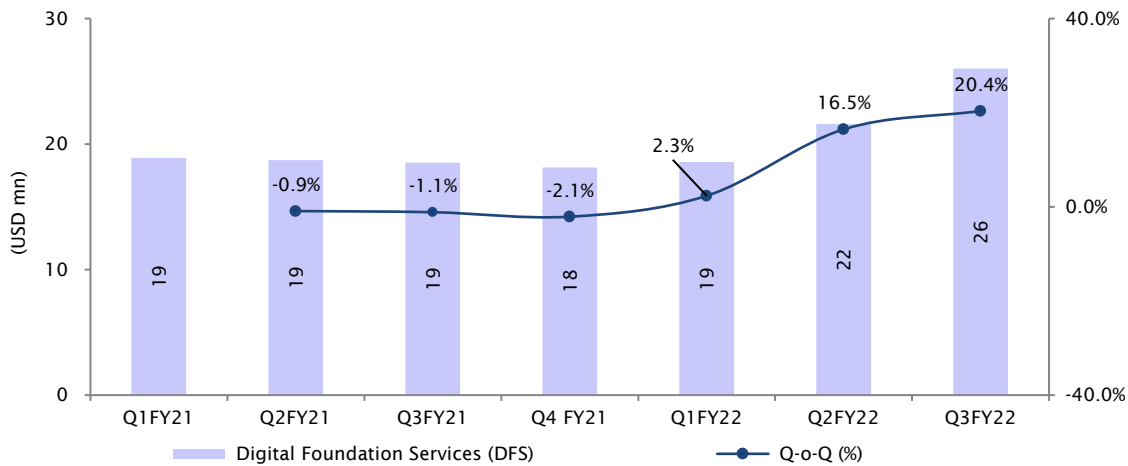
Exhibit 14: Core Application Services (22.5% of total revenue and subset of DAS)



Source: Company, Dalal & Broacha Research

Moreover, ZT has launched 21 services through playbooks which are crystallized. These are well-defined services that ZT is taking to market and under each playbook there are multiple levels of content and material as well as a structure to support these SGOs and playbooks.

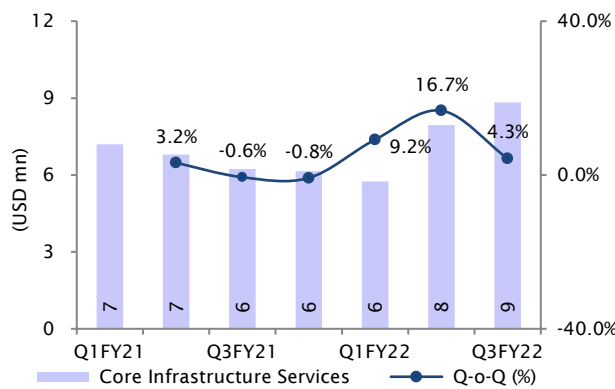
Exhibit 15: Digital Foundation Services (17.7% of revenue)



Source: Company, Dalal & Broacha Research

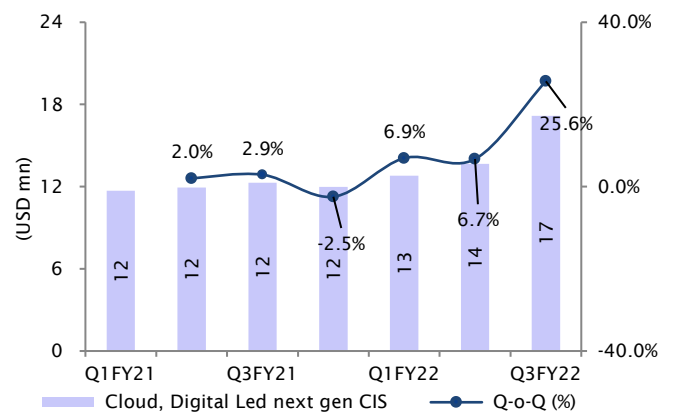
Barring Q3 and Q4FY21, wherein ZT saw certain project completions, DFS has performed consistently over the last 3 quarters. We expect ZT's DFS business to continue reporting healthy performance in the midst of heightened demand in the IMS space.

Exhibit 16: Core Infrastructure Services (6% of total revenue and part of DFS)



Source: Company, Dalal & Broacha Research

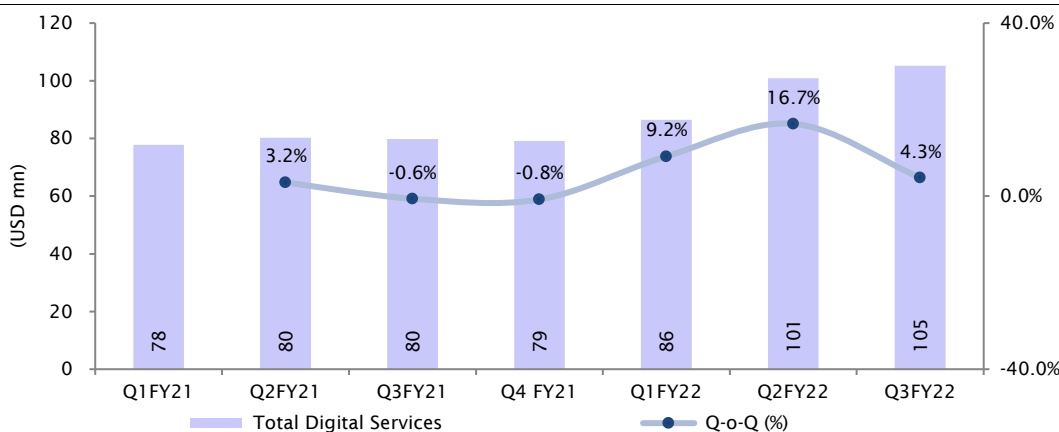
Exhibit 17: Cloud, Digital led next gen CIS (11.7% of total revenue and part of DFS)



Source: Company, Dalal & Broacha Research

We expect Core Infrastructure and Cloud and Digital Led next gen CIS services to outperform on the back strong demand in the Cloud and Cloud infrastructure space globally.

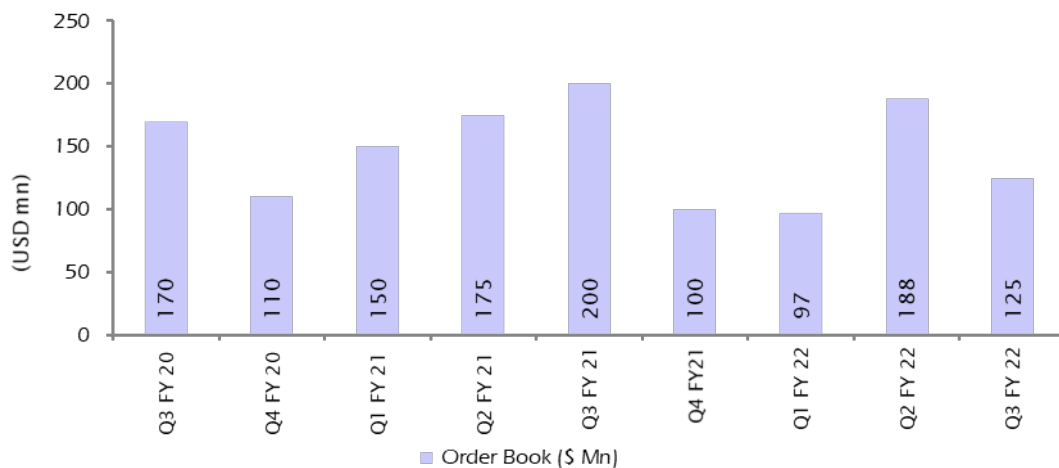
Exhibit 18: Total Digital Services (71.5% of total revenue)



Source: Company, Dalal & Broacha Research

Orderbooking trend fairly stable – to translate into strong performance as fulfillment issues recede

Exhibit 19: Order Book trend



Source: Company, Dalal & Broacha Research

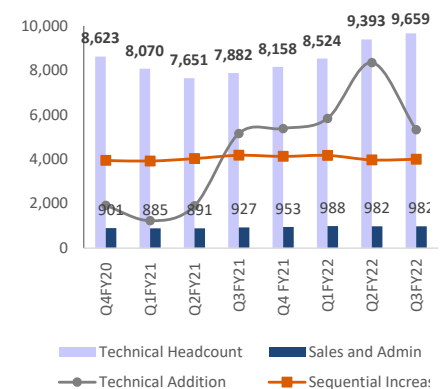
Order book trend has been fairly healthy for ZT over the past several quarters.

Only in Q4FY21, run-rate took a dip as ZT was expecting to close certain deals in Digital Foundation Services (DFS) which were deferred to the next quarter.

Orderbooking run-rate, although looks weak from Q1FY22 onwards, it is only optical as management had become conservative in its reporting standards and accounted for only those orders for which SOW is in-hand. *(The nature of deals are typically multi-stage in nature and clients sign the first stage SOW with the follow-on stages most definitely with the same IT services vendor.)* Therefore, orderbooking run-rate is not comparable between 9MFY22 and the previous periods.

In Q2FY22, ZT signed a deal worth \$122 Mn with the City of San Diego. However, they have accounted for only \$61 Mn in the quarter (based on the conservative approach). Excluding the large deal, ZT won deals worth \$127 Mn which is a growth of 31% qoq and maintained that run-rate in Q3FY22 as well *(Q3FY22 orderbook includes M3bi's numbers)*

Employee Headcount



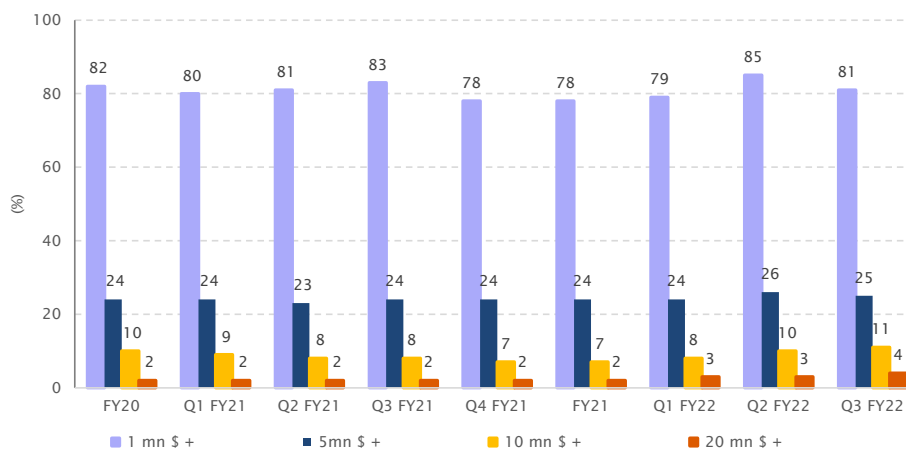
Source: Company, Dalal & Broacha Research

Robust client additions indicates strategy refresh is gaining pace

ZT's growth was struggling in the past as it had a long tail of smaller client buckets - ~80+ clients in the \$1 Mn client bucket. As a part of strategy refresh, focus shifted to larger clients and larger deals which help scaling revenue growth and in turn margins. It is evident that Strategy Refresh is yielding results as client additions in \$10 Mn+ and \$20 Mn+ buckets are robust.

Clients in the \$20 Mn+ have doubled from 2 at the end of FY21 to 4 by Q3FY22. Similarly, clients in \$10 Mn+ bucket has increased from 7 at the end of FY21 to 11 by Q3FY22.

Exhibit 20: Client additions across various buckets



Source: Company, Dalal & Broacha Research

Valuation & Outlook

Transformation initiatives such ‘Strategy Refresh’ rollout from Q4FY21 – which focused on putting a spotlight on specialized services and offerings, efficient headcount management, change in leadership and plugging in gaps in several key roles at senior level are expected to start bearing fruits and translate into performance from end of FY23e.

Additionally, macro headwinds such as global talent crunch are expected to recede over the next 2-3 quarters.

Therefore, we expect FY23e to be the year of culmination of all macro headwinds and transformational efforts by the company and FY24e to be the year of redemption.

We estimate INR revenue to grow at a CAGR of 13.7% to INR 55,524 Mn between FY21 and FY24e, EBITDA margins to expand from 14.4% in Q3FY22 to 17.3% in FY24e on the back of robust revenue growth and lower subcon costs and retention costs as global talent supply crunch recedes and fulfillment issues fade away. We expect EPS to grow at a CAGR of 18.8% from INR 15.8 in FY21 to INR 26.4 in FY24e.

At CMP of INR 372, Zensar Tech (ZT) is trading at 19.1 /13.9 FY23e / FY24e EPS estimates – which is at a significant discount of 60% to the midcap IT average P/E of 35x FY24e EPS, 54% discount to full IT pack average P/E of 30.3x FY24e EPS and 55% discount to midcap IT Services average (See Peer Comparison below)

Taking the above points into consideration, we recommend a BUY ON DIPS on Zensar Technologies and assign a multiple of 20x (which is still a 42% discount to midcap average valuations) on FY24e of 26.4 to arrive at a target price of INR 529, which offers an upside of 44%.

Peer Comparison

	M Cap (INR Bn)	Revenue (US\$ Mn)				Revenue (INR Mn)				EBITDA (INR Mn)				EBIT (INR Mn)				PAT (INR Mn)			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Zensar Tech	84	494	568	653	740	37,814	42,274	48,940	55,524	6,848	6,559	7,373	9,600	5,101	4,720	5,277	7,407	3,561	3,871	4,359	5,978
Yo-Y (%)		-16.2%	14.9%	14.9%	13.5%	-9.6%	11.8%	15.8%	13.5%	35.1%	-4.2%	12.4%	30.2%	46.6%	-7.5%	11.8%	40.4%	31.1%	8.7%	12.6%	37.1%
TCS	13,800	22,174	25,751	29,119	31,769	16,41,770	19,17,144	21,54,810	23,50,887	4,65,460	5,34,184	5,92,314	6,43,596	4,24,810	4,88,354	5,49,692	6,00,974	3,41,916	3,97,356	4,40,838	4,85,959
Yo-Y (%)		0.6%	16.1%	13.1%	9.1%	4.6%	16.8%	12.4%	9.1%	10.5%	14.8%	10.9%	8.7%	10.1%	15.0%	12.6%	9.3%	6.1%	16.2%	10.9%	10.2%
Infosys	8,067	13,562	16,378	19,128	21,286	10,05,531	12,19,755	14,15,454	15,75,177	2,85,331	3,22,871	3,67,391	4,10,281	2,47,021	2,87,801	3,27,459	3,65,843	1,94,551	2,25,325	2,66,691	2,97,839
Yo-Y (%)		6.1%	20.8%	16.8%	11.3%	10.8%	21.3%	16.0%	11.3%	28.1%	13.2%	13.8%	11.7%	27.5%	16.5%	13.8%	11.7%	16.9%	15.8%	18.4%	11.7%
HCL Tech	3,164	10,175	11,532	13,261	14,858	7,53,790	8,57,335	9,89,420	11,06,906	2,00,580	2,02,548	2,32,033	2,55,308	1,60,730	1,63,817	1,92,712	2,15,986	1,31,240	1,35,231	1,55,865	1,74,674
Yo-Y (%)		2.4%	13.3%	15.2%	11.9%	6.7%	13.7%	15.4%	11.9%	20.2%	1.0%	14.6%	10.0%	17.0%	1.9%	17.6%	12.1%	19.2%	3.0%	15.3%	12.1%
Wipro	3,293	8,137	10,656	12,141	13,797	6,19,430	7,91,515	8,98,463	10,21,000	1,47,714	1,69,888	1,94,713	2,26,682	1,19,623	1,38,209	1,61,210	1,84,415	1,08,680	1,22,388	1,37,167	1,56,901
Yo-Y (%)		-1.4%	31.0%	13.9%	13.6%	1.5%	27.8%	13.5%	13.6%	19.7%	15.0%	14.6%	16.4%	18.0%	15.5%	16.6%	14.4%	11.8%	12.6%	12.1%	14.4%
TechM	1,454	5,111	5,998	7,037	7,749	3,78,551	4,47,420	5,28,012	5,81,820	68,471	81,763	96,585	1,05,529	53,894	67,679	79,630	86,684	45,295	56,338	64,579	70,572
Yo-Y (%)		-1.4%	17.3%	17.3%	10.1%	2.7%	18.2%	18.0%	10.2%	19.6%	19.4%	18.1%	9.3%	25.9%	25.6%	17.7%	8.9%	6.6%	24.4%	14.6%	9.3%
Persistent	365	566	763	926	1,029	41,879	56,812	75,070	84,345	6,830	9,527	11,605	13,996	5,075	7,885	9,452	11,615	4,507	6,864	8,089	10,111
Yo-Y (%)		12.9%	34.8%	21.4%	11.1%	17.4%	35.7%	32.1%	12.4%	38.8%	39.5%	21.8%	20.6%	55.5%	55.4%	19.9%	22.9%	32.4%	52.3%	17.8%	25.0%
LTI	1,105	1,670	2,132	2,600	2,884	1,23,698	1,58,368	1,92,366	2,13,392	27,251	30,804	37,781	42,576	23,926	27,423	34,384	38,563	19,381	23,112	27,779	30,886
Yo-Y (%)		9.5%	27.7%	21.9%	10.9%	13.7%	28.0%	21.5%	10.9%	34.3%	13.0%	22.6%	12.7%	36.2%	14.6%	25.4%	12.2%	15.7%	14.6%	14.4%	14.5%
Mindtree	728	1,076	1,408	1,711	1,971	79,678	1,04,572	1,26,593	1,45,876	16,567	21,607	25,599	29,644	13,971	19,109	22,663	26,529	11,105	15,791	18,195	21,103
Yo-Y (%)		-1.1%	30.9%	21.5%	15.2%	2.6%	31.2%	21.1%	15.2%	52.0%	30.4%	18.5%	15.8%	71.5%	36.8%	18.6%	17.1%	76.0%	42.2%	15.2%	16.0%
Mphasis	643	1,313	1,605	1,958	2,284	97,223	1,19,233	1,44,915	1,68,991	18,029	21,247	26,347	31,334	15,611	18,313	22,786	27,316	12,168	14,300	17,876	21,579
Yo-Y (%)		5.9%	22.3%	22.0%	16.6%	9.9%	22.6%	21.5%	16.6%	7.7%	17.8%	24.0%	18.9%	9.1%	17.3%	24.4%	19.9%	2.7%	17.5%	25.0%	20.7%
CoForge	275	630	863	1,048	1,226	46,628	64,129	77,542	90,687	7,795	11,415	14,408	16,800	5,959	9,126	11,907	13,978	4,556	6,770	8,801	10,523
Yo-Y (%)		7.4%	37.2%	21.4%	17.0%	11.4%	37.5%	20.9%	17.0%	7.2%	46.4%	26.2%	16.6%	8.3%	53.1%	30.5%	17.4%	2.6%	48.6%	30.0%	19.6%
LTTTS	539	737	883	1,039	1,208	54,497	65,722	76,862	89,426	10,074	14,199	16,926	19,706	7,891	12,034	14,512	16,897	6,671	9,604	11,734	13,836
Yo-Y (%)		-6.3%	19.8%	17.7%	16.3%	-3.0%	20.6%	16.9%	16.3%	-9.3%	40.9%	19.2%	16.4%	-14.9%	52.5%	20.6%	16.4%	-18.9%	44.0%	22.2%	17.9%
Tata Elxsi	559	248	332	423	474	18,261	24,710	31,309	35,059	5,224	7,593	9,597	10,711	4,780	7,048	8,814	9,835	3,687	5,403	7,200	8,048
Yo-Y (%)		8.6%	34.2%	27.3%	12.0%	13.4%	35.3%	26.7%	12.0%	52.3%	45.4%	26.4%	11.6%	59.6%	47.4%	25.0%	11.6%	43.4%	46.6%	33.3%	11.8%
Cyient	101	557	608	712	846	41,324	45,156	52,724	62,633	6,100	8,126	9,003	11,105	4,155	6,156	6,842	8,537	3,714	4,968	5,517	6,918
Yo-Y (%)		-11.0%	9.1%	17.2%	18.8%	-6.7%	9.3%	16.7%	18.8%	3.5%	33.2%	10.8%	23.3%	3.5%	48.2%	11.1%	24.8%	8.5%	33.8%	11.1%	25.4%
Mastek	97	232	294	347	403	17,219	21,809	25,646	29,857	3,645	4,493	5,273	6,140	3,195	4,190	4,680	5,690	2,094	2,865	3,485	4,180
Yo-Y (%)		55.0%	26.3%	18.0%	16.4%	60.8%	26.7%	17.6%	16.4%	134.7%	23.3%	17.4%	16.4%	144.6%	31.1%	11.7%	21.6%	92.5%	36.8%	21.6%	19.9%

	EBITDA Margin (%)				EBIT Margin (%)				PAT Margin (%)				ROE (%)				P/E(x)
	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	
Zensar Tech	18.1%	15.5%	15.1%	17.3%	13.5%	11.2%	10.8%	13.3%	9.4%	9.2%	8.9%	10.8%	16.1%	15.6%	15.6%	18.8%	14.1x
TCS	28.4%	27.9%	27.5%	27.4%	25.9%	25.5%	25.5%	25.6%	20.8%	20.7%	20.5%	20.7%	36.7%	36.8%	34.8%	33.1%	28.2x
Infosys	28.4%	26.5%	26.0%	26.0%	24.6%	23.6%	23.1%	23.2%	19.3%	18.5%	18.8%	18.9%	25.9%	26.7%	27.9%	27.6%	27.5x
HCL Tech	26.6%	23.6%	23.5%	23.1%	21.3%	19.1%	19.5%	19.5%	17.4%	15.8%	15.8%	15.8%	23.6%	21.4%	22.1%	22.2%	18.1x
Wipro	23.8%	21.5%	21.7%	22.2%	19.3%	17.5%	17.9%	18.1%	17.5%	15.5%	15.3%	15.4%	19.4%	20.3%	20.5%	21.5%	21.1x
TechM	18.1%	18.3%	18.3%	18.1%	14.2%	15.1%	15.1%	14.9%	12.0%	12.6%	12.2%	12.1%	18.6%	19.9%	19.8%	18.9%	18.9x
Persistent	16.3%	16.8%	15.5%	16.6%	12.1%	13.9%	12.6%	13.8%	10.8%	12.1%	10.8%	12.0%	17.4%	22.7%	22.9%	24.4%	36.0x
LTI	22.0%	19.5%	19.6%	20.0%	19.3%	17.3%	17.9%	18.1%	15.7%	14.6%	14.4%	14.5%	30.5%	28.9%	28.7%	26.8%	34.3x
Mindtree	20.8%	20.7%	20.2%	20.3%	17.5%	18.3%	17.9%	18.2%	13.9%	15.1%	14.4%	14.5%	29.7%	33.0%	31.0%	29.6%	32.7x
Mphasis	18.5%	17.8%	18.2%	18.5%	16.1%	15.4%	15.7%	16.2%	12.5%	12.0%	12.3%	12.8%	19.7%	21.3%	24.7%	26.4%	29.5x
CoForge	16.7%	17.8%	18.6%	18.5%	12.8%	14.2%	15.4%	15.4%	9.8%	10.6%	11.3%	11.6%	18.7%	25.1%	27.8%	27.7%	25.7x
LTTTS	18.5%	21.6%	22.0%	22.0%	14.5%	18.3%	18.9%	18.9%	12.2%	14.6%	15.3%	15.5%	21.4%	25.2%	25.8%	25.4%	36.5x
Tata Elxsi	28.6%	30.7%	30.7%	30.6%	26.2%	28.5%	28.2%	28.1%	20.2%	21.9%	23.0%	23.0%	26.9%	33.3%	35.4%	32.0%	66.2x
Cyient	14.8%	18.0%	17.1%	17.7%	10.1%	13.6%	13.0%	13.6%	9.0%	11.0%	10.5%	11.0%	13.5%	16.0%	16.1%	18.2%	14.8x
Mastek	21.2%	20.6%	20.6%	20.6%	18.6%	19.2%	18.2%	19.1%	12.2%	13.1%	13.6%	14.0%	25.4%	25.1%	24.0%	23.8%	22.2x

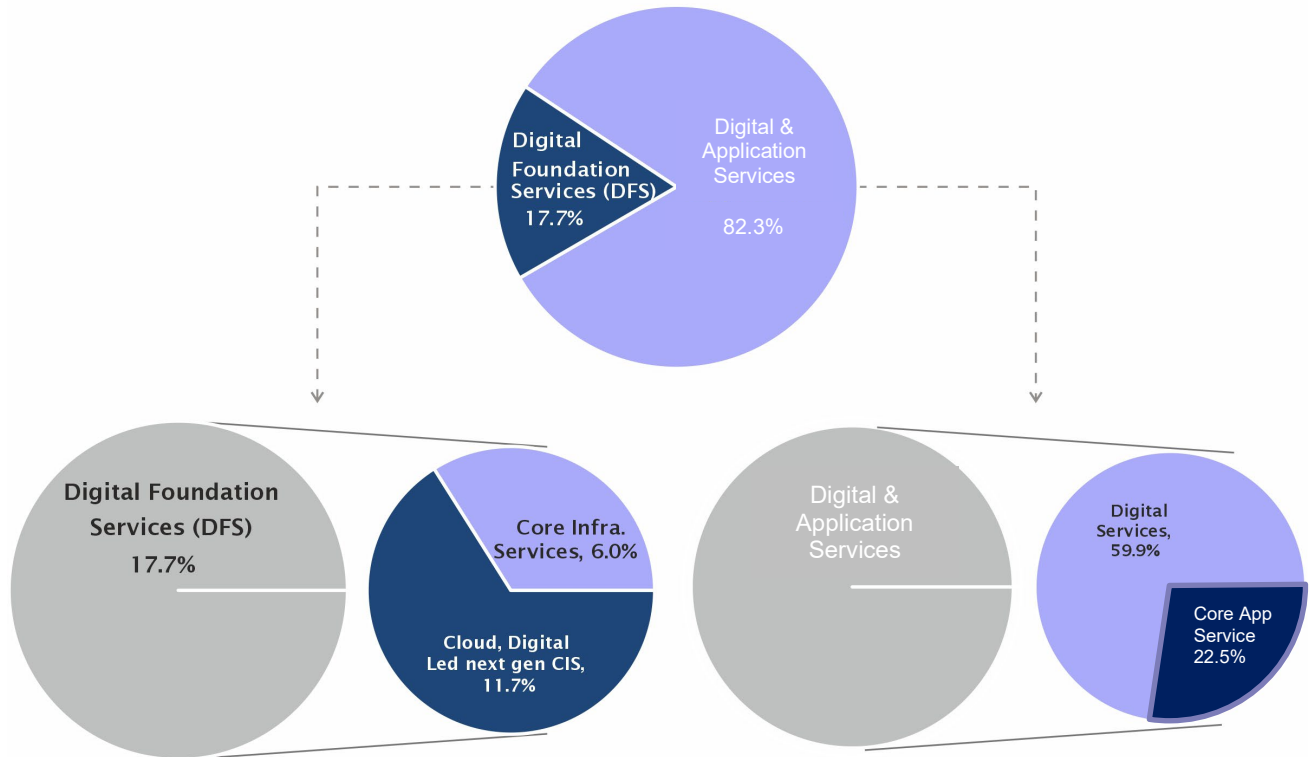
IT Pack Avg.
Mid-cap IT Avg.

30.3x
35.0x

Source: Company, Dalal & Broacha Research, Bloomberg

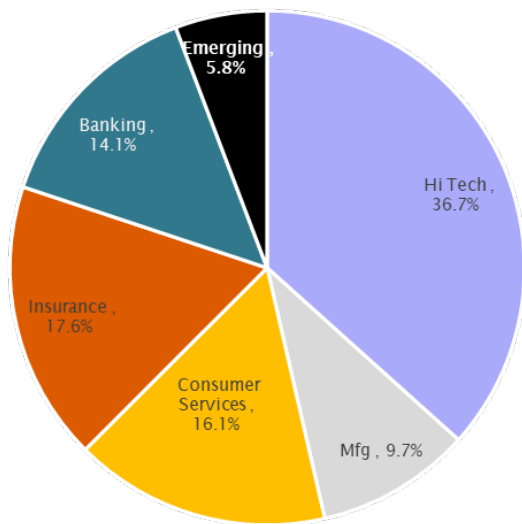
Company Background

Exhibit 21: Services-wise revenue mix



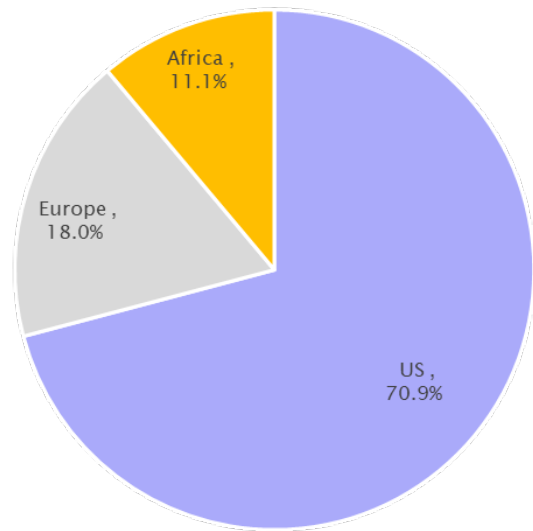
Source: Company, Dalal & Broacha Research

Exhibit 22: Verticle-wise revenue split



Source: Company, Dalal & Broacha Research

Exhibit 23: Geographic-wise revenue split



Source: Company, Dalal & Broacha Research

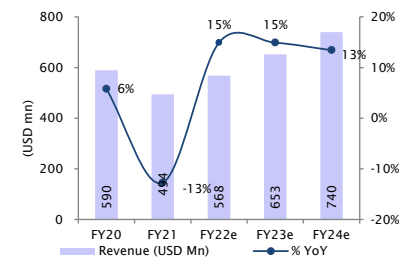
Financials

Profit & Loss A/c					
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	41,817	37,814	42,274	48,940	55,524
<i>Growth %</i>	5%	-10%	12%	16%	13%
Less:					
Employee benefits expense	23,474	21,526	25,582	29,924	33,784
Subcontracting costs	6,588	5,233	6,137	7,111	6,998
Purchase of traded goods	1,525	1,134	1,141	1,256	1,425
Other expenses	4,850	2,803	2,854	3,276	3,717
Total Operating Expenditure	36,746	30,966	35,715	41,567	45,924
EBIDTA	5,071	6,848	6,559	7,373	9,600
<i>Growth %</i>	6%	35%	-4%	12%	30%
Less: Depreciation	1,592	1,747	1,839	2,096	2,194
EBIT	3,479	5,101	4,720	5,277	7,407
<i>Growth %</i>	-11%	47%	-7%	12%	40%
Interest Paid	605	535	354	391	374
Non-operating Income	884	255	895	1,073	1,138
Profit Before tax	3,758	4,329	5,261	5,958	8,171
Tax	1,042	1,260	1,389	1,599	2,193
Net Profit before Minority	2,716	3,070	3,871	4,359	5,978
Net Profit	2,716	3,070	3,871	4,359	5,978
Adjusted Profit	2,716	3,561	3,871	4,359	5,978
<i>Growth %</i>	-15%	31%	9%	13%	37%
Reported EPS	12.0	15.8	17.1	19.3	26.4
<i>Growth %</i>	-15%	31%	9%	13%	37%
Adjusted EPS	12.0	15.8	17.1	19.3	26.4
<i>Growth %</i>	-14.8%	31.1%	8.7%	12.6%	37.1%

Key Ratios					
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E	FY24E
EBIDTA (%)	12.1%	18.1%	15.5%	15.1%	17.3%
NPM (%)	6.5%	8.1%	9.2%	8.9%	10.8%
RoE (%)	13.5%	16.1%	15.6%	15.6%	18.8%
RoCE (%)	14.1%	19.0%	16.9%	16.8%	21.0%
Tax Rate %	27.7%	29.1%	26.4%	26.8%	26.8%
Book Value Per share (Rs.)	92.5	103.6	116.5	131.0	150.8

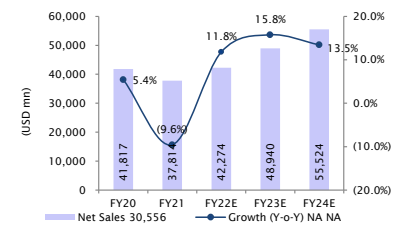
Valuation Ratios					
	FY20	FY21	FY22E	FY23E	FY24E
P/E (x)	30.6x	27.1x	21.5x	19.1x	13.9x
EV/EBITDA	16.0x	11.2x	11.0x	9.3x	6.8x
P/BV (x)	4.0x	3.5x	3.2x	2.8x	2.4x
Market Cap. / Sales (x)	2.0x	2.2x	2.0x	1.7x	1.5x

Revenue (USD Mn) & Growth Rate (%)



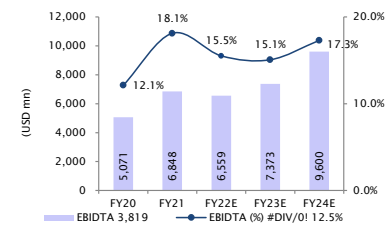
Source: Company, D&B Estimates

Revenue (INR Mn) & Growth Rate (%)



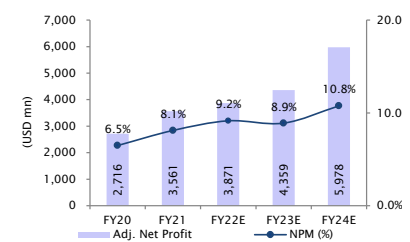
Source: Company, D&B Estimates

EBITDA & EBITDA Margins (%)



Source: Company, D&B Estimates

PAT & PAT Margins (%)

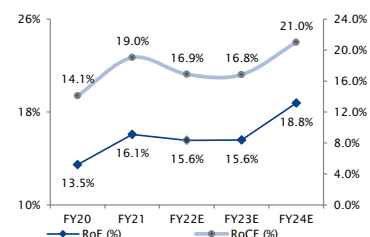


Source: Company, D&B Estimates

Balance Sheet (Consolidated)

YE March(Rs. mn)	FY20	FY21	FY22E	FY23E	FY24E
Liabilities					
Equity Capital	451	451	452	452	452
Reserves & Surplus	20,112	22,786	25,883	29,152	33,635
Equity	20,900	23,423	26,335	29,604	34,087
Net Worth	20,900	23,423	26,335	29,604	34,087
Total Loans	2,886	0	0	0	0
Others	486	187	543	630	707
Capital Employed	28,696	27,394	31,007	34,190	38,837
Assets					
Gross Block	2,902	2,741	3,291	3,791	4,291
Less: Depreciation	1,608	1,607	2,009	2,467	2,947
Net Block	1,294	1,134	1,282	1,323	1,344
Investments	794	1,846	1,574	1,774	1,972
Intangible Assets	2,298	1,675	914	807	767
Others Assets	6,466	5,770	5,770	5,770	5,770
Current Assets					
Sundry Debtors	6,656	5,888	6,717	7,643	8,671
Current Investments	2,670	3,633	2,536	2,936	3,331
Cash and Bank Balance	5,166	6,986	11,098	14,558	18,360
Loans and Advances	2,976	1,895	2,959	2,936	3,331
Total Current Assets	20,576	19,928	25,847	30,521	36,192
Less: Current Liabilities					
Sundry Creditors	2,650	2,201	2,740	3,303	3,775
Operating Other Current Liabilities	3,270	3,347	3,709	4,339	4,899
Other Current Liabilities	1,340	1,392	1,518	1,718	1,916
Total Current Liabilities	7,260	6,940	7,967	9,360	10,589
Miscellaneous Assets	1,245	1,230	1,230	1,230	1,230
Capital Applied	28,696	27,394	31,007	34,190	38,837

ROE (%) ROCE(%)



Source: Company, D&B Estimates

Cash Flows (Consolidated)

YE March (Rs. Mn)	FY20	FY21	FY22E	FY23E	FY24E
PAT	2,716.0	3,069.8	3,871.3	4,359.0	5,977.6
Less: Non Operating Income	(884.2)	(254.5)	(895.0)	(1,073.0)	(1,137.8)
Add: Depreciation	1,591.8	1,747.1	1,839.0	2,096.2	2,193.9
Add: Interest Paid	605.1	535.3	354.0	391.2	373.6
Operating Profit before WC Changes	4,028.7	4,606.7	5,169.3	5,773.5	7,407.3
(Inc)/Dec in Current Assets	668.9	1,527.9	(1,808.0)	(1,213.0)	(1,869.9)
Inc/(Dec) in Current Liabilities	(837.0)	(319.4)	1,027.0	1,392.4	1,229.1
Changes in Inventory	43.4	941.2	0.0	0.0	0.0
Net Cash Generated From Operations	3,904.0	6,756.4	4,388.3	5,952.8	6,766.6
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(1,859.4)	(1,587.0)	(1,986.9)	(2,137.9)	(2,214.2)
Net Cash Flow from Investing Activities	(500.9)	(1,210.9)	680.8	(1,097.9)	(1,174.3)
Cash Flow from Financing Activities					
Dividend Paid	(632.8)	(813.6)	(774.3)	(1,089.8)	(1,494.4)
Net Cash Flow from Financing Activities	(1,680.2)	(3,775.4)	(957.6)	(1,394.1)	(1,790.8)
Net Inc/Dec in cash	1,722.9	1,770.1	4,111.5	3,460.8	3,801.4
Opening Balance	3,259.1	5,165.7	6,986.2	11,097.7	14,558.5
Closing Cash	4,982.0	6,935.8	11,097.7	14,558.5	18,359.9

Free Cash Flow Statement

YE March (Rs. mn)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA	5,071	6,848	6,559	7,373	9,600
FC Investment	-328	784	212	-393	-460
WC Changes	-125	2,150	-781	179	-641
Depreciation Tax Shield	441	508	486	563	589
Tax Expenses	1,042	1,260	1,389	1,599	2,193
FCF	6,101	11,550	7,864	9,321	11,282

Key Ratios (Consolidated)					
YE March (Rs. mn)	FY20	FY21	FY22E	FY23E	FY24E
Key Operating Ratios					
EBITDA Margin (%)	12.1%	18.1%	15.5%	15.1%	17.3%
Tax / PBT (%)	27.7%	29.1%	26.4%	26.8%	26.8%
Net Profit Margin (%)	6.5%	8.1%	9.2%	8.9%	10.8%
RoE (%)	13.5%	16.1%	15.6%	15.6%	18.8%
RoCE (%)	14.1%	19.0%	16.9%	16.8%	21.0%
Current Ratio (x)	2.8x	2.9x	3.2x	3.3x	3.4x
Dividend Payout (%)	23.3%	26.5%	20.0%	25.0%	25.0%
Book Value Per Share (Rs.)	92.5	103.6	116.5	131.0	150.8
Financial Leverage Ratios					
Debt/ Equity (x)	0.1x	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	8.4x	12.8x	18.5x	18.8x	25.7x
Growth Indicators %					
Growth in Gross Block (%)	23%	-6%	20%	15%	13%
Sales Growth (%)	5.4%	(9.6%)	11.8%	15.8%	13.5%
EBITDA Growth (%)	5.8%	35.1%	(4.2%)	12.4%	30.2%
Net Profit Growth (%)	(14.8%)	31.1%	8.7%	12.6%	37.1%
Diluted EPS Growth (%)	(14.8%)	31.1%	8.7%	12.6%	37.1%
Turnover Ratios					
Debtors (Days of net sales)	58	57	58	57	57
Creditors	26	26	28	29	30

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Name	Designation	Email	Phone	Sector
Mr.Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Auto Auto ancillary FMCG
Mr.Mayank Babla	Sr.Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr.Avinash Tanawade	Sr.Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr.Bhavya Gandhi	Associate	bhavya.gandhi@dalal-broacha.com	022 67141444	Midcaps
Mr.Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com