



## Zensar Technologies Limited

Zensar has reported **brilliant performance for Q2 FY 2010** owing to its strategy of risk mitigation across geographies, vertical domains and service lines pursued over the years.

- ◆ Q-o-Q, net Sales increased by 9.6% to Rs. 251.17 crore (Rs. 229.23 crore in Q1 FY 2010) led by 13.7% increase in sales of Enterprise Application Services (EAS) of Rs. 73.23 crore (Rs. 64.4 crore). Global Transformation Services (GTS) turnover was up by 7.9% to Rs. 177.87 crore (Rs. 164.78 crore).
- ◆ **OPM% enhanced to 18.4%** (17.5%) with reduction in staff cost to 63.7% (67.4%) of sales. Improvement would have been much better but for increase in other expenses to 16.4% (14.1%) of sales.
- ◆ Consequently, PBT rose by 16.2% to Rs. 43.63 crore (Rs. 37.54 crore)
- ◆ Further aided by lower tax rate of 13.2% (20.9%) PAT (after minority interest) grew @ 27.4% to Rs. 37.9 crore (Rs. 29.74 crore).
- ◆ During Q2 FY 2010, company **added 24 new customers** to its portfolio.
- ◆ In terms of verticals, company has launched media and education vertical for domestic market and these are increasingly seeing visible traction.
- ◆ In H1 FY 2010, company has hired 300 new recruits, taking total no. of employees to 4,815 as on Sep. 30, 2009. Retention has been phenomenal at 96 % - an Industry benchmark

Zensar is the world's first enterprise-wide SEI CMM Level 5 Company and was later certified as CMMI Level 5 Company with industry expertise that spans Retail, Manufacturing, Banking, Insurance and Utilities. It has presence across US, UK, Germany, Sweden, Finland, Middle East, South Africa, Hong Kong, Singapore, Australia and Japan.

Company delivers comprehensive services in mission-critical applications, enterprise applications, e-business, BPO and Knowledge Services. It has developed tools and methodologies, including proprietary Solution BluePrint (SBP), which enables its clients with innovative business solutions and rapid 'go-to-market' capability. Company supports Fortune 500 clients with software business solutions that help them compete in digital economy.

Recently, company has signed multi-million dollar deal with Jetstar, low cost airline arm of airline major "Qantas" for multiple cost optimisation services. This partnership with Jetstar is a strategic one for Zensar and with multiple projects on anvil, company expects to perfect its Impact Sourcing Services to help many troubled airlines in India & abroad to come back into black and improve their performance in the months to come.

Besides, it has also won a million dollar deal in insurance space in USA and number of new marquee accounts in Europe & Asia.

Emerging markets of India, South Africa and continental Europe continue to be drivers of new business for Zensar and with number of customers ready now to move offshore, which is significant trend for the company. Shifting of ThoughtDigital work to India would improve the profitability margins of EAS business going forward.

Management has stated that company is committed to cross Rs. 100 crore PAT in FY 2010, this year. However, considering that company has already achieved consolidated PAT of Rs. 67.64 crore in H1 FY 2010, it is well set to exceed this number.

At CMP of Rs. 214.95, the share (Rs. 10/- paid up) is trading at 4.29 times DFY 2010 expected EPS of Rs. 50/-. In view of decent future prospects, we recommend to "BUY" the share at CMP.

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