



AI-Led Growth Momentum Strengthens; Valuation Remains Attractive

Est. Vs. Actual for Q2FY27: Revenue: **INLINE**; EBIT: **BEAT**; PAT – **INLINE**

Change in Estimates YoY post Q2FY27

FY27E/FY28E: Revenue: 2%/6%; EBIT: 9%/13%, PAT: 2%/-0.2%

Recommendation Rationale

- **Strong Revenue Growth and Broad-Based Recovery:** In CC terms, the company reported healthy revenue growth of 4.1% QoQ, supported by broad-based volume growth across geographies and three of its four key verticals. BFSI led the performance with 7.1% QoQ growth, driven by multiple client accounts and ramp-up of large deals. Manufacturing and Consumer Services, along with Healthcare and Life Sciences, also delivered positive growth. TMT vertical continued to remain weak, though management indicated that the weakness is moderating as the company's exposure to the vertical is getting reduced sequentially. Moreover, lower TMT concentration is also expected to reduce the impact of seasonal furloughs in Q3FY27.
- **Smaller Deal Wins to Provide New Offerings & Expand Addressable Market:** Despite flattish growth in TCV to US\$151.5 Mn, management highlighted that AI-led engagements are typically smaller and faster to execute than traditional large outsourcing contracts. Around US\$30 Mn of deals shifted in Q3 due to administrative documentation rather than delays in client decision-making. Zensar is also expanding its addressable market through industry-specific solutions and domain-led offerings. Hence, healthy deal wins and AI offerings are expected to unlock new opportunities in the long run.
- **Outcome-based Engagement Model, Higher Utilisation & Increasing Headcounts to Offset Wage Hike Impact:** During the quarter, EBIT margin expanded 67 bps QoQ to 13.4%, supported improvement in utilisation to 87.6%, higher volumes and lower ESOP costs. However, annual wage hikes across Q3 and Q4FY27 are expected to create a 150–200 bps margin headwind. Management intends to offset the impact through operational levers while maintaining its mid-teens margin guidance. With headcount increasing by 978 employees during the quarter, timely deployment of additional capacity into billable projects will offset internal headwinds.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: Management refrained from giving any broader guidance. However, the company aims to sustain operating margins at a mid-teens level. It continues to prioritise innovation to drive value growth.

Current Valuation: 15x FY28E P/E (Earlier Valuation: 14x FY28E P/E)

Current TP: Rs 605/share (Earlier TP: Rs 580/share)

Recommendation: We recommend a BUY rating on the stock.

Financial Performance

In Q2FY27, the company reported revenue of Rs 1,585 Cr vs Rs 1,421 Cr, up 11.5% YoY and 5.1% QoQ, led by higher utilisation and deal ramp-ups. EBIT stood at Rs 213 Cr, up 9.3% YoY and 10.7% QoQ despite higher subcontracting costs. EBIT margin was 13.4%, down 28bps YoY but up 67bps QoQ. Net income grew during the quarter to Rs 190 Cr. However, in CC terms, overall revenue grew by 4.1% QoQ and 2.0% YoY. Attrition stood at 9.3% on a TTM basis.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,585	5.1	11.5	1,543	2.7
EBIT	213	10.7	9.3	199	7.1
EBIT Margin	13.4	67bps	-28bps	12.9	55bps
Net Profit	190	3.5	4.4	193	(1.4)
EPS (Rs)	8.4	3.5	4.6	8.5	(1.4)

Source: Company, Axis Securities Research

(CMP as of 29th October, 2026)

CMP (Rs)	537
Upside /Downside (%)	13%
High/Low (Rs)	814/416
Market cap (Cr)	11,386
Avg. daily vol. (6m)Shrs.	34,42,380
No. of shares (Cr)	23

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	49.0	49.0	49.0
FII's	10.5	10.7	10.2
MFs/UTI	21.0	19.5	19.4
Banks/FIs	0.0	0.0	0.0
Others	19.5	20.7	21.4

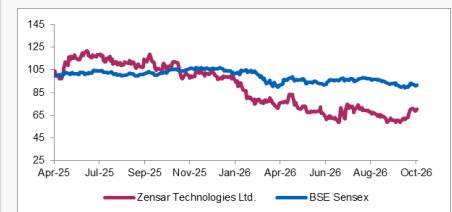
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	5,687	6,311	7,135
EBIT	825	863	1,004
Net Profit	775	794	915
EPS (Rs)	34.1	34.9	40.3
PER (x)	15.7	15.4	13.3
P/BV (x)	2.6	2.2	1.9
EV/EBITDA (x)	12.3	10.7	8.2
ROE (%)	17.6	15.5	15.3

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	2%	6%
EBIT	9%	13%
PAT	2%	-0.2%

Relative Performance



Source: AceEquity, Axis Securities Research

Results Gallery

[Q1FY27](#)
[Q4FY26](#)
[Q3FY26](#)
[Q2FY26](#)

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Outlook

From a long-term perspective, Zensar Technologies appears well positioned to address client-specific requirements across high-growth verticals while maintaining a strong deal pipeline. We believe the company's strategic initiatives will support a gradual sequential recovery, improving visibility on revenue growth and strengthening confidence in its medium-term growth outlook.

Valuation & Recommendation

The company's near-term outlook remains positive, supported by broad-based sequential growth, strong BFSI momentum and increasing traction in AI-led engagements. The shift towards Proof of Value projects and outcome-based contracts offers scope to improve deal conversion and capture productivity benefits. Currently, the company is trading at reasonable valuations of 15x/13x to its FY27E/FY28E Earnings, given its improving revenue momentum, strong cash and expanding AI-led capabilities. Consequently, **we upgrade our rating to BUY** and value the company at 15x FY28E earnings, arriving at a TP of Rs 605/share, implying an upside of 13% from the CMP.

Key Highlights

- **Vertical Performance:** In constant currency terms, BFSI grew 7.1% QoQ and 17.1% YoY and is now 50.3% of revenue. Manufacturing and Consumer Services grew 2.9% QoQ, and Healthcare grew 2.4% QoQ but remained 9.9% lower YoY. TMT declined 2.2% QoQ and 21.6% YoY and is now 15.2% of revenue. BFSI added US\$5.5 Mn, Manufacturing US\$1.2 Mn and Healthcare US\$0.4 Mn, while TMT lost US\$0.6 Mn.
- **Better Geographical and Client Mix:** Geographically, the US grew 4.5% QoQ in constant currency (CC), followed by Africa and Europe, which grew 6.7% and 1.3%, respectively, during Q2FY27. The US, Europe and Africa contributed 66.4%, 20.9% and 12.8% of revenue, respectively. The number of US\$20 Mn+ clients increased to 7 from 6, while US\$5 Mn+ clients rose to 34 from 32. However, US\$10 Mn+ clients declined to 18 from 19. The top five clients accounted for 25.0% of revenue.
- **Broad-based Growth Across Service Lines:** On a YoY basis, Products and Platforms, including CMO services, grew 18.3% and contributed 28.2% of revenue. Data Engineering and Analytics grew 13.4% while Enterprise Applications increased 1.8%. Cloud Infrastructure and Security declined 0.6%. Management says revenue from its focus service lines rose to 72.2%, up 420 bps YoY.
- **Healthy Order inflow:** The Order intake during the quarter stood at US\$151.5 Mn, up 1.5% QoQ. Around US\$30 Mn of deals were pushed to the next quarter due to pending paperwork rather than delays in client decisions. Management expects industry order intake to remain muted as AI-led efficiencies lead to smaller deal sizes. The company is also cautious about taking on very large deals, as these could put pressure on margins. The renewal win rate remains strong at over 95% while deal tenure has remained largely stable.
- **AI-led Delivery Model Across Domains:** AI-influenced deals accounted for 36% of order intake, with over 80% of proof-of-value projects moving to production. More than 59% of projects use AI-led delivery, which is supported by over 50 AI offerings. Zensar positions its ZenseAI platform as a delivery accelerator and does not separately report AI revenue.
- **Wage Hikes Impact:** Management informed that the annual wage hikes will be implemented in two phases, in Q3 and Q4, with a total margin impact of 1.5%-2%. Management is looking for ways to absorb this and has stated the mid-teens margin guidance.
- **Headcount & Utilisation to Increase:** Headcount increased by 978 net employees QoQ to 12,320, representing growth of 8.6% following 1,973 gross additions. Hiring included both freshers and lateral employees, with a higher number of graduate hires in the second half of the quarter. Management compensated AI-native freshers receive around 2.5 times the pay of regular freshers after conversion. They accounted for approximately 30% of fresher hiring so far, and management expects this share to increase. Utilisation (excluding Trainees) stood at 87.6% while voluntary attrition remained low at 9.3%, marking the seventh consecutive quarter below 10%. Women accounted for 32.7% of the workforce.

Key Risks to our Estimates and TP

- The demand environment is uncertain because of the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.

Change in Estimates

(Rs Cr)

	New		Old		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	6,311	7,135	6,171	6,721	2%	6%
EBIT	863	1,004	793	885	9%	13%
PAT	794	915	777	917	2%	-0.2%

Source: Company, Axis Securities Research

Results Review

(Rs Cr)

Y/E March	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)
Net sales	1,585	1,508	5.1	1,421	11.5
Total Expenditure	1,336	1,287	3.7	1,201	11.2
EBITDA	250	221	13.0	220	13.5
<i>EBITDA margin (%)</i>	<i>15.8%</i>	<i>14.6%</i>	<i>111bps</i>	<i>15.5%</i>	<i>27bps</i>
Depreciation	37	29	29.1	25	46.0
EBIT	213	192	10.7	195	9.3
<i>EBIT margin (%)</i>	<i>13.4%</i>	<i>12.8%</i>	<i>67bps</i>	<i>13.7%</i>	<i>-28bps</i>
Interest cost	3	4	(5.7)	4	(10.8)
Other income	42	57	(26.2)	49	(13.8)
Exceptional item	0	0	NA	NA	NA
PBT	252	246	2.3	240	4.9
Tax	62	62	(1.1)	58	6.4
Profit after tax	190	184	3.5	182	4.4
Reported EPS	8.4	8.1	3.5	8.0	4.6
Adj. PAT	190	184	3.5	182	4.4
Adj. EPS	8.4	8.1	3.5	8.0	4.6

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Net sales	4,902	5,281	5,687	6,311	7,135
Change (YoY, %)	1.1%	7.7%	7.7%	11.0%	13.1%
Operating expenses	4,030	4,464	4,771	5,341	5,994
EBITDA	872	817	916	969	1,142
Change (YoY, %)	58	(6)	12	6	18
Margin (%)	18	15	16	15	16
Depreciation	134	102	91	106	137
EBIT	738	715	825	863	1004
Interest paid	21	17	12	13	15
Other income	159	160	234	196	214
Pre-tax profit	876	858	1,047	1,046	1,204
Tax	211	208	247	253	289
Effective tax rate (%)	24%	24%	24%	24%	24%
Net profit	665	650	775	794	915
Exceptional items	-	-	(25)	-	-
Adjusted net profit	665	650	799	794	915
Change (YoY, %)	103.0%	-2.3%	23.0%	-0.7%	15.3%
Adj. EPS	29.3	28.6	34.1	34.9	40.3
Dividend per share	9.0	13.0	12.6	12.6	12.6
Dividend Payout (%)	31	45	37	36	31

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Share capital	45	45	45	45	45
Reserves & surplus	3,517	4,024	4,674	5,467	6,382
Shareholders' funds	3,562	4,070	4,719	5,513	6,428
Total Debt	0	0	0	0	0
Other liabilities	232	221	214	214	214
Current Liabilities & prov.	854	882	1,150	1,052	1,209
Current liabilities	806	846	1,105	1,017	1,169
Provisions	49	36	45	35	40
Total liabilities	1,086	1,103	1,364	1,266	1,423
Total equity & liabilities	4,648	5,173	6,084	6,779	7,851
Net fixed assets	81	91	105	99	62
Investments	758	460	261	0	0
Other non-current assets	1,215	1,308	1,667	1,666	1,666
Current assets	2,594	3,315	4,050	5,014	6,123
Inventories	0	0	0	0	0
Sundry Debtors	732	790	924	964	1,090
Cash & Liquid	724	744	932	1,860	2,823
Other Current Assets	1,138	1,781	2,195	2,189	2,210
Total assets	4,648	5,173	6,084	6,779	7,851

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Pre tax	665	650	775	794	915
Depreciation	134	102	91	106	137
Change in working capital.	(284)	(673)	(280)	(133)	11
Other operating activities	(138)	(143)	(197)	(183)	(199)
Cash flow from operations (a)	377	(64)	389	584	863
Capital expenditure	11	(112)	(106)	(100)	(100)
Change in investments	(314)	372	84	261	-
Other investing activities	191	(7)	(10)	197	214
Cash flow from investing (b)	(112)	254	(32)	358	114
Equity raised/(repaid)	-	0	-	-	-
Debt raised/(repaid)	(55)	(11)	(7)	-	-
Dividend (incl. tax)	(204)	(295)	(287)	(287)	(287)
Change in minorities	-	-	-	-	-
Other financing activities	(10)	136	125	273	272
Cash flow from financing (c)	(269)	(170)	(169)	(13)	(15)
Net change in cash (a+b+c)	(4)	20	188	929	963
Opening cash balance	728	724	744	932	1,860
Closing cash balance	724	744	932	1,860	2,823

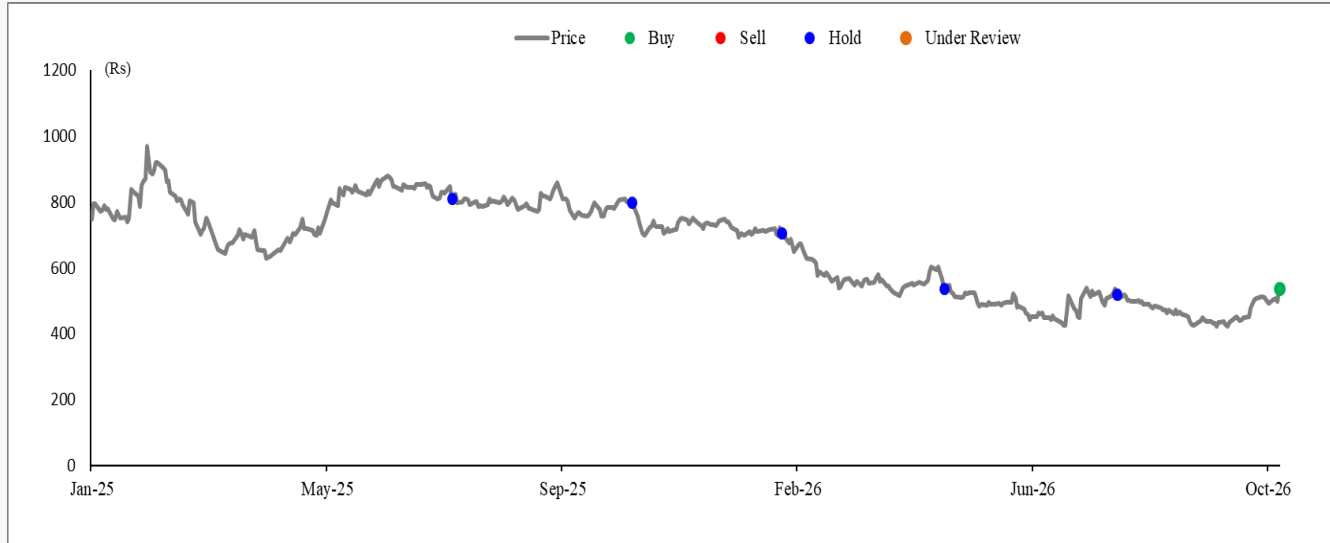
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Book Value (Rs)	157	179	208	243	283
Adj EPS (Rs)	29.3	28.6	35.2	34.9	40.3
Adj EPS growth (%)	103	-3	23	-1	15
EBITDA margin (%)	17.8	15.5	16.1	15.4	16.0
Pre-tax margin (%)	17.9	16.2	18.0	16.6	16.9
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
ROCE (%)	19	16	17	15	15
ROE (%)	20	17	18	16	15
Financial leverage ratios					
Debt / Equity (x)	-	-	-	-	-
Interest Coverage (x)	35.3	41.3	68.2	64.9	78.0
Interest / Debt (%)	-	-	-	-	-
Working Capital & Liquidity Ratio					
Inventory days	0	0	0	0	0
Receivable days	54	54	58	55	55
Payable days	23	23	23	24	25
Valuation ratio					
PER (x)	18	19	16	15	13
Adjusted PER (x)	18	19	15	15	13
P/BV (x)	3	3	3	2	2
EV/EBITDA (x)	13	14	12	11	8
Market Cap. / Sales (x)	2	2	2	2	2

Source: Company, Axis Securities Research

Zensar Technologies Price Chart and Recommendation History



Date	Reco	TP	Research
23-Jul-25	HOLD	875	Result Update
03-Nov-25	HOLD	865	Result Update
27-Jan-26	HOLD	760	Result Update
20-Mar-26	HOLD	590	Sector Update
27-Apr-26	HOLD	580	Result Update
31-Jul-26	HOLD	560	Result Update
30-Oct-26	BUY	605	Result Update

Source: Axis Securities Research

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BUY	More than 10%
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