September 02, 2025

Zensar Technologies Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term – Fund-based/Non-fund based	191.00	191.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
Total	**191.00**	**191.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the ratings for Zensar Technologies Limited (Zensar) factors in its established business position in the IT services industry, its diverse presence across service lines and business segments, and its strong financial profile, marked by its robust capital structure, healthy cash flows and strong liquidity position.

Zensar posted a steady revenue growth of 7.7% on a YoY basis in INR terms in FY2025 and 7.5% on a YoY basis in Q1 FY2026 amid persistent macro-economic environment headwinds in the key markets of the US and Europe, resulting in lower discretionary spending and further exacerbated by the tariffs imposed by the US. Despite such challenges, Zensar maintained a robust total contract value (TCV) of $774 million in FY2025, growing by 11% on a YoY basis and $172 million in Q1 FY2026, providing healthy revenue visibility over the near-to-medium term. About 30% of its active order pipeline is driven by generative AI (genAI) led deal wins. Its operating profit margin (OPM) witnessed a slight correction to 15.5% in FY2025 and 15.2% in Q1 FY2026 from 17.8% in FY2024 due to higher marketing and sales/ travel expenses.

Nonetheless, the employee utilisation levels improved to 84.6% in FY2025 from 83.7% in FY2024 along with reduction in its last twelve months (LTM) attrition to 9.8% in Q1 FY2026 from 10.6% in Q1 FY2025, in line with the industry trend. The company also upskilled more than 50% of its employee base with AI/ genAI capabilities. Going forward, its strong order book position along with deepening of its service capabilities and investing in newer technologies are expected to support the growth, along with sustenance of its strong financial risk profile with an external debt-free status (excluding lease liabilities) and strong liquidity (sizeable cash and liquid investments of Rs. 2,710.6 crore as on June 30, 2025). ICRA also expects the company to look for acquisitions to drive its inorganic growth plans, however, the impact of such acquisitions on its cash flow will be closely monitored. Additionally, the ratings continue to factor in the company's strong financial flexibility for being a part of the RPG Group, a diversified business conglomerate in India.

The ratings, however, remain constrained by the relatively moderate scale of operations compared to large domestic IT players and concentration on the US market (67.7% of revenue in FY2025) followed by Europe and Africa, which exposes the company to macroeconomic uncertainties in such key geographies. The company also faces stiff competition from other prominent players in the global IT services industry, which limits pricing flexibility. Additionally, industry participants, including Zensar, continue to face challenges like foreign currency fluctuations, talent acquisition and retention. The demand for IT services remains exposed to macro-economic uncertainties in Zensar's key operating markets in the US, Europe and Africa.

The Stable outlook on the long-term rating reflects ICRA's opinion that despite the prevailing softness in demand and global headwinds, Zensar will continue to benefit from its established business profile, healthy order book position and strong financial profile.

Key rating drivers and their description

Credit strengths

Diversified presence across various service lines and verticals – The company's revenues are diversified across various service offerings, such as the digital application services (DAS), which include application services, enterprise SaaS-based applications, products and platforms, and data engineering and analytics, accounting for 80% of its revenues in FY2025 while the balance is derived from digital foundation services (DFS). Further, its clientele is spread across telecommunication, media & technology, manufacturing & consumer services, banking & financial services and healthcare & life sciences domains, leading to sectoral diversification. Growth across most key verticals, barring the telecom, media and technology segment, remained steady in FY2025, however there has been some sequential recovery in telecom, media & technology segments in Q1 FY2026.

Part of a large, established, and diversified Group imparts financial flexibility – Zensar is a part of the RPG Group (revenue of Rs. 426 billion in FY2025), which has a diversified presence in infrastructure, tyres, technology and pharmaceuticals industries. The company derives financial flexibility and benefits from the strong management lineage of the Group.

Healthy order book position provides revenue visibility – Zensar maintains a healthy order book position reflected by its TCV of $774 million in FY2026, consisting of a diverse mix of mid and large-sized deals and AI-led new wins, mostly in the banking, financial services and insurance domain. The company further maintained a TCV of $172 million in Q1 FY2026, which provides a healthy revenue visibility over the near-to-medium term. About 30% of its active order pipeline is driven by AI-led orders.

Strong financial profile, characterised by healthy cash flow, robust capital structure and comfortable liquidity profile – The company's financial profile continues to be strong, as reflected in its healthy internal accrual generation and robust liquidity position. Despite a challenging macro-economic environment and uncertainty driven by tariffs imposed by the US, Zensar reported a steady revenue growth of about 8% on a YoY basis in FY2025 and Q1 FY2026. While the OPM moderated by 230 bps to 15.5% in FY2025, mainly impacted by higher sales/ marketing/ travel expenses and investments in new technologies, the employee utilisation levels improved along with a reduction in the attrition level, in line with the industry trend. Moreover, its capital structure remains strong by virtue of its debt-free (excluding lease liabilities) status. Despite subdued demand conditions in the IT industry, Zensar is expected to maintain its strong financial profile, supported by comfortable capital structure and liquidity position.

Credit challenges

Relatively moderate scale of operations and geographical concentration risk compared to large IT companies – With an operating income of Rs. 5,280.6 crore in FY2025, Zensar's scale of operations remains moderate compared to some large domestic IT players, restricting its pricing flexibility and margins. Moreover, in line with the trends in the global IT services industry, Zensar derives a significant portion (67.7% in FY2025) of its revenues from the US, followed by Europe (20.9%) and Africa (11.4%). This further exposes the company's revenues and earnings to the structural and region-specific challenges in the US.

Industry-specific challenges like intense competition, forex risk, employee attrition and exposure to policies in key operating markets – Zensar's revenue and profit margin remain susceptible to demand softening and decline in discretionary spending as it operates in the intensely competitive IT services industry. Moreover, its revenues and margins are also exposed to forex risks as revenues are derived from the international market. Nonetheless, the hedging mechanisms of the company mitigate this risk to some extent. As the company is present in a highly labour intensive business, the availability and retention of a skilled workforce continue to be key challenges. However, in line with the industry trend, the company has witnessed significant reduction in attrition level in the recent quarters, supporting its business profile. Zensar also remains exposed to macroeconomic uncertainties and any adverse regulatory/ legislative changes in its key operating markets of the US and Europe.

Liquidity position: Strong

Zensar's liquidity profile continues to be strong, supported by healthy cash flow generation, significant cash and liquid investments of Rs. 2,710.6 crore along with unutilised working capital limits of about Rs. 180 crore as on June 30, 2025. Moreover, the company remains debt free (excluding lease liabilities). ICRA expects the company to continue to scout for investment/acquisition opportunities to support its inorganic growth initiatives. The impact of the same, if any, on Zensar's credit and liquidity profiles will depend on the ticket size of these investments/acquisitions and their operational and financial synergies.

Rating sensitivities

Positive factors – A significant improvement in scale of operations and earnings, supported by a healthy growth across key verticals and strengthening business position, while maintaining a strong credit profile and liquidity position would be a positive rating trigger.

Negative factors – Pressure on Zensar's ratings could arise in case of sizeable debt-funded acquisitions, which could significantly impact the company's financial profile and liquidity position. A specific credit metric that could result in a downgrade of Zensar's ratings include Total Debt/OPBITDA (debt including lease liability) exceeding 1.25 times, on a sustained basis.

Environmental and social risks

Environmental considerations: Given the service-oriented business, Zensar's direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material.

Social considerations: Like other Indian IT services companies, Zensar faces the risk of data breaches and cyberattacks that could affect the large volumes of customer data that it manages. Any material lapse on this front could result in substantive liabilities, fines, or penalties and reputation related impact. Also, the company remains exposed to the risk of changes in immigration laws in the key developed markets where it provides its services. While such changes would be influenced by social and political considerations of those nations, they could increase competition among IT players for skilled workforce, resulting in higher attrition rates and may have an adverse impact on profitability.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT – Software & Services
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Zensar. Refer to the Annexure-II for the list of entities considered for consideration.

About the company

Zensar is a mid-sized IT software and infrastructure services and solutions provider with industry expertise across manufacturing (hi-tech and industrial), retail, insurance, banking and financial services. The company delivers comprehensive services for mission-critical applications, enterprise applications, business intelligence and analytics, business process management and digital services. Zensar has operations across the US, the UK, Europe, and South Africa.

The company has demonstrated a consistent track record of growth, backed by its 10,620 associates (as on June 30, 2025) and a footprint in 16 countries. Zensar's comprehensive range of software services and solutions cater to 145+ customers. The company is present across the whole value chain of IT and IT-enabled services from IT consulting, application development & maintenance and package implementation to BPO operations.

Key financial indicators (audited)

Zensar – Consolidated	FY2024	FY2025
Operating income	4901.9	5280.6
PAT	665.0	649.8
OPBDIT/OI	17.8%	15.5%
PAT/OI	13.6%	12.3%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	0.2	0.2
Interest coverage (times)	41.7	47.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Note: PAT is after exceptional losses and debt includes lease liability; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 02, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based/ Non-fund based	Long-term/ Short-term	191.00	[ICRA]AA+ (Stable) /[ICRA]A1+	20-Aug-2024	[ICRA]AA+ (Stable) /[ICRA]A1+	30-Jun-2023	[ICRA]AA+ (Stable) /[ICRA]A1+	30-May-2022	[ICRA]AA+ (Stable)/ [ICRA]A1+
Non-fund based	Long-term	-	-	-	-	30-Jun-2023	[ICRA]AA+ (Stable)	30-May-2022	[ICRA]AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term / Short Term – Fund Based/ Non-Fund Based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term/Short-term Fund based/ Non-fund based**	NA	NA	NA	191.00	[ICRA]AA+ (Stable)/ [ICRA]A1+

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis

Company Name	Zensar's Ownership	Consolidation Approach
Zensar Technologies Inc	100.00%	Full Consolidation
Zensar Technologies (UK) Ltd.	100.00%	Full consolidation
Zensar (Africa) Holdings Proprietary Ltd.	100.00%	Full consolidation
Zensar (South Africa) Proprietary Ltd	75.00%	Full consolidation
Zensar Technologies (Singapore) Pte. Ltd	100.00%	Full consolidation
Foolproof Ltd., UK	100.00%	Full consolidation
Keystone Logic Mexico S. DE R.L. DE C.V	100.00%	Full consolidation
Zensar Technologies GmbH	100.00%	Full consolidation
Zensar Technologies (Canada) Inc	100.00%	Full consolidation
Zensar Information Technologies B.V.	100.00%	Full consolidation
M3Bi India Private Limited	100.00%	Full consolidation
M3Bi LLC	100.00%	Full consolidation
Zensar Colombia S.A.S	100.00%	Full consolidation
Bridgeview Life Sciences, LLC	100.00%	Full consolidation

Source: Q1 FY2026 results

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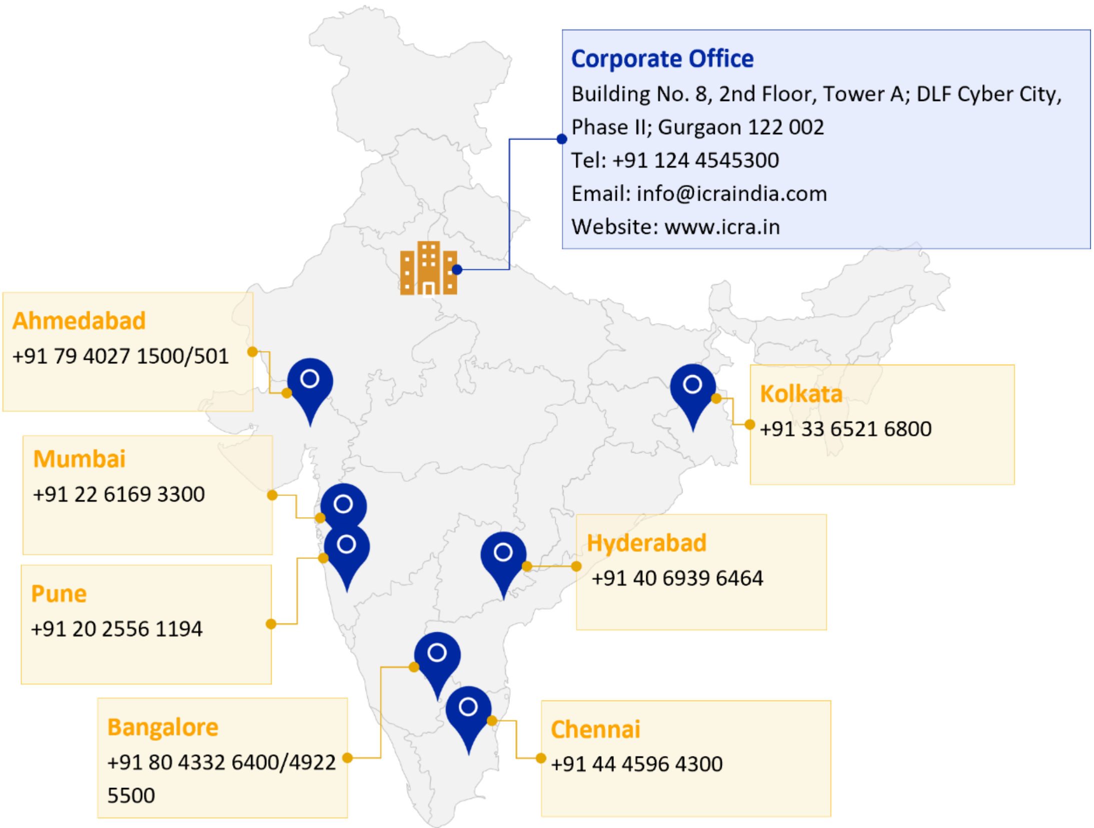

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