



“Zensar Technologies Conference Call”

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**MODERATORS: DR. GANESH NATARAJAN
MR. S. BALASUBRAMANIAM
MR. AJAY BHANDARI
MR. SANJAY RAWA**

Moderator: Ladies and gentlemen, good day and welcome to the Q3FY2011-12 results conference call of Zensar technologies Limited. We have with us today Dr. Ganesh Natarajan, Vice Chairman and CEO, Mr. S. Balasubramaniam, Executive Vice President and CFO, Mr. Sanjay Rawa, Associate Vice President and Financial Controller and Mr. Ajay Bhandari, Senior Vice President Head Strategy. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Dr. Ganesh Natarajan. Thank you and over to you Sir.

Ganesh Natarajan: Good afternoon to all of you and thank you for joining this call about the results and prospects of Zensar Technology. The way it is structured I will speak for about 10 minutes, because I realize there are quite a few new people on this call, so to just to give you a little background about Zensar, the strategy we have adopted over the last four to five quarters which has led to a very successful run this financial year and why we expect that in spite of an economy which is a little doubtful. We expect to continue our growth track and in fact we have very ambitious target, which I will share with you and also share with you how we intend to make this happen.

I mean all of you have seen the numbers but just of a quick summary. We had a very good growth both on a year-on-year basis on a sequential quarter basis, in fact sequential quarter 17.6% growth in revenues, 30.6% growth in net profit and 30.6% in the EPS, so it has been excellent. I think our client additional been very good and most of our existing clients are also doing well and continuing to grow thereby just specifically there opportunity share with us. Just to remind all of you about Zensar itself, we enter the top 20 NASSCOM listing last year expect to do obviously much better this year, because we are growing faster than many of our competitors. In terms of key metrics we crossed 6800 employees, we expect to go between 7500 and 7600 in the next five to six months.

Our key verticals are manufacturing and retail and in the BFSI space we do a lot of work in insurance and two or three very solid plans in the banking space. We have just entered healthcare with a very significant win during this year and we expect to see that grow also during the next year. Currently working with over 400 customers out of which close to 50, 60 annuity customer which contribute a very significant portion of our business and these are very 'lights on' computing support, application support, ERP support as well as IM support, this gives us a fair amount of predictability in our revenues and our growth going forward and like everybody else in term of quality I think we are at HTTM level five and all the quality standard that we expect.

Just to give a sense out to goal of Zensar strategy in fact over the next few years as well. I think we will continue to focus on the whole BFSI manufacturing, the retail and substantially improve our share in healthcare. The core geographies that we have got our business from today thanks to an acquisition we did last year which many of you are aware, Akibia and I will come back to that

little later. US contributes close to 71% of our revenue, UK which used to be very significant is now 9% of our revenues and the other markets which is primarily Africa and Middle East and India is close to 20% of our revenue.

In terms of abilities to get new business, which has got a very substantially this year even over the last couple of years, it is because of our investment in various areas just give you a quick summary, it always used to be Oracle, because we are one of Oracle's most valuable partner, we have a platinum partnership worldwide with Oracle and has been doing extremely good work in all market particularly in the manufacturing and retail space. Today, we also have a very well developed SAP strategy which used to be primarily in India and the Middle East but today we have a business in India, Middle East, South Africa, Australia, also doing extremely well in SAP in the US and that is contribute to a key growth driver.

The whole infrastructure management space and I will come back to that. Thanks for Akibia. Today, IM contributes to 38% of our business and is very crucial to our growth strategy because as I mentioned earlier this is an area which is of great focus to a lot of our customers and we are finding it very easy now to cross-sell Akibia services to Zensar customers and vice versa.

Last but not the least and I have spend some time on the later , is what we call or new CLOSOMO plan, CLOSOMO stands for Cloud, Social Media and Mobility and all these are very important that aspects of new development for new customers as well as our existing customers looking at migrating their applications on the cloud and this is an area we are very excited about without current partnership with Google and all the investments doing making this happen.

For just a few words, IM, as some of you would be aware this was our fastest growing vertical two years ago. We consciously decided as part of our strategy that we would buy a significant company which gave us a dual-shore capability both in the US and UK on one side as well as in the India and we bought this company called Akibia for \$66 million in December 2010. This has turned out to be one of our best acquisitions today because we built to an outstanding integration process, an initial 100-day plan where we integrated the marketing and communication part of it. The next six months plan where we integrate services, our people working with a Akibia and vice versa.

In the last few months we have seen the benefits of that over \$10 million of new business have been generated through joint value proposition and Akibia itself continues to do extremely well and this is go to be a major growth area. The key engines we see as grow in the IM business for us, is one of course expanding the data center support operation and which has been Akibia goal, also the remote infrastructure management and the managed services from India, I think we are also seeing a Akibia clients very interested in that and last but not the least jointly we are really building out the whole area of information security compliance, risk management, all of which are critical elements for all American and European customers going forward.

Akibia has a component of product sale, which is really to help them to get into larger deal by also making presence in the information security space. This is now a very small portion of the revenue and I think going forward we will see substantial focus and substantial result in the information management and infrastructure management dual-shore market.

I mentioned earlier that we have a very strong focus on the whole Google partnership. Today we have very proud track record of getting business in this space in fact we have two or three clients in the US who has chosen us as a cloud movement partner in the mobile space, clients like Silica in South Africa, Jet Star which is the local subsidiary of Qantas in Australia and a company called Lantronix all these are companies for whom we are building advance mobile platform and a good news is that today if we look at Zensar's own growth I think driven not just by new business and new time and material contract, but also by very substantial investment we have made in IP development, when I say IP an intellectual property so if you look at across our vertical, I mean today we have in retail you have a whole host of intellectual property solution including some top point of sale system, we have also built out to very significant product one is product called N-exchange which enables full-fledged e-commerce collaboration for manufacturing companies with their supply chain and customer partner.

We have also recently launched in India Autozenics, Autozenics is software related service hosted ERP solution. It is built around the Microsoft dynamic platform but also has extension with currently being implemented for tier II and tier III suppliers of Maruti Suzuki, we are also looking at Hero Honda all these are companies with whom they have good relationship in making clouds solutions happen and of course a whole host of other solution for traceability of manufactured component. We have full fledged business intelligent tool developed for supply chain management, productivity tools for servicing etc., and one of the goals as part of the industry agenda to make our revenue growth non-linear is to make sure that we leverage intellectual property wherever possible and wherever need be.

A quick word on our large accounts as some of you would be aware at this time last year there was some concerns about a large customer account with a CISCO, but I am sure again all of you aware CISCO has done a remarkable turnaround in their own strategy are doing extremely well in the market in their core markets is of course primarily and in fact next week one of their senior most Gary Moore who is the chief operating of CISCO, is here in India from meetings with many of us and I am actually chairing a session with him in Bangalore and we are very comfortable with a relationship. Today the good news is that CISCO itself represents less than 20% of our revenues, so dependence has gone down. At the same time having been awarded the most valuable partner by CISCO a couple of months back and the relationship they are doing I think that augurs well for future.

We are also doing extremely well in other top 10 accounts, clients in insurance in the US and UK, retail both in the UK as well as in Middle East, good clients for the product OEM business in the South Africa, so all-in-all I would say that some accounts that we are chasing our largely in un-impacted spaces, if you look at manufacturing, look at insurance, look at the areas of retails

we are working in, I think we continue to see growth, the geography is the focused on Middle East and Africa will continue to grow in fact I am just back from Saudi Arabia and I think the prospects we have seen for new business both in SAP and Oracle in Riyadh, Jeddah, in Dammam, and other territories there is very significant.

So I will just conclude by saying that we are extraordinarily happy with I think what we have achieved so far, the verticalization strategy that we embarked upon in the beginning of the financial year as really proved to be an outstanding success for us. The integration with Akibia as I mentioned has been extremely good, all our customer accounts are doing well. We currently seen no pressures whatsoever pricing and we also do not see any downturn as far as the budget are concerned because we have spoken to at least 80% of our top customers, there is no pressure on price and they expected to do a lot more business with us this year, so I think all said and done was some far away, which is building the one billion dollars Zensar by FY2016 and I think the kind of growth we are seeing and expect to see in the coming quarters, I think we will get there and of course we continue to look at some acquisitions and again like always done acquisitions are not for the sake of acquisition, but in terms of supporting our strategy as I said as we grow our SAP business in the US we are talking to a few companies to see whether we should do a small acquisition there. Again as we spread the capabilities of infrastructure management in the US and India we would be looking at possibilities of acquiring something in Continental Europe could be in Germany or in Holland to support IAN strategy there.

So, I think with the judicious mix of strategic growth and acquisition we intend to continue to be demonstrating the same success that we have seen in this quarter. So, basically this is really what I want to comment on and I will hand over the Bala our CFO in case he has any other points to add and then we will open it up for questions.

S.Balasubramaniam: Thank you Ganesh. I would kind of clarify for the standard questions, which is basically the financial part of it. As of December 31, the cash on hand in balance sheet is 209 Crores. The loan that we have taken for the Akibia acquisition this loan has been taken in the US for the benefit of analysts who have joined this call and do not know much about Zensar. The loan was taken in dollars in the US so we are not really impacted by the currency fluctuation in terms of any repayment pressures. The total loan is \$53 million ,converted in rupees to about 284 Crores. In terms of CapEx as against our planned CapEx of 27 Crores, so far we have spend about 16 Crores we still got a quarter to go and in terms of our forex coverage we follow a fairly consistent pattern of covering anything between 60% and 40% of the outstanding debtors, as of end December we have covered roughly about 48% of our debtors in plain vanilla forwards we do not have any options and things like that and if there is any other financially related standard queries, I will take it on the call. Thank you.

Ganesh Natarajan: Thank you. I think we will open it up questions and feel free to ask anything you like about the prospects as well as the performance of the company and as Bala said about the finance.

- Moderator:** Thank you very much. The first question is from the line of Shravan Goel from UTI AMC. Please go ahead.
- Shravan Goel:** This is Srivatsa here. Congrats for a great set of numbers. Can you throw more light on your Akibia business? How are the margins planned out in the last one year and whether you intend moving from work to India and how do you see the margin in that particular business going up out in the next couple of years?
- Ganesh Natarajan:** As we mentioned earlier and I will tell you how it is panned out. In the first two quarters which was really January to March and April to June, I think the focus was more to maintain the consistency of the business, so I think the margins was I think 7% PBT and as we had forward Akibia itself has been able to leverage a lot of offshore services from us both in terms of their back office as well as in terms of executing some contracts from here, so I would expect that if you look at over the next four to six quarters, the goal for Akibia is to move to almost double their PBT. When we bought the company to 7% they are planning that by FY14 to make it closer to 14.5%. Next year our strategy is to bring it close to 12% and I think we have seen good movement in the direction, so that will happen and as I said that will happen primarily because of leveraging or existing accounts where they can offer their services and also offering other services to their account and even in their own efficiency and they are able to see what they can do from offshore vis-à-vis doing everything onsite, so I think that is the constituent record and given some of you met CEO of Akibia last time when he was here Tom Tucker, and Tom is very convinced. We just finished our Board meeting on Akibia that this is not only feasible but again that the demand he is seeing in the market, he believes that we can now scale up to larger deals and make that happen and given the new services we are looking at the whole information security that I spoke about, all these are higher margin businesses, so I think the IAN strategy that we have adopted in December of 2010 is absolutely playing out and I think you will see the results consistently quarter-on-quarter for the next financial year.
- Shravan Goel:** Second one is I was just going through your P&L and I find a sharp surge in the purchase of traded goods, so have you done any kind of system integration or any kind of work which could be one time or what is the reason for such a sharp spike and purchase of traded goods?
- S. Balasubramaniam:** As Ganesh mentioned one of our first area is SAP and in terms of our partnership with SAP and in terms of our clientele our SAP business has been registering fairly smart growth both in terms of project execution and in license sale and as you know license sales proceeds project executions, so we had really good quantum of license sales in SAP horizontal this quarter.
- Shravan Goel:** So this license case is essentially back-to-back this is like you purchases from entities and then give it to the client, but I do not see this kind of adjustment in other IT company?
- Ganesh Natarajan:** It should be there, because most people do what is called a value added reseller partnership and even with the Oracle we have value added reseller partnership of course we do not do too much resale there, but SAP especially for the smaller medium businesses in the US our partnership

includes both reselling of that stuff for a small margin and then taking on the entire implementation and follow through contract.

Shravan Goel: Actually we implied margins on your services would be far higher than what has been shown, because on that 62 Crores or whatever SAP sales would have done, your margin would not be much?

Ganesh Natarajan: Absolutely, you are 100% right, in fact the intrinsic business that we do which is software services is a much, much higher margin yet depressed a little because of IAN business today, which again will come in line with the rest of it and you are right anything we do in terms of product resale whether it is Akibia's own security products our SAP products will depress the margins.

Shravan Goel: Just for our outlook for next year given the fact that whatever traction you are seeing in client budget should we see in a position to outperform the market growth or industrial growth next year also?

Ganesh Natarajan: I would certainly think Srivatsa, because I mean although we are looking at 2000 Crores plus and we have not really finalized our budgets of revenues for the next year. Definitely given the trends and given the confidence that we are seeing in the market and verticals, I think we should definitely outperform industry next year itself.

Shravan Goel: Any colors on the budget of your top 10 or 20 clients how do you plan out whether are you seeing any risk of vendor consolidation in your top 5 or top 10 clients?

Ganesh Natarajan: As far as we are concerned we have seen an opportunity of vendor consolidation not a risk because at least two of our large accounts they have actually eliminated one or two other vendors that has given more business to us. CISCO sells we do not expect more than 5% to 7% budget increase, obviously they are in the process of rebuilding their own strategy, but in three of our other top five customers, we would expect to see at least 10% to 15% budget growth. That is why we have very confident in that in our vertical geography and customers we are seeing good growth none of them have doing badly or expect to do badly it should not be a problem at all.

Shravan Goel: On the dividend policy is there any framework because this is the first time you have declared a interim dividend so are we having some kind of a policy to have a fixed payouts of say 15% or 10% of your profits?

Ganesh Natarajan: Typically as you know Srivatsa, we started paying dividends some years back and we have consistently improved percentage payout of dividend on a regular basis and obviously at the end of year we will have to take our Board into confidence, but we would expect to have some increase in the dividend percentage. We do not really have a specific metric in terms of the payout percentage but yes that is one of the factors considered by the Board when they finalize the dividend percentage.

- Shravan Goel:** I just wanted to understand what would be the impact of forex in this quarter the result as there any translation gains or any other hedging gains which is filled into the numbers?
- S. Balasubramaniam:** Yes, we have had realization gains as I told because we have 60% forward and 40% spots obviously we will have gains on the spot, so the quantum of gains has been around 17 Crores this quarter as against the same quantum in the last quarter also.
- Shravan Goel:** There are no translation gain which is built in?
- S. Balasubramaniam:** It is partly translation, partly realization.
- Shravan Goel:** It is sustainable next quarter?
- Ganesh Natarajan:** As you know it will depend on which way the currency moves in terms of it, but there will be a fair amount of realization gains when you do it on forward or on spot whichever way the currency moves because if I have covered something on forward and if the currency comes down then I will have realization gain until the quantum that I have not covered, will come another spot gains, so there will be a quantum of currency gains or losses depending on how fast or how slowly the currency moves.
- Shravan Goel:** But, we do not have a policy of hedging two, three quarters of revenues.
- S. Balasubramaniam:** No, we hedge only about 40% of our outstanding debtors receivable and obviously it is all backed by a transactions and therefore we do not do any speculative hedging and we are tightly monitored and controlled by our internal systems and practices.
- Shravan Goel:** On your tax because this quarter you have moved on to the higher tax bracket is there any scope of reduction in the tax rate in the coming years or are you planning any SEZ given the kind of growth that you are seeing?
- Ganesh Natarajan:** There are two strategies, one is cost to move into SEZ, we have already opened one in Hyderabad where we have capacity, we almost filling up capacity here in Puna and the second one is if you also realize that we have one of the highest onsite percentages in industry, so the quantum of offshoring that will happen as we move along and mature some of our practices this will kind of fall in line with about 27%- 28% which the Bellwether stocks are having at this point of time and of course, it will also depends on the DTC how it is kind of going to come, but to answer your question yes definitely, we are working and we are examining options of bringing the tax percentage to as close to the industry leader as possible, but then there are other changing dynamics which are at work simultaneously, so we will have to balance between the two.
- Moderator:** Thank you. The next question is from the line of Dipen Shah from Kotak Securities. Please go ahead.

- Dipen Shah:** Wanted to get some more insight on the actual revenue breakup in this quarter as to how much would be the actual volume growth and has there been any realization increased during the quarter on a like-to-like basis.
- Ganesh Natarajan:** The volume growth has been 8.5% and the balance has been currency which is also roughly about 8.7% or 8.8% to get to a total of 17% and in terms of specific net realizations we have always had a policy of pushing it up wherever newer contracts are concerned and that policy will still continue.
- Dipen Shah:** Okay always 8.5% growth I think a part of it would be contributed by the hardware sales of the license sales, which will be at low margins, is it correct?
- Ganesh Natarajan:** No that is very small. It is there of course, but and again sometimes even the license sales are not necessary very low margin. Sometimes it really varies between 5% and 10%, of course we are except with a very large services deal we will try and do not less than 8% is does really no greatly dilute.
- S. Balasubramaniam:** Our cut off margin to the operating division is 8% and therefore we are also very careful and the other question which Srivatsa had not all of that 62 Crores is license sales I wanted to clarify there is a fair amount of traded goods even in Akibia because of the nature of the business and therefore it is consolidated if you required I can send you the details as to how much of it license and how much of it is license and how much of it is Akibia hardware.
- Dipen Shah:** Fine and the other thing is once again bookkeeping one the breakup of the operating margins we have seen margin go up by about 175 BPS I think currency would have contributed to a lot more, so may be if you can share the breakup if it is available?
- S. Balasubramaniam:** I do not really have how much of the margin is due to terms of currency, but we will send it, but you must also understand is that as the overall volume growth as partly the cost remains where they are because if you very look at our S&B and other cost and percentages remains slightly lower, there is a combination of operating efficiencies, better utilization and holding onto the revenue realization numbers.
- Dipen Shah:** Ganesh if you can speak something more on the strategy regarding CISCO you said it is less than 20% and lower dependent is good, so are we looking at kind of may be having current levels of contribution from CISCO or once again it will go up between 25% - 30%?
- Ganesh Natarajan:** Certainly the idea is that you will limit the CISCO contribution 20% to 22%, 23% is also fine I mean some quarters is obviously taking up large contract and is billing, it may go up, but by and large the goal is to keep at it in the 21% and 22% space, which we are very comfortable with and of course CISCO also is also very comfortable with, so I think that is the idea and in fact we have been largely playing in the E-commerce applications space as well as CISCO is concerned and not really done any work on their core technology which is Oracle, but today because of our

verticalization and fact that all are Oracle strengths has got to bear in the CISCO account in fact we just closed to first multimillion dollar deal within CISCO in the Oracle space, so which is also a very good trend in terms of being very core to that entire IT strategy. So that is going to happen and of course we have closed almost what seven, eight multimillion deals again in and around Oracle. So I think that is becoming a very key growth driver for us. So with the SAP also kicking in that is where the confidence comes that we can continue to do a lot of interesting deals going forward.

Dipen Shah: Okay and something on the margins like we have been at around the 10% to 15% range or maybe in this quarter we are at 14.5% largely because of currency. What strategies do you think you will adopt so that we can move on to maybe beyond 15% or around 15% to 17% range?

Ganesh Natarajan: I think that is we said we had reached if you remembering on a PAT basis we had reached a 13% level two years back before the Akibia thing came in and again if you look at our core business which is not including Akibia was 13.8% even this quarter, which gives obviously much higher margin so I think that will continue and today we are in the position where you can say no to loss making or weak quality business we have actually eliminated about 10 – 12 clients which were just 1G, 2G kind of numbers and not really making sense. So overall I think we will continue to improve the quality of our client base and also ensure that as we scale in fact as you can see even in the report the number of clients who have crossed a million dollar in revenue is going up so we would expect next year at least a couple more clients will move into the 10 million plus space. Working on pure clients, working on extending the width and depth of what we do with them and this whole cloud and mobility strategy gives us a great chance to really work on cloud enabled application management services with them. So I think all this what we are doing in fact we have a strategy team which is primarily working on how do we improve profitability and continue the growth as we see in all market.

Dipen Shah: Okay, and lastly like something more on the nonlinear kind of initiatives you have written at length in the investor update about the kind of products and solutions, which you have. So any number is the current revenue contribution from these anything significant currently and where do you propose to take it up in the next maybe two or three years?

Ganesh Natarajan: See the goal is that by 2015-2016 we should have at least 20% to 25% of our revenues being contributed not by manpower being deployed, but actually by based on templates and solution and not “shrink wrapped” but regular products that has being done. So that is the agenda we working towards. So today as I said in every vertical and every horizontal we have people focused on intellectual property creation what we have given you the sample list of what has come out of our R&D center so far and that will continue to happen. Today it is not significant as you rightly guess I mean today is probably there is in 5%. It is coming out of these solutions but the goal is that every year to double that, so that you really can take it up to 20% by 2015 and that is something we are excited about because the cloud movement of many of our customers gives us tremendous opportunity to really build out these capabilities and we are absolutely leading edge as far as manufacturing, supply chain, and distribution is concerned because there

are lot of these products will come in. Even in Akibia in two of their services, we are encouraging them to invest in intellectual property and that is something we discussed even the last board meeting we had with them and that will continue to happen.

- Moderator:** Thank you. The next question is from the line of Bharat Seth from Quest Investments.
- Bharat Seth:** What are the product that within what are the application that we have on this nonlinear, which are the area just can you elaborate?
- Ganesh Natarajan:** Yes, I will ask the Strategy Head Ajay is here so I will ask him to tell you a few of these areas.
- Ajay:** Yes, so if you look at the note we have talked about one of it is autogenic. Autozenics is basically an ERP on the cloud. It is based on the Microsoft dynamics platform and so we have other solutions like power slide NXTN, NXTN is a translation services basically connects suppliers and customers. So most of these are either core ERP which becomes the backbone of any organizations core application and some of it are our application which basically are extended to the ERP. So there the core ERP would remain the dynamics ERP wherein some cases would be Oracle or SAP, but some of the other solutions are something that fits well with Oracle and SAP and which they will use for either interacting within the company or with suppliers or customers and all of this is on the clouds.
- Bharat Seth:** Now, Mr. Natarajan you said that we want to double to our PBT margin of this Akibia in two years time. So now what is the currently that contribution on Akibia we are having and with the help of doubling this EBITDA with the help of this nonlinear and more of doing offshoring how do you see expansion in our EBITDA margin happening?
- Ganesh Natarajan:** Okay, just to give you a sense this year we expect to do may be over a \$130 million in the infrastructure management space whatever the Akibia will probably contribute about 70% to 75% of that 25% will come from our business. So when you say our business that is largely remote so remote infrastructure management as good or maybe additional lower margin than the best application support projects. So there are two answers to your question. One is of course Akibia itself in their own support of domestic customers in Germany and the US will start using offshore services. The second is Akibia and IM, their back office will start moving some of their support functions offshore which has already started. The third is they will encourage more of their customers to obviously remote infrastructure management service. What I am saying is in the 130 million becomes let say 250 million by FY'15 you will find that the PBT that we are able to get from that should be as high as 15% to 16% and that is to goal we are working towards. By a combination of Akibia being more profitable availing more remote infrastructure management service and overall reducing the OpEx cost of Akibia so that is the bundle of ideas that we are looking to double the PBT of Akibia in three year timeframe.
- Bharat Seth:** Okay and now as you said a second part is nonlinear which is a more profitable business where your recurring cost is lower whereas your earning kind of a license fee or something so which is

becoming I may say from 5% then doubling every year so overall how do you see expansion of margin happenings?

Ganesh Natarajan: See expansion of margins will happen as you rightly said because of IM, margin improvement, nonlinear is the second, the third of course as you will probably notice in every IT company there is a move towards what is called as managed services, which really means that it is much more outcome based pricing so from the days when people used to say, who are the people you are going to put on this project, can I get their bio-datas, can I meet them etc., here also migrating towards tell us what is to be done and we will get a team to do it. So the advantage there is that in fact like everybody else they have lot of our equipment is very young people, freshers from colleges whom we are getting trained either ourselves or by third party vendors and that is reducing the cost because what is call the flattening of the pyramid where we are actually using younger people with experience project managers I think that is part of that. So I think better utilization, flattening of the pyramid, more use of nonlinear or IT based solution and of course general improvement of client profitability by adding more size to existing client engagements. I think all these are the layers we have to improve profitability and as many of you know we have started very late of the software business about 10 years ago and that was the time and the client rate were much lower than what our larger contemporaries have done, but we have consistently improved margins and the goal definitely is to come back to 12% to 13% and in PAT which so maybe 15% plus PBT by 2014 so that is really.

Bharat Seth: You said that you has a ambition of becoming a US\$1 billion that is by 2000 which year you said?

Ganesh Natarajan: FY'15 is how our strategy is built which means in fact we have set up this as an agenda when we were about 950 Crores in FY'10. FY'13 we would cross 1950 which is doubling the revenue as I just mentioned definitely we will expect to do over 2000 Crores in FY'13 and moving from that if you look at FY'13 to FY'16 I think we are looking at again doubling and improving that system acquisitions which is how we are looking at the \$1 billion strategy.

Bharat Seth: That is the plan what is your ambition to be having a PBT margin?

Ganesh Natarajan: While our ambition on PBT is upwards to 15%, ambition on PAT would be around 12% to 12.5% but of course tax is really not in our control but we are seeing how we can continue to improve the profitability and as we scale obviously a lot of the fixed cost gets amortized over much larger assignments. So you will see this continuous improvement. People who have followed Zensar in the last six years know that we have already done that many times and there is lot of confidence that we will continue to make this happen.

Bharat Seth: Just to understand more on this Akibia business who are the client, all these data center people are the client real infrastructure management?

- Ganesh Natarajan:** See there are two or three type one is of course large company many of the large investment banks for instance would avail Akibia team who are really going out there providing consultancy on how to manage their data center, providing even using some security products like data center and of course you think Akibia people, even if your company you will always have four or five people who are managing your network and that is the service that Akibia provides there so that is the core service, but in addition today for itself they are talking to one of our very large manufacturing client so they want multi-shore support for all their infrastructure which means not only in the US but also in Europe etc., so this is there a joint Akibia Zensar proposition goes in where we will not only support them in these countries but also do offshore so I think it is dual-shore infrastructure management and consulting around as I said security and assurance etc., which is the big area, in fact this whole complaints space which is information security and compliance that is an area where we are even looking at some potential partners, we might even look at a small acquisition so we really want build out the end-to-end capability in ensuring that people data centers and their infrastructure is supported and managed extremely well and I think that will do goal for the Zensar Akibia IM story.
- Bharat Seth:** Just taking this forward this on a data center like CISCO with whom we have a longer relationship now CISCO themselves are setting up the big data center as a proposition to their turnaround strategy so how do you see that is there any charge that we get there as mentor in infrastructure management business of their data center?
- Ganesh Natarajan:** Very much so in fact we are already in discussions with some of the very large data center provider like for instant HP and Dell or we are let to extend with CISCO also working with Fujitsu in the US all these people who are in the large centralized IM space are partners of ours, plus of course a lot of people are now moving towards virtualized data centers where they will move it to the cloud there again we are providing the consultancy so I think the whole data center services space is shifting as cloud computing gathers momentum. So we want to be in the leading edge of that to make that happens for our customers as well as law partners.
- Moderator:** Thank you. The next question is from the line of Santosh Biani. Please go ahead sir.
- Santosh Biani:** Congratulations for the good set of number and as the company very much in rewarding the investor I hope it will reflect in the share price. Till now I think the company is getting a discount of earning per share maximum by seven but now the company is going to get the discount of it on a earning per share maybe up to 15 you can compare it with Infosys or TCS or Wipro that is what I want to suggest.
- Ganesh Natarajan:** Thank you very much and as I said I mean our job as management is to deliver numbers and we hope that all you're prophesies will come true.
- Moderator:** Thank you. The next question is from the line of Vishal Vijayvargiya from Baring Private Equity. Please go ahead.

- Vishal Vijayvargiya:** Ganesh you told about the increase in PBT margins for Akibia could you also throw some light on what quantum of Akibia business can be offshored given that it is more like you are suggested that consulting which is more like onshore centric?
- Ganesh Natarajan:** Yes, it is a good question see I think the way we see this they have just to take a number suppose you said that Akibia is onsite business like say \$100 million I would think out of the \$100 million a lot of this is data center work some of the consulting can be offshored so I would say that maybe 20% of it is immediately offshorable which is what we are working on with may of their customers, but if they can look at the incremental business Akibia as also as a very significant 15 members sales team across the US they have three people in Holland, three people in Germany so what we are really encouraging in fact we have one of our senior people who is now sitting in Akibia helping them to understand the offshore value proposition. So our expectation is at 50% of incremental business and Akibia also intends to grow their revenues by at least 12% next year but 6% out of the 12% with this 50% of incremental business should be in the dual shore model so the basically as existing business could be typically having a small team sitting in an office in New York and working with them so that maybe 20% offshorable but the rest of the business we have chasing is very offshorable and that is what we would be the confidence that as we grow the business you will find with the profitability of the inherent business will keep going.
- Vishal Vijayvargiya:** Okay, and what is the nonlinear revenue as of now as percentage of the total revenue?
- Ganesh Natarajan:** Currently if you look at direct contribution of non-linear revenues probably around 3% or 3.5% so it is that is the actual IP there has been deployed but if you look at the indirect contribution we had example our SAP business is almost entirely built around what we call solution templates so solution templates for a pharmaceutical company will reduce the cost will reduce the time of implementation of what used to be like the 3.5 months be come down to six weeks so while that does not reflect in IP sale it is actually a service but it is a template based solution so I would say that IP capability is even today driving almost 15% to 18% of our business but direct IP as a revenue contributor is probably around 3.5.
- Vishal Vijayvargiya:** Okay, and are you seeing any concern on manpower availability or employee cost?
- Ganesh Natarajan:** No, not at all. In fact I would expect see a 2% point reduction in manpower incremental across the industry. Last year our average increment was almost 11% to 11.5%. I think it will come down certainly this year because today we have an attrition which is the lowest ever in the history of our company. At critical talent which is we identify out of 6800 people almost 680 people are totally project critical to us out of those 680 people only 3 people have left since April this year so we have this absolutely outstanding track record of retaining people even on an overall basis including BPO Zensar's attrition as lowest to 12% so given the very strong stability in manpower given the fact that we are hiring young people we also have three training partners who are actually training these people to our standards even before they join the company which obviously reduces the cost as for as we are concerned of both salaries and training as we go

forward. So I think we are managing manpower extremely well and we are an outstanding given to source team, which is making that happen.

Vishal Vijayvargiyaz: My last question on the discretionary expense do you see that as a concern of particularly because there could be a significant component like Oracle or SAP implementation which could be more like discretionary expense driven?

Ganesh Natarajan: See let me explain this discretionary part to you because if you look at our business 70% is application support infrastructure management which is lights on so there is no discretion there. Even in the Oracle and SAP business almost 50% of that business is what we call upgrades for instance somebody who is working on a release 11 has to upgrade to a 12.0 in Oracle and similarly now they are coming up with a new model which has to be upgraded so that is again not discretionary because they will cease to get support from Oracle if they do not upgrade to the next version and that is something to be specialized. In fact Zensar is very proud that the first few upgrades to the Oracle 12.0 version was actually done by us across the world so we are very, very confident in that area so the only discretionary part of our business are areas like I mentioned cloud, social media etc., but given the fact that everybody is migrating to cloud people will do that and in fact we are now launching a service which is what we call cloud enabled ANI which is that while we takeover the application management for a customer we will also provide cloud and mobility extensions as part of our service so this becomes almost it looks like a free service, but we are getting the annuity bit. So I would think that to my mind what is the risk in a business model like ours is hardly about 10% to 12%, which is truly discretionary, but given the speed at which we are getting new customers that is hardly a concern for us today. Like even Europe for instance, UK retail has been slow because UK retail had a poor Christmas season but we have got almost six new very Marquee Brands of retailer because we are probably the largest penetrated across the retail sector in the UK so if we compensate some slowdown in discretionary spending of the existing clients who are getting new customers who are going to give us business I think we will more than compensate for any negative trends and discretionary spend. It was slightly different for the model of our competitors, which is the reason I think we are more confident and are more capable of delivering and some of our other competitors.

Moderator: Thank you very much. The next question is from the line of Siddharth Deshmukh from Network Stock Broking Limited. Please go ahead.

Siddharth Deshmukh: My first question is on receivables are you comfortable with these numbers as it is reported now about the company can you please comment by down this?

S. Balasubramaniam: Receivables always has scope to improve so it is you ask me this question I definitely say no, but yes I am quite happy with the kind of quantum of collections that we are doing because we have one of the lowest days cover in the industry for our size and for our spread so going forward also our focus is very strongly on working capital management which we have always been strong in terms of our cash generation and in terms of our collections.

- Siddharth Deshmukh:** Okay, and maybe I missed may I know the current attrition levels?
- Ganesh Natarajan:** See, just that we have mention it in two levels one is critical talent which is who are critical to projects where the attritional as lowest 0.5% for the year overall attrition including BPO etc., is about 12% so both these are at all time low levels as far as Zensar is concern and I think it is significantly better than most industry players.
- Siddharth Deshmukh:** Okay, great and sir may I know anything related to Government sight been signing a new digits or anything you expecting from Government sights?
- Ganesh Natarajan:** No, it about Government projects or any Government.
- Siddharth Deshmukh:** the Government projects company is dealing with Government?
- Ganesh Natarajan:** So we are actually focusing on three sectors one is what Government called APDRP which is the accelerated power reform program so there we have two customers the second was this whole Sarva Sikshya Abhiyan SSA and SSA we have one customer which is kind of going to be a role model for future business. What we are most excited about is our SAP business where we have partner with SAP in India we won a Rs.50 Crores deal from the Maharashtra State Electricity distribution company so that again has very strong scalability also kind of Nashik Municipal Corporation and given the number of municipal corporations which are now looking at SAP, and Oracle and Microsoft so these are the four areas we are in and in all these areas I think we have good initial projects going on so our goal is that next year assuming the Government continuous to spend money at least to double our revenues from Government so India itself I think we are looking at from almost zero two years back to being a Rs.100 Crores market for us in FY'13.
- Moderator:** Thank you. The next question is from the line of Vishal Gajwani from Reliance. Please go ahead.
- Vishal Gajwani:** I may have missed this part what was the volume growth in this quarter?
- S. Balasubramaniam:** If you look at the 17% revenue growth roughly 8.5% to 8.6% has directly been a attributed to volume growth and the balance which is almost equivalent is because of the conversion rate.
- Vishal Gajwani:** Okay, and what is the feel for the coming quarter although I know you do not give a guidance just I want to understand how do you look at the coming quarter in terms of what this?
- Ganesh Natarajan:** See, actually yesterday upped our guidance with original guidance was 1600 Crores for the full year. We are saying we will do definitely better than 1700 Crores in this full financial year and that really means that I do not see any downers in this quarter I think this quarter is going well and the only question of full always on currency but so long as currency remains above 50 which is what it is today then we probably see upwards to 1750 Crores but at this point of time to be say something 1700 Crores plus is definitely what Zensar will do in this financial year.

- Vishal Gajwani:** Okay, sure and for FY'13 what kind of volume growth can be expected from the existing business for Zensar?
- Ganesh Natarajan:** See, it is difficult to exactly put a number on it but what we are looking at is at least a 15% volume growth because in industry we have been discussing that 10% to 12% volume growth so that is something we will definitely look at again. Difficult to take a call on currency but as I mentioned earlier it should definitely be possible to grow the company between 15% to 20% next year organically and that is what we are looking at.
- Moderator:** Thank you very much. As there are no further questions I would now like to hand the floor over to Dr. Ganesh Natarajan for closing comments please.
- Ganesh Natarajan:** Thank you very much again for joining this call and again I would like to thank many of you who have supported Zensar over the years and we look forward to your continuing support. We are also as I said looking forward to a season of continuing growth. I think we have had a very good couple of quarters we have integrated Akibia very well. We had some hiccups as I mentioned earlier because of our own large customer not doing very well sometime back, that is the path as far as we are concerned. So given the outlook from all our customers, given the outlook in all our markets the strength of our value propositions and the kind of capabilities we have to open up new plan they have very optimistic not only about closing this year extremely well but also into next year and moving forward in our three year plan and we look forward to your ongoing support in all the back to us. Thank you very much.
- Moderator:** Thank you very much. On behalf of Zensar Technologies Limited that concludes this conference. Thank you for joining us.