



**“Zensar Technologies Limited
Q3 FY '26 Earnings Conference Call”
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MODERATOR: MR. AMIT CHANDRA – HDFC SECURITIES

Moderator: Ladies and gentlemen, good morning, and welcome to the Zensar Technologies Q3 FY '26 Earnings Conference Call hosted by HDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Amit Chandra from HDFC Securities for opening remarks. Thank you, and over to you, Amit.

Amit Chandra: Yes. Thank you, operator. Good morning, everyone. On behalf of HDFC Securities, I welcome you all to the Zensar Technologies Quarter 3 FY '26 Earnings Call. We have with us Mr. Manish Tandon, CEO and Managing Director; Mr. Pulkit Bhandari, Chief Financial Officer; and other members from the senior management team.

Before I hand over the call to Manish, I would like to highlight that the Safe Harbor statement on the second slide of the earnings presentation is assumed to be read and understood. Thank you, and over to you, Manish.

Manish Tandon: Thank you, Amit. Hello, good morning, good afternoon, good evening everyone. And first of all, wish all of you a very, very happy 2026. And thank you for taking time to join us today to discuss Zensar's financial results for the third quarter of FY '26.

With me on this call are the usual suspects. We have Pulkit Bhandari, our CFO; Vijayasimha, our COO; and Vivek Ranjan, our CHRO. One of the best operating teams in the industry is on the call with you.

Zensar delivered a modest yet resilient revenue performance this quarter. This was supported by healthy volume growth, and I want to emphasize that, and also emphasize that this was predominantly driven from offshore.

While the resulting mix shift, coupled with typical seasonality and furlough-related softness, moderated our revenue growth momentum, our disciplined execution ensured continued operating strength. Notably our profitability metrics, order book and cash position all reached their strongest levels in recent quarters, underscoring the discipline of our execution and the robustness of our financial foundation.

We begin 2026 with a singular commitment to lead as a truly AI-native technology services company, redefining the value we deliver, guided by a strong execution framework, nearly 60% of our workforce is AI certified and 20% of this year's order book is AI influenced, demonstrating the tangible value we deliver through our strategic investments across the entire AI stack from experience to engineering to engagement.

Moving towards the financial performance. The company posted revenue of \$160.5 million, a year-over-year growth of 2.2% in reported currency and 1.3% in constant currency. In INR terms, this equates to year-over-year growth of 7.9% and sequential Q-o-Q growth of 0.7%.

On a year-over-year reported currency basis:

- Revenue grew by 12.2% in Banking and Financial Services
- 5.2% in Healthcare and Life Sciences, while
- In Manufacturing, Consumer Services and also in Telecommunication, Media and Technology vertical, revenue declined by 2.7% and 11.6%, respectively.

We are pleased to inform that after absorbing the impact of furloughs, our:

- Gross profit improved to 33.7% sequential growth of 270 basis points.
- Our EBITDA improved to 17.4%, sequential growth of 200 basis points.
- Net cash and cash equivalents positions improved to \$322.4 million, sequential growth of \$29.4 million
- Order book improved to \$180.2 million, sequential growth of 13.6%.
- This, coupled with industry-leading 9.5% attrition demonstrates our commitment to disciplined execution and our enriching culture that foster long-term relationships while continuing to execute our strategic priorities.

With that, I will now invite Pulkit, our Chief Financial Officer, to provide an update on critical financial data. Over to you, Pulkit.

Pulkit Bhandari:

Thank you, Manish. Good day, everyone, and wish you a very happy New Year. Thank you all for joining this call. I will take you through some of the key business and financial metrics for the quarter ending December '25.

IT industry has been navigating a pivotal transformation, driven by accelerated adoption of AI. Due to economic uncertainty, enterprises are prioritizing cost optimization and vendor consolidation over discretionary spend that leverages AI. Client conversations have shifted decisively towards building AI-ready data foundations and outcome-based data analytics. We remain committed to delivering enterprise-grade solutions that align with client expectations and enable measurable business outcomes.

The reported revenue for the third quarter of financial year '26 stood at \$160.5 million in USD terms, reflecting a growth of 2.2% Y-o-Y and a degrowth of 1.4% sequentially in reported terms. In constant currency terms, Y-o-Y revenue grew by 1.3% and sequentially, it de-grew by 1.3%.

Our EBITDA this quarter expanded by 200 basis points, sequentially driven by:

- Positive forex impact of 0.7%,
- Improved offshore effort mix by 1.4%,
- Leave utilization benefit of 1.0%,
- Other operational efficiencies of 0.7%.

This was offset partially by:

- Impact of furloughs to an extent of 1.0%,
- ESOP, and this is a full quarter of ESOP cost coming in, of 0.9%.

While we have expanded our margins, we continue to invest in augmenting capabilities, specifically around AI and sales. We maintain our mid-teen margin guidance.

Our PAT for the quarter stood at 13.9%. This includes an impact of INR 25 crores on account of new labour code changes. We continue to monitor and assess the clarifications as we go into this new law changes.

Some other key highlights:

- Our order book for the quarter stood at \$180.2 million. Our book-to-bill ratio for the quarter is 1.12.
- Cash, including investments stood at \$322.4 million with an impressive DSO of 71 days. Our attrition improved to 9.5%.
- Diluted EPS grew to INR 8.7 per share, which is 9.4% growth quarter-on-quarter.

The Board has agreed to pay an interim dividend of INR 2.4 per share this quarter.

With that, I will now invite Vijay, our Chief Operating Officer, to comment further on Q3 FY '26 results.

Vijayasimha Alilughatta: Thank you, Manish and Pulkit. Greetings, everyone.

I will now share details about our operational efficacy, service line performance and AI journey.

Our utilization for the quarter stood at 83.5%, which grew by 60 basis points Y-o-Y and decline of 130 basis points Q-o-Q due to the seasonal furloughs. The rigor associated with accelerated fulfilment and capability enrichment continued. We had a gross addition of 988 employees in the quarter. Our voluntary attrition was 9.5%. This is the fourth successive quarter where our voluntary attrition has been below 10%.

The offerings from our service lines and industry services group continue to resonate well with our clients.

- The share of revenue from our service lines increased to 69% in Q3, which is 220 basis points higher Y-o-Y.
- On a Y-o-Y reported currency basis:
 - Cloud Infrastructure and Security services grew by 10.9%.
 - Data Engineering and Analytics grew by 13.1%.
 - Products and platforms, including CMO services grew by 3.0%.
 - Enterprise Application services had a degrowth of 3.6%.

The AI talent transformation initiative has seen significant growth in Q3. Our transformative Ignite AI Academy has impacted 7,300 plus unique employees with over 10,000 course completions in AI, generative AI and agentic AI. This demonstrates our unwavering commitment to developing future-ready talent at scale.

Industry-recognized certifications have also seen a strong uptake, thereby strengthening our technical credibility in the AI domain. The AI for leaders programs has gained significant traction, driving innovation and leadership in AI adoption. We continue to deliver significant value to our clients in key AI engagements.

A couple of examples of value delivered to clients are as follows:

- We have established a physical AI lab for a Fortune 50 client, which is focused on large-scale physical simulation and world model development. The lab enables multi-agent simulation, synthetic data generation and closed-loop training to build high fidelity world models that reflect real-world dynamics.
- Leveraging ZenseAI, our agentic AI platform, we delivered an end-to-end modernization assessment program for a prominent financial services client for its retail credit processing platform. The engagement reverse engineered 300-plus complex mainframe programs and interfaces and established an execution-ready road map, achieving up to 60% faster documentation, 50% faster rule extraction and materially lower scoping risk.

With that, we can now open the line for questions.

Moderator:

We take the first question from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan:

Congrats on the solid execution on margins despite the weakness. I had a couple of questions. So the first is, I think last quarter, Manish, you had mentioned an all-time high deal pipeline. Just wanted your thoughts on the conversion there. And second, when do you think we start seeing consistent predictable growth? Where do you see the pain points lie today?

And finally, I think what you mentioned on the AI side, saying 20% of the order book is AI influenced. When we look at peers, people indicate higher -- reasonably higher numbers there. So I just wanted your thoughts there as well. Is it that we're sort of lagging there? Or is it just a massive classification?

Manish Tandon:

Yes. So first of all, let me answer the third question first. When we say 20% of our order book is AI influenced, we believe that -- we believe in tracking that only EN and NN can be ordered -- can be AI influenced. We do not believe that renewals can be AI influenced.

And if you take that number, then this 20% actually goes up to a very high number overall, okay. So, I think that is where most likely the disconnect is. And Nitin, I don't want this to treat AI like people used to treat digital, but suddenly 100% of their revenues became digital overnight. So, I don't want to do that. So, we are very disciplined in the way we report our AI influenced order book.

The second question on areas of softness. Areas of softness remains TMT. Other sectors, there are pluses and minuses here and there. The area of weakness remains TMT. And while I point out to the area of weakness, I would say the area of strength remains financial services and insurance, okay.

So that -- and third is you said a strong pipeline. So, I just want to point out that while you guys are focusing too much on revenues, look at the volume growth also. Ultimately, the volume growth, what has happened this quarter also besides the furlough is that there has been a change in the on-site mix. And we have done more work offshore. And that is also reflected in the margin improvements that we have shown. So also, I think next quarter, if this volume growth is, I think it is, sustainable along with the higher number of working days that we see, we should start seeing a reflection in revenue numbers also.

I also want to point out that while revenue growth is very exciting for everyone, I'm a bit old school. I still focus on the bottom line. And we have grown year-over-year in dollar terms; we have shown 18.2% growth in bottom line. And in rupee terms, 25.0% growth. So as I said, I'm a bit old school. I will not go in for revenues that don't lead to profitability and margins.

And as I have said before also we as a management team, solve for shareholder value and shareholder value is a combination of revenue growth and EBITDA percentage. And that is what we will continue to solve as we go forward.

Nitin Padmanabhan:

Yes, sure. That's helpful, and I agree with that. The only question is that I think at some point, growth will also become important, right? I think when we -- our thought process was that we will be in line with peers and higher than peers over a period of time from a growth perspective.

And so I was just asking from that angle. The profitability, I completely agree, profitability has been extremely strong. But obviously, our growth ultimately feeds everything. So just wanted your thought there on achieving higher than peer growth over time, yes.

Manish Tandon:

Nitin, I absolutely agree with you. But when you know -- as a management team, when you know that this is a seasonally weak quarter, right. And this is a seasonally weak quarter for everyone. The best way of generating shareholder value in a quarter like this is to try and improve the bottom line because top line is difficult or you can achieve certain -- only certain levels of this.

We are not saying that we are focused exclusively on bottom line. We are actually very, very, very focused on top line growth also. And God willing, we will start seeing the results soon. But as I said, in the interim, I would just say when one says growth, one can look at profit growth, or one can look at revenue growth.

I would rather look at profit growth than revenue growth. And on that front, I think we have delivered stupendously, 18.2% year-over-year growth in dollar terms. I would challenge others to see if anyone has delivered this kind of growth in profits.

Moderator:

We take the next question from the line of Amit Chandra from HDFC Securities Limited. Please go ahead.

Amit Chandra:

Congratulations on a very strong margin expansion. So you mentioned about that we saw the volume growth in this quarter. So if you can quantify what was the volume growth, just to give a context. And also, you mentioned that the stress area is like TMT, which obviously has been

there over the last 11-12 quarters now, and it has been -- the Y-o-Y growth has been negative over the last 11 quarters.

So how do we see the stress there in the TMT, whether it's an ongoing stress and we don't have a visibility there? Or we can assume that there is some light at the end of the tunnel, and we can see some recovery there in terms of the TMT because earlier also, you mentioned that ex of the top client or the TMT last year also, our growth was pretty healthy. So if you can throw some more colour in terms of how the growth is ex of the stress in the large account?

Manish Tandon:

So, I would say -- Amit, my challenge now to myself and the team is that can we deliver double-digit growth despite TMT not delivering. That is the challenge that we have taken up as a team. And there is no point in -- today in the Board meeting also, I said the same thing. There is no point in saying TMT, TMT, TMT. I mean let's get beyond it now.

And now the proportion of TMT to the overall mix has come down from the past. So that is what we want to look forward and look ahead, not on the basis of -- and still deliver -- try and deliver growth despite whatever happens in TMT. As to TMT, I mean, my commentary has been consistent, that we are seeing a lot of spend moving away from services to AI, capital investment towards AI, particularly in buying hardware, etcetera.

So I am not looking at TMT improving significantly. If TMT can stay flat for us, that will be good for us. As to the volume growth, Vijay or Pulkit -- Vijay, maybe you can comment on it or Pulkit, you can comment on it, the exact numbers?

Vijayasimha Alilughatta:

Yes. So we had a volume growth of 3.1% at offshore and overall of 1.7%, that translated to 1.7%. There was a decline at on-site because of movement from on-site to offshore.

Amit Chandra:

Okay. And now coming on to the strong areas, which is BFSI and also, we have seen some recovery in the MCS. So, if you can throw some light in terms of specifically BFSI, what's happening there in terms of clients because BFSI has been a strong area where like most of the peers and where the growth is coming for the sector.

And obviously, we are also seeing some strong growth there. But if you can split it between what's happening between US and Africa because we have a strong presence in BFSI in Africa also. So, if you can give us some insights there? And also on the manufacturing, are we seeing some reversals in terms of the priorities in terms of clients? And can you confidently say that the worst is behind for manufacturing?

Manish Tandon:

Okay. So on BFSI, we are seeing a decent amount of growth -- secular growth, be it in Europe, be it in Africa, be it in US and particularly in the US, we are seeing reasonable growth. So that is your first question. On manufacturing, as I have said before, our exposure to manufacturing is fairly limited. And hence, we don't get impacted too much by manufacturing.

When we call -- what we call manufacturing and consumer services is primarily retail. And there, this quarter is the seasonal sort of quarter. So there are -- as you know, retail spending -- retail 40% of sales happen in this quarter. So most retailers ramp up. And -- but we are seeing good

amount of -- some amount of green shoots. I would not say a good amount of green shoots, but some amount of green shoots in this sector.

Life Sciences, although you have not asked, there we are seeing -- continued headwinds and primarily because in one or two accounts, we have been at the wrong end of consolidation.

Amit Chandra:

Okay. And sir, like, lastly, on the margin front, obviously, we have seen healthy growth. So is there any, like, one-off component in terms of the margin expansion that we have seen? And obviously, we are at the higher end of the guidance in terms of the mid-teens. So, are we planning to invest some of these gains back into fuelling the growth?

And also, in terms of cash position, we have very healthy cash, which is 18%-19% of market cap right now. So how do you plan to give it back to shareholders? And in terms of acquisitions, what are our plans?

Manish Tandon:

So there are lots of questions, Amit. So let Pulkit answer all the financial questions. I think between Pulkit and Vijay, the two people who are most responsible for delivering this, I think they should answer. Pulkit, over to you.

Pulkit Bhandari:

Sure. So, Amit, I think the way we look at basically margin is that part of it is structural improvement and part of it is basically specific to this quarter. So, when you look at the overall expansion, there is an improved offshore effort mix, which is roughly around 1.4%. And that's the structural shift, and I would say, slightly more long-term than anything else, which is going to stay.

Impacts like -- the benefits like leave utilization, some part of other operational efficiencies may actually go away next quarter. Yes. At the same time our endeavour is, to answer your first part, we want to invest continuously in AI and sales. And to that extent, basically, some of the expansion will go back and get flowed back in these two areas.

The long-term guidance still stays at mid-teens. But at the same time, some of these improvements should basically sustain. And if not invested back, they will help us expand the margins. But the endeavour is to, of course, invest them back. That's part one.

Second, our cash position stays strong. Our DSOs, as I called out, is strong. Our collections every quarter have been improving. Overall, do we look at capital allocation ideas? Absolutely, yes. Do we evaluate M&A situations? Yes, very actively, but we are very mindful in terms of how they will be accretive, not just to the revenue but also to the bottom line.

So, our decision-making is centred around the ability of any idea, which can help us, again, in the mid-term to long-term. They're not short-term solutions. So that's how we look at cash. You said distribution back to the shareholders, this quarter, again, like last year, same time, we had an interim dividend that we announced. This time, it is 120%. Last year, it was roughly around 100% of the face value.

So we are improving in terms of our distribution ratios. And we would kind of do that balancing act between distribution and, of course, keeping cash for growth.

Moderator: We take the next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Congrats on a strong execution on margin in a difficult quarter. Sir, the first question is when you joined at that point in time itself, you were knowing that TMT could be a pain portfolio, especially because of a large account client-specific issue. So, any view why we were not able to compensate that by acting proactively in some of the other verticals? Is it more to do with the portfolio mix outside BFSI and TMT, which is hurdling us in terms of a proactive aggression. Is it more to do with macro?

Or is it more to do with our sales aggression where we are not able to act proactively in terms of adding more deals, more pipeline, converting more pipeline into deals and into revenue to compensate TMT because now as a percentage to sales, if I'm not wrong, would have come down from high teens to closer to high single digit. So any view on this? And any change of gears in terms of acting aggressively on a proactive basis?

Manish Tandon: So, Sandeep, you are assuming that the platform that I inherited, I mean we, the management team, inherited was a stable managed services platform. That assumption is wrong. What we inherited was really a slightly more advanced form of a staff augmentation company, to be very frank. So we were grappling with multiple problems.

And as I had said before this, if we didn't fix the margin issue first, then there will be no investment available to invest in the business to transform the business. And that is why we took the important problems first. We positioned the company in a fashion that it can take advantage now of the new trends and the new things that are happening.

And I'm very pleased to say that we are now in a position, be it M&A, be it investing in AI, be it launching new verticals, we have created the framework and the scaffolding in the organization to be able to do all those things. TMT is also now less than 10% of our revenue, if I'm not mistaken. So its impact is going to be less going forward. That's the other thing.

And almost all the sectors were struggling when we joined. So please do not forget that the run rate of the company was less than -- when I took over was \$140 million a quarter, if I'm not mistaken. So from there, we have come a long way. And I feel very confident that now the company is really positioned to take advantage of the opportunities that the environment is presenting.

Sandeep Shah: No, no. Fair enough. Great reply to the question. And sir, just in terms of further to what Nitin asked, and you have replied, you said we generally prioritize on a profitable business. So that's a good strategy because what investor wants is an EPS growth as well. But in that scenario, why we are not increasing our EBITDA margin goal post?

Because at one end, if we are saying we want to become profitable, at the other end, we are saying we are investing, but that is not yielding growth turnaround yet. So why not increase the margin goal post where currently, the margin is much higher than the goalpost?

Manish Tandon: So, Sandeep, again, see, I outlined this philosophy very early in my tenure, that I'm trying to maximize shareholder value and for me, maximizing shareholder value, in some cases, may mean lower revenue but higher margin.

But in most cases, it means higher revenues and lower margins, okay. So at this stage, as I was mentioning to Nitin, when you go into a quarter and you realize that this is going to be a soft quarter for everyone, what can you do to maximize shareholder value? You can only shore up and execute much better, execute to higher margins. And that's what we have done.

If this quarter, I get a large deal, for example, which is not margin accretive in the first year, it gives me that cushion to take up that large deal, even though it might not be accretive in the first year, right, margin accretive in the first year. So this is a -- while we can view it from a quarter-to-quarter lens, we can -- but as a leader, I think and as a management team, we are playing the long game.

We are fixing the company Zensar structurally, and we are positioning it for much better things to come. When I joined, one of the things I told the team that the best is yet to come. And I'm very confident even today that the best is still to come. And we have traversed that journey.

Sandeep Shah: Yes. Yes. Fair enough, sir. Just last two questions. In terms of offshoring, if business has grown on the offshore volume side, why on a Q-on-Q, the offshore revenue mix has just improved by 20, 30 bps?

And second, is it fair to assume fourth quarter there could be a material growth bounce back as we recoup the furloughs and the worst in the TMT may be behind in the fourth quarter, where it may not grow -- weak, but it may not grow and remain stable.

Manish Tandon: So hope is eternal, hope runs eternal is all I can say. Ultimately, volume growth will translate into revenue growth. In fact, if there is no volume growth and there is revenue growth, then we as a management team get worried. So this is very encouraging.

As to why the proportion, etcetera, I mean, see, there are so many factors, Sandeep, dollar appreciation, some this thing, that has an impact, then the number of -- I mean, two people going off from on-site will have an impact -- equivalent impact on offshore of, say, five people being added or something like that. So those ratios are also there.

So it's a very -- from a revenue perspective, it's a very fine calculation, especially with the appreciating currency. But being an industry veteran, we can tell you that ultimately, offshore leads to higher margin. Higher offshore volume growth leads to higher margins, and that is what we are focused on.

Sandeep Shah: Okay, okay. Sir, just a clarity, fourth quarter, one can expect growth to turnaround?

Manish Tandon: Sandeep, we don't give guidance, as you know, but hope runs eternal.

Moderator: We take the next question from the line of Debashish Mazumdar from Svan Investments. Please go ahead.

Debashish Mazumdar: I had a few sets of questions. So my first question was around TMT vertical. Sir, I know last time also you had alluded to that the clients have started to spend more on capex on hardware instead of on these services.

But this time or as a whole, how are you seeing this? Has it come to a surprise to us in the extent of the impact on our revenue stream on this? Has it come to you as a surprise, or you were sort of prepared for it? And should we assume -- second part to it is, should we assume that it has bottomed out or there is some more recalibration, which is left there?

Manish Tandon: No, I wouldn't say that it has bottomed out or recalibration. I won't take a guess on that. But if I have to guess, then I would guess on the downside than on the upside, okay. So I would say -- and frankly, as I commented to Nitin and to Amit, I have, myself, and I have asked the team to look beyond TMT. I mean now it's a smaller percentage of our revenue. And I have said that TMT is no longer going to be a crutch that they can fall on as we move forward.

I can tell you that overall, the headwinds in the TMT sector remain. I don't think that the spending that these large companies are doing on capex and so on is going away. And a lot of in-sourcing is also happening in these sectors. And wherever people are able to retain businesses, they are giving hefty discounts of the order of 30%.

Debashish Mazumdar: Thanks. So just a follow-up on this one. Is the headwind we are facing in TMT is a broad -- all across clients? Or is there a few, let's assume one, two, I'm not even alluding to the top one. Is it a few set of client-specific issue? Or is it a broader theme you are seeing across?

Manish Tandon: See, we don't have too many TMT clients, to be honest with you. So at least in our portfolio, we are seeing it as a broader issue. But as I said, we don't have -- it is not that we have 100 TMT clients.

Debashish Mazumdar: Fair enough. That answers it well. Sir, my second question was around the -- I just wanted to understand the cost item of employee cost and wanted to relate it with the decline or a flattish offshore revenue. Could you help me understand -- help me tie this up because there has been a sharp decline in employee cost during this quarter. So how should I understand this?

And was it -- is it a fair assumption that a few contracts or ramp-ups have been delayed or we have reached to a phase where newer ramp-ups are taking time? How should we understand this?

Manish Tandon: As I explained to Sandeep just before this, see, tying up -- when the currency is stable, then you will see direct correlation. When the currency is depreciating so much, then you will not see correct correlation, okay. But everyone in the industry knows that offshore is more lucrative than on site.

So when you look at total revenue, that has been -- there is an interplay of currency and the utilization and volume in there. So as to sharp decrease in the costs, I mean, all credit goes to Vijay particularly and Pulkit and Vivek also as to how they have been able to manage the cost.

Some of it, I can tell you, it is because of leave provisioning because this is a quarter where a lot of people take a lot of leaves and furloughs happen. So some of it -- and Pulkit has also mentioned that there is a 0.7% benefit, correct Pulkit? based on leave that we have got.

Pulkit Bhandari: Yes. So just to basically add to what Manish said. One is basically higher leave utilization, which is roughly around 1% on overall basis. Part of it would have gone into gross margin. Part of it would have come to SG&A.

The on-site headcount reduction is roughly around 52 in the current quarter. Last quarter as well, on-site headcount reduction came down by around 90, which was towards the end of the quarter. So the full quarter impact of that benefit is coming in Q3.

Debashish Mazumdar: Got it, got it. That explains. Sir, specifically, my third question was around the deal wins. So could you give some flavour as to what parts -- what forms the existing new or a net new part on to it?

And the second part was -- so it was -- are we comfortable with the current run rate of deal wins? And how should we understand that? And what steps are we taking to -- just to improve this or to give it a larger number because we have had a higher number in the past also.

Manish Tandon: Yes. So as I -- as we have been maintaining, we are fairly comfortable as long as the numbers, the order bookings are somewhere between 0.9x to 1.2x quarterly revenues. We are very comfortable with that. This time, it was 1.12 book-to-bill. So that answers, I think, some question -- first part of the question.

The second part of the question is before order booking, you have pipelines, we don't disclose our pipeline, but I can tell you that the pipeline has fairly strong that we see. How much we'll be able to convert and in what time frame, that will -- that we have to accelerate, and we continue to focus on doing that.

Debashish Mazumdar: Sir, part two question was the renewals and the new part of the deal.

Manish Tandon: Yes. So if you look at -- out of the -- Pulkit, do we disclose EE and NN or...

Pulkit Bhandari: No, we won't do it.

Debashish Mazumdar: So a certain flavour to it, just -- I know I understand that you don't give the exact numbers, but just a flavour to it. I mean a year back, how it was or has the proportion changed? Or how are we seeing that?

Manish Tandon: I would say it usually is about 25% to 27% to somewhere between 20% to 30% is about EN and NN normally. Sometimes if you have a large deal or something, it's slightly higher. But usually, it is in this range.

Debashish Mazumdar: And no major shift in terms of a year's back and today's order book. It has predominantly been in the similar range, you're saying?

- Manish Tandon:** No, no. EN and NN order book has been in the similar range. But our order book -- average order book is -- last 4 quarters, the average order book was somewhere around ~~485~~ 180 or something, if I'm not mistaken. And this quarter also, it is in the same range. I'm looking at the order book numbers. So last quarter, it was 158.7. Before that, it was 172 and this quarter, it is 180.2.
- Moderator:** We take the next question from the line of Nikhil Choudhary from Nuvama Institutional Equities. Please go ahead.
- Nikhil Choudhary:** My first question is on offshoring. We have decently improved offshoring by more than 400 basis points in the last 1-year. Where we are in this journey? And do you intend to increase offshoring further? And if there is any target?
- Moderator:** Ladies and gentlemen, we have lost the line of Manish. Please stay connected while I rejoin Manish sir. Thank you. Thanks for your patience, ladies and gentlemen. Nikhil, if you could please repeat your question.
- Nikhil Choudhary:** Yes. Thank you. Just want to understand what's your view on offshoring. We have already increased it by 400 basis points from last year. Any target you have of, let's say, reaching it 60% of overall revenue? Any timeline? Thank you.
- Vijayasimha Alilughatta:** Yes. So, look, we don't have a specific target in terms of increasing the offshore ratio. This is based on the type of work that we are getting. And with AI, the advent of AI, we are able to do a lot of these stuff at offshore, and that has been the reason why it is actually progressing. But to your specific question, we don't have a target saying, this is the offshore percent. I think we are in a range-bound stuff, and this is the right range when it comes to offshoring.
- Nikhil Choudhary:** Got it. Thank you. Second one on growth. With us delivering 1.3% growth, which is lower than the industry growth, compared to our guidance of moving up in a growth quarter from bottom quadrant to top quadrant in next 3 years.
- Do you think -- is it possible for us to, let's say, deliver even mid-single-digit to high single-digit growth next year, especially in the backdrop of our 9-month deal win has declined by high single digit and most of the verticals outside of BFSI is actually facing headwind. So how -- what's the timeline or journey you plan to reach the double-digit growth? And can we at least deliver, let's say, mid-to-high single digit growth in FY '27. So some colour there. Thank you.
- Manish Tandon:** You want revenue growth or you want profit growth?
- Nikhil Choudhary:** Revenue growth, sir.
- Manish Tandon:** And profit, if you don't grow, that's fine, right?
- Nikhil Choudhary:** No, sir, profit growth is obviously very surprising and encouraging. I just want to...
- Manish Tandon:** Our profit growth in dollar terms is 18.2% year-over-year. I challenge you to find any large-scale players who have delivered 18.2% profit growth year-over-year.

- Nikhil Choudhary:** Without any doubt, sir. But any colour in terms of revenue growth perspective, just from our own modelling, how should we...
- Manish Tandon:** How much revenue growth do you want? Tell me. Maybe I can also buy revenue. So I mean, look at the overall picture. Ultimately my job is to deliver -- our job is to deliver shareholder value. Shareholder value comes from, as I'm old school, I know. But shareholder value comes from profit growth, EPS growth. Our EPS growth was 24.1% year-over-year. Our profit growth is 18.2% year-over-year in dollar terms.
- Nikhil Choudhary:** Got it, Manish. So let me think of this way. Can we still deliver double-digit profit growth going ahead as that will be the target of the management?
- Manish Tandon:** Yes. We want to -- yes. Yes, we will deliver -- we want to deliver double-digit profit growth. And we are committed to doing that.
- Moderator:** We take the next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** Manish sir, you said in the Healthcare and Lifesciences, a couple of accounts where we were on the wrong side of vendor consolidation. So what exactly that has happened? And do you believe the impact of this may start from 4Q and maybe a headwind for the growth in 4Q, 1Q or do you believe the headwind is already in the numbers in 3Q?
- Manish Tandon:** No, no. I mean, there will be some impact in Q4, but I mean, this is not like it was a \$100 million account or anything. So, you know, it's -- we were doing some project with -- we got consolidated out. It is not that in an account, we got consolidated out.
- Healthcare and Lifesciences overall size of the revenue -- the size of the vertical is only 60 million, 70 million or so. Then even a 2 million, 3 million things consolidation has an impact, correct? So that is the only thing. Nothing for you to be -- nothing -- I mean, overall, at the company level, nothing to worry about.
- Sandeep Shah:** Okay, okay. Fair enough. And sir, based on the commentary, it looks like 70% of the portfolio, both on BFSI and MCS has been doing well, and we are confident, but will it be enough for you to drive the growth or do you believe we have to add organically and inorganically new portfolios, which will help us for a long-term growth aspirations.
- Manish Tandon:** So we are actively looking for inorganic opportunities, frankly. And -- but again, cash that we hold, it belongs to the shareholders, and we want to use it very judiciously, not just to go and arbitrarily buy revenues. We are not interested in buying revenues. We are invested in doing strategic acquisition that can lead to long-term shareholder value. So we are cautious, but we are aggressively looking at opportunities.
- Moderator:** Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to Mr. Manish Tandon for his closing comments.

Manish Tandon:

Thank you. Thank you, everyone. It's pretty late. Actually, interestingly, I got dropped out because my cell phone went into do not disturb mode. So, before we conclude, those of you who are in the US and in India, I want to reiterate my gratitude for being on this call.

Most of all, I want to convey my gratitude to our clients for their continued trust, to all the Zensarians for their unwavering dedication and to, of course, all of you for your confidence and support as we embark on this shareholder value creation journey.

I think Q3 reflected the expected seasonal softness, combined with the impact of change in volume mix. Yet our year-over-year revenue growth, profit growth, significant market expansion, the order book and robust cash position, all reinforce our confidence in the path ahead.

As we move into the final stretch of FY '26, our priorities remain clear, maintain disciplined execution, deepen the value we deliver to clients, and continue advancing our AI native thought process. Thank you once again for taking the time to join Zensar's Q3 FY '26 Earnings Call. And I look forward to interacting with some of you in the various analyst forums. Thank you.

Moderator:

Thank you. On behalf of HDFC Securities Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.