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“Zensar Technologies Limited  
Q4 FY '26 Earnings Conference Call”

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**MR. PULKIT BHANDARI – CHIEF FINANCIAL OFFICER  
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**MODERATOR: MR. JIMIT GANDHI – EMKAY GLOBAL FINANCIAL  
SERVICES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Zensar Technologies Limited Q4 FY '26 Earnings Conference Call hosted by Emkay Global Financial Services 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 now hand conference over to Mr. Jimit Gandhi from Emkay Global Financial Services. Thank you, and over to you, Mr. Gandhi.

**Jimit Gandhi:** Thank you, operator. Good evening, everyone. On behalf of Emkay Global Financial Services, I welcome you all to the Zensar Technologies Quarter 4 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 harbour 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, Jimit, and hello, good morning, good afternoon and good evening, everyone. Thank you all for taking the time to join us today to discuss Zensar's financial results for the fourth quarter and full year FY '26. With me on this call are the usual attendees, Chief Financial Officer, Pulkit Bhandari; Chief Operating Officer, Vijayasimha; and Chief HR Officer, Vivek Ranjan.

Let me start with talking about the macro environment. Geopolitical uncertainty and sudden policy shifts have become the new normal. The rules of business are evolving, and tighter immigration policies are beginning to leave their mark. Despite these headwinds, we in the IT industry have demonstrated remarkable resilience.

Turning to Zensar's performance. We delivered a modest yet resilient revenue performance this year, centered around offshore-led volume growth. Importantly, our annualized order book, profitability and cash position collectively reached to their strongest levels, demonstrating our disciplined execution and continued operating strength.

Our AI native offerings scaled to enterprise-level adoption in Q4, driven by multiple high-value AI-led wins, validating our early and decisive investments in this space. With 85% of our workforce AI certified, we are systematically transitioning to a delivery model where AI is embedded in every engagement, driving accelerated technology modernization and measurable productivity gains.

Our strategic large deal win further underscores the bold forward-leading capabilities and client acceptance of our solutions.

Moving towards our financial performance for Q4 and full year FY '26:

For Q4 FY '26, the company posted revenues of \$158.4 million, a year-over-year growth of 1% and a sequential decline of 1.3% in reported currency.

In INR terms, this equates to a year-over-year growth of 6.7% and a sequential growth of 1.4%. For the full year FY '26, the company posted revenues of \$643.7 million, year-over-year growth of 3.1% in reported currency. In INR terms, this equates to year-over-year growth of 7.7%.

For full year reported currency basis, revenue:

- Grew by 11.4% in Banking and Financial Services,
- 8% in Healthcare and Life Sciences.
- In Manufacturing, Consumer services and Telecom, Media and Technology verticals, revenue declined by 0.6% and 9.7%, respectively.

Additionally, we are pleased to inform that:

- Our annual profit after tax improved to \$87.2 million, a year-over-year growth of 13.6%.
- Net cash and cash equivalents position stood at \$319.5 million, a year-over-year growth of 10%.
- Order book supported by the large deal win increased to an all-time high level of \$401.8 million this quarter, a sequential growth of 122.9%.
- Utilization improved to 84.3% sequential quarter growth of 80 bps.
- Our annual customer satisfaction score improved by 470 bps to its highest ever level, positioning Zensar in the top 3 of industry CSAT.
- This, coupled with the industry-leading 9.8% attrition demonstrates our commitment to disciplined execution and our enriching culture that fosters long-term relationships while continuing to execute our strategic priorities.

With that, I will now invite Pulkit Bhandari to provide an update on critical financial data.

**Pulkit Bhandari:**

Thank you, Manish. Good day, everyone. Thank you all for joining this call. I will take you through some of the key business and financial metrics for the quarter ending March '26.

The AI ecosystem is evolving rapidly with clients expressing willingness to expand adoption. However, a majority of AI spend is being repurposed from existing engagements such as application development and testing, creating pressure on renewals and pricing.

Our ability to adopt this evolving service model, combined with long-term strategic client partnerships, positions us well to deliver tailored solutions by integrating AI enhancements into our core service offerings. We aim to drive measurable sustainable value for clients.

The reported revenue for the fourth quarter financial year '26 stood at USD 158.4 million, reflecting a growth of 1% Y-o-Y and a degrowth of 1.3% sequentially in reported terms. In the constant currency terms, sequentially, it de-grew by 1.9%.

Our EBITDA this quarter contracted by 130 bps sequentially driven by:

- Lower volumes due to lower working days. That's around 0.3%,

- Reversal of leave utilization benefit of Q3, which has been a past practice as well of around 1.1%.
- Increase in other costs, 1.1%, which includes initial costs with regards to large deal implementation and SG&A, which has been offset by a positive forex impact of around 1.2%.

Our PAT margin for the quarter stood at 14.4%, expanded by 50 bps.

Some other key highlights.

- We opened a delivery centre in Belgrade, Serbia. We intend to leverage this for our clients for tapping in high-quality talent and nearshore benefits.
- Our order book for the quarter stood at USD 401.8 million, which includes large deals signed during the quarter.
- Cash, including investments stood at USD 319.5 million.
- Our attrition increased to 9.8%.
- ETR for the quarter is 23.7%.
- Diluted EPS grew to INR 9.2 per share, which is 5.6% growth quarter-on-quarter.
- FY '26 saw an improvement of our ESG scores across rating agencies. For instance, now we are 87<sup>th</sup> percentile in Ecovadis, leadership category in CDP and 88<sup>th</sup> percentile in S&P Global.

The Board of Directors have approved a final dividend of INR 12.6 per share for financial year 2026, which is 630% of face value subject to the approval of shareholders in the upcoming Annual General Meeting of the company. With this, our total dividend for the year adds up to 750% of face value.

With that, I will now invite Vijay, our Chief Operating Officer, to comment further on Q4 FY '26 results.

**Vijayasimha Alilughatta:** Thank you, Manish, and Pulkit. Greetings, everyone. I will share details about our operational efficacy, service line performance, annual CES and AI journey.

On the operational efficacy front, our utilization for the quarter stood at 84.3%, which is an 80 basis point growth quarter-on-quarter. The rigor associated with accelerated fulfilment and capability enrichment continued in Q4.

We had a gross addition of 968 employees in this quarter. As Manish stated, voluntary attrition was 9.8%. This is the fifth successive quarter where our voluntary attrition has been below 10%. The offerings from our service lines and industry services groups continue to resonate well with our clients.

- The share of revenue from our service lines increased to 71.6% in Q4, which is 440 basis points higher Y-o-Y.
- On a Y-o-Y reported currency basis:
  - Cloud Infrastructure and Security services grew by 13%.

- Data Engineering and Analytics grew by 8%.
- Products and Platforms, including CMO services grew by 6%.
- Enterprise Application Services grew by 1.2%.

As spoken by Manish previously, the annual client experience survey was conducted in Q4. We clocked our highest ever score on both the overall client experience index as well as the satisfaction, advocacy, loyalty and business value dimensions. Our experience index improved by 470 basis points, and we have moved further up within the top quartile of industry ranking.

The AI talent transformation initiative has seen significant growth in FY '26. We upskilled 85% of our workforce in AI by leveraging the multilevel training programs of our Ignite AI Academy as well as the various certification drives that we have instituted in collaboration with our alliance partner. The number of AI learning hours per person increased by 136% in FY '26 as compared to FY '25.

This demonstrates our unwavering commitment to developing future-ready talent at scale. We continue to deliver significant value to our clients in key AI engagements. We are continuously reimagining our offerings, leveraging AI technology. Some of the refined offerings that we provided to our clients in Q4 are:

- Agentic foundry that solves complex workflow issues for BFSI clients,
- Quality intelligence,
- Context intelligence,
- FinOps for AI and
- ZenseAI.Guidewire.

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

**Moderator:** Thank you very much. We have the first question from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Manish, for the quarter, if you could give some colour on why we have seen a sort of a broad-based kind of a decline? Any change in client behaviour because our CSAT scores are pretty good. Normally, one would think that would mean automatically more business. And if you could layer it up with whether this was seen in the early part, later part of the quarter?

And would that mean that at least in the near term, Q1 also could see a similar kind of a decline kind of an impact as the run through. Some colour and context around what really happened and why it's happened?

**Manish Tandon:** Thank you, Nitin. I think it's a very relevant question. So, 2 things. One is the usual suspects have caused the problem, which is TMT sector as a whole. The second thing was that we were expecting the large deal to close in Q3 and start in Q4, but the deal closure actually happened in February. So, we were not able to recognize any revenues -- or any material revenues from the large deal. So those were the biggest things that we saw. TMT will remain under pressure for next few quarters.

As you have seen, large companies like Oracle have let go of 30,000 people. There are companies like Snap and there are companies like Box, which have let go of nearly 50% of their people. And that is going to reflect on other things.

I would say that EU and SA is back, we have righted the ship, and we should see good growth there.

TMT will continue to be under stress, at least for us. BFSI will continue to grow. Healthcare/Life Sciences will be under stress, and that is primarily because as mentioned to you last call that we have been consolidated out of a couple of accounts. And MCS also, we are not expecting any declines. We are expecting some growth. Hopefully, I've answered your question.

**Nitin Padmanabhan:** Yes, you did. So, I think the broad take is that because growth is back in quite of EU and SA and BFSI will grow and MCS will also grow. So, would that mean that at least in the near term, we are not going to have a decline quarter, it should be a growth quarter broadly?

**Manish Tandon:** Yes. We are -- as we stand, we don't see a degrowth quarter in Q1 for sure. But as you know, I mean, things are changing so rapidly Nitin, not just from a market perspective, but also from the geopolitical situation and tariffs and so many of these things that it is becoming very difficult to predict with surety. But I can say that where we stand today, we are not seeing a degrowth scenario.

**Nitin Padmanabhan:** Got it. Just 2 more quick ones. One is on the deal ramp, how should we think of how this ramp goes through, the ramp-up of the deal? And the second one was the deal-related costs, which we saw the initial cost of 110 basis points this quarter. How should we see that playing out through the year?

**Pulkit Bhandari:** Sorry, Nitin, what's the second part? What is the cost that you mentioned?

**Nitin Padmanabhan:** The deal-related initial cost -- how should we see that sort of panning out through the year?

**Pulkit Bhandari:** Yes. So let me take that. Now when you look at the first part of your question in terms of how does the ramp-up around revenue looks like for large deals, While we are on track, we have started basically kind of working with them very closely. The ramp-up will take some time because it has its own complexities. Transition always is a lengthy process, where basically multiple variables comes into play. But it's going and we are tracking it. Difficult to give you an exact number, but we would hope that Q1 should see some part of revenue coming in.

And the full-fledged revenue should come from Q3. Q2 should also basically benefit a little bit. But the proper and the full ramp-up, I would say, basically is Q3. When you look at the cost structure, we have already started kind of hiring for the large deal. And to that extent, there's been an expansion in number of people and costs associated with them in the P&L that you see today.

But as what we have called out earlier as well, during the transition time frame, during the ramp-up period, there will be some pressure on the margins, while we will try and see how we can

cover and plan for them, but there will be some pressure, which you should be expecting at least in Q1, Q2.

**Nitin Padmanabhan:** Okay. Sure. Got it. And one more, if I may. From a deal pipeline perspective and closure, -- how do you see that? Because of late, I think a lot of earnings calls, a lot of talk was on hyper competitiveness and sort of pressure on margins. So just wanted your thoughts on that? And that's all from my side.

**Manish Tandon:** Yes, Nitin, so again, a very relevant question. See, the competitive intensity is going up tremendously. And so much so that we are seeing Tier 1s competing for deals, which a few months back, they wouldn't even look at. I can tell you that almost everywhere, we are encountering a Tier 1 in our competitive set, which was not the case a few months back. As far as our pipeline is concerned, it is pretty good from where I see things.

At least I'm not worried too much about our pipeline as of now. And even the order booking that you see, even if you exclude the large deal, our order booking has been of the order of \$200 million plus.

**Pulkit Bhandari:** \$206 million...

**Manish Tandon:** \$206 million or so. So, while the competitive intensity has increased tremendously, we are stepping up to the plate and making sure that we are not only bidding, but winning as much as we can.

**Moderator:** Sir, we have next question from the line of Sandeep Shah, Equirus Securities.

**Sandeep Shah:** Manish, we clearly understand that the sector is facing too many headwinds at the same time, which are led by tech as well as the geopolitical issue and macro issue. But answer to that could be a consistent traction in the order intake, which helps us in terms of driving a predictable, consistent growth quarter after quarter. So I think we did this in this fourth quarter. But as a phenomenon, you believe we need to further strengthen our large deal team?

And I'm not saying every quarter we can have a mega deal or large deal, but at least the order intake continues to remain above 1.3, 1.4x for a company like a mid-cap, which helps to have a sustainable growth on an ongoing basis. So how are you looking at this angle and strengthening the large deal formation team to perform on a consistent basis?

**Manish Tandon:** Sandeep, thank you for that question. See, we are all in on AI. And as you can see, one of the reasons for our large deal win was our AI solutioning. And we have taken this to the next level. Now none of our large deals go without a significant AI component to it. We have created new solutions, new offerings.

And through use of AI, we are targeting newer segments and shaping more large deals. Obviously, we'll still wait for the results to come out. But I believe that having a healthy order book and having a healthy pipeline is directly reflects on our focus on AI and how we have changed our go-to-market perspective.

**Sandeep Shah:** Okay. And just in the TMT top client, one can assume the growth could be flattish or marginal decline rather than a significant decline may continue on a going forward basis because the contribution of that client to the revenue would have been now between 6% to 8%..

**Manish Tandon:** We will see continued decline in that account very clearly because that account itself, there is an in-sourcing paradigm that is being talked about. They are cutting costs significantly in line with other technology companies. So, if you look at it in our projections, we have not taken any growth in that account. We have, in fact, budgeted for continuous decline in that account.

**Sandeep Shah:** Yes. And in the backdrop of that, do you believe the coming year, the growth outside the mega deal could still be a decent growth and higher than what we have registered in the FY 2026?

**Manish Tandon:** Hope runs eternal, if we didn't have hope, there would be too many suicides in general. So, hope runs eternal, but we have taken a pragmatic view of where we stand. Our budgets and so on are not a statement of aspiration, but a statement of reality as we see today. I would also say that the reality that we see today keeps changing.

And that is the whole issue that we have -- the good news is as a smaller agile organization, we are better suited to respond to those changes, and that is what we are trying to do. But I can tell you that our FY '27 performance will be contingent on our performance on our large deal. Actually, I won't even call it a large deal, it's a mega deal. And it will be contingent to some extent on what we do on the mega deal...

**Sandeep Shah:** Okay. And on this mega deal, can you give us colour what has led us to win that deal?

If I'm not wrong, we have replaced one of the Tier 1 incumbents and how we are replicating this across sectors, verticals and make this phenomena at least not quarter after quarter or 1 or 2 such instances in the whole year?

**Manish Tandon:** I don't want to comment too much on the large deal because we have given whatever we had to in our press release. But I would say that it really enhances our capabilities to do deals of this size. Our clients and prospects and the analysts and advisers have noticed that. Also, as we are executing this mega deal, we are becoming demonstrably competent to all these people. And hence, we are hoping that we'll be able to at least bid for more larger deals even if we win or we don't win.

**Moderator:** We have next question from the line of Baidik Sarkar from Unifi Capital.

**Baidik Sarkar:** Congrats on navigating a tough environment. A couple of questions. In the past, you've always given us a qualitative flavour on the size of deal pursuits and deal pipeline, right? If you had to kind of quantify that statement relative to perhaps where we were same time last year, would you say that size has shrunk or if it has expanded? If you could just help us imagine that pursue pipeline there? That's point number one.

And the second question is on the mega deal. A very simple back of the envelope calculation indicates the revenue potential of roughly \$9 million to \$10 million per quarter, right, starting Q2. Is that a similar ballpark your delivery is working with as we get into Q2 of FY '27. And

lastly, on the margin front, if you could just walk us through the incremental labor costs. Is that entirely attributable to investments for the megadeal -- or is there an organic part to that wage cost inflation as well?

**Manish Tandon:** Yes. So Great questions. The first question if I'm not mistaken is pipeline related. So see, there are 2 parts to that answer. One is, have we increased our addressable market? The answer is definitely yes. And second is, have we increased our pipeline? The answer to that is also yes. But again, please remember that we have converted a \$210 million deal, which dropped from the pipeline..

We wish to convert even more of those. So just looking at the pipeline change may not give us the right answer. And this is something that we monitor on a pretty much weekly to monthly basis as to how the pipeline is doing. And I can say that I feel good about the pipeline that we have.

**Baidik Sarkar:** I mean if I can just stretch on that, net of that large deal, right? I think the deal that we kind of booked this quarter was about \$192M. I think one of your colleagues mentioned the number of \$206M. I'm just kind of netting off the \$210M from the reported Q4 number. What's the right number? Is it \$196M or is it \$210M?

**Pulkit Bhandari:** So basically, the gross value of the deal is \$210M, and that's what we have taken. There are basically certain, I would say, large deal related elements, which basically makes it net. And to that extent, we called it out whatever, \$195M. But from your perspective and calculations, you can go ahead with \$210M for now. And that's the number that you should keep it as a reference point.

**Baidik Sarkar:** My question actually was, if I have to net off this \$402M with \$210M, we did get \$192M, right, as against \$180M in the previous quarter. So is the environment and your pursuit strong enough for you to maintain this cadence in -- over the short term -- over the very short term, next 2, 3 quarters?

**Pulkit Bhandari:** So the overall order book, so if you're commenting in terms of the order book, excluding this, the overall order book has been in line with what we've been targeting and aiming at. I would say anything which is above 1.1x is somewhat acceptable and good, which gives -- which ensures that we have enough traction, which is what it translates into. So I would say anything which is between \$180M to \$200M on a standard basis is a reasonable number.

**Baidik Sarkar:** Got it. And the scale up, would that be about \$9M to \$10M starting Q2?

**Manish Tandon:** We don't want to comment on that just now because at this stage, essentially, our focus is to scale up as quickly as possible. So, at this stage, we wouldn't like to comment on it. But I would also like to say that from a pipeline perspective, we have been comfortable pretty much every quarter because for us, pipeline is generating new business has not been too much of a problem.

Our problem has been that the revenue attrition that is happening, especially in TMT has been hurting us quite a lot. So, we continue to be positive about our pipeline and our ability to get new business from existing clients and even to some extent, new business from new clients.

- Baidik Sarkar:** Right. And just on a question of attrition, barring your topmost client, is there a degree of attrition in other TMT customers as well? Or is this majorly related to the top client?
- Manish Tandon:** I think the most material deterioration is there. But otherwise, it's business as usual, otherwise. I mean, some accounts we will add, some accounts will go away. It is more business as usual on the other side of things.
- Baidik Sarkar:** Sure. And on the employee cost, if you could please clarify how much of it was new deal related and how much of it was organic?
- Manish Tandon:** Sorry, come again?
- Baidik Sarkar:** Yes. So I was referring to steep increase in your employee cost. I mean you did mention in your opening remarks that there was a bit of upfronting of investment relating to the new deal. I'm just trying to understand how much is organic and how much is new deal related, the increase in your employee cost?
- Pulkit Bhandari:** No. So employee cost, I would say the addition on account of the new deal will be somewhere close to around 0.5% to 0.6%.
- Baidik Sarkar:** Okay. And does this go up in Q1 as well? That is, does this go up sequentially in Q1? Or does it stabilize from here on?
- Pulkit Bhandari:** So, it will go up. So, the cost around this deal will go up in Q1 and Q2. And that is why in the beginning, I had called out that as we ramp up during the transition time frame, there will be some pressure around margins, but they will stabilize the moment basically we start clocking revenue and transition phases over.
- Baidik Sarkar:** Got it. And the expected cadence in Q1, Q2 will be in the same ballpark, 0.5%?
- Pulkit Bhandari:** No, difficult to triangulate and give it to you now because as what we called out, right now, the objective is to scale up and difficult to give you an exact cost number around that today.
- Baidik Sarkar:** Okay. And if I just squeeze in one bookkeeping question. The expected tax rate for the whole of '27?
- Pulkit Bhandari:** So, this year has been good. We've basically kind of done well on ETR. I would say, while we would not give an exact guidance, I think normal corporate tax rate, a plus/minus 0.5% is a range to work with.
- Moderator:** We have next question from the line of NGN Puranik from Enam Securities.
- NGN Puranik:** I want to understand from you your readiness to be in the large AI deals, meaning AI deals are not large yet, but whatever size they are, \$5 million, \$10 million. And in terms of people readiness and project readiness and the experience that you have gained over a period of time, is it enough for you to bid for a pure-play AI service? And also, if you can give the list of service lines you have developed over time on the AI?

**Manish Tandon:** Yes. So great questions, as always, sir. I would say on AI, we are very, very bullish. I am personally driving the effort along with my senior management team and Vijay, Pulkit, Vivek and others. We are looking at all aspects of AI. Almost every service line that we have today, we have rethought it, and we have made it AI native rather than AI infused. And this philosophy has percolated not just to our delivery and sales organization, but also to our support organizations in terms of finance, HR and everything.

85% of our workforce is AI enabled. So we are ready to take advantage of that. And not only we are ready to take advantage, but we are taking proactive steps to make sure that the benefits of AI are seen by our employees and by our clients. So I believe that for companies of our size, this is the next turn in the road. And as in Formula 1, they say that you always win in the turns, we believe we must win this.

**NGN Puranik:** And how significant is AI usage within your organization, both in finance, HR, admin, product management everywhere?

**Manish Tandon:** Pulkit and Vivek, maybe you should answer that question. Pulkit is our CFO and Vivek is our CHRO.

**Vivek Ranjan:** Thanks a lot, sir. It's a brilliant question. In fact, just adding to what Manish mentioned, I'm Vivek, I'm CHRO Zensar. So one, in fact, we have invested significantly in the training of our people. And as Manish mentioned, 85% of our employees are AI ready. Second, from HR process perspective, from pre-onboard to retire, there are various touchpoints, including hiring, engaging, developing our employees. For each of these touchpoints, we have identified areas where we can bring in generative AI and agentic AI.

So for example, our recruitment is completely AI-enabled. So each of these touchpoints, we are also making it sure that we bring in AI to ensure that we are not only selling AI to our customers, we are role modelling that and infusing that in all of our processes. So that's from HR perspective. Pulkit, do you want to add on that?

**Pulkit Bhandari:** Yes. So I think good question in terms of how are we using it internally. Vivek gave you a perspective around HR. From a finance side, I would say a lot of business process-oriented functions, say, something like an AR/AP, right? We are trying to basically infuse AI in those areas. SG&A, which is again based around data and how do we basically comprehend and use that data. So we are using AI around that.

The third element is contracting contractor when you look at legal contracts. We have designed and using in-house agents who are basically helping us basically shorten the time frame of the entire contracting.

**NGN Puranik:** And the saving in terms of number of people who are deployed for this would be significant?

**Pulkit Bhandari:** So what we have done, an interesting thing that we have done is within our own support functions, whether it is HR, whether it is finance, we are hiring engineers as well who are only focused on infusing AI into our processes in support functions.

- NGN Puranik:** Very good. That's a good way to introduce AI to the organization, right. Can you also mention about the service lines you have developed? Because I want to understand from you, for example, if somebody says that I want to spend \$10 million on AI-related projects with the oriented organization. So what service lines do you think he should adopt for a \$10 million project? Do you have enough services to deliver?
- Manish Tandon:** On a lighter note, we will create any service line that they want us to create for a \$10 million project. But to answer your question more directly, I think one is, as I said, we have reimagined all our services ground up using AI. One of the key new offerings that we have launched is QI, which is quality intelligence, okay! Quality intelligence is -- see, what is happening is as you would have heard of Vibe Coding and so on. So, instead of writing code, people are giving prompts.
- So essentially, you have to test against the prompts, not against the code. So you have to do against intent, not against functional requirements or functional specs. So that is an example of a service, which we have launched, and it can easily become a \$10 million service line. In fact, on a couple of deals, we are bidding QI-related stuff in that range. So we have created many more, but this is just a classical example of a service line.
- NGN Puranik:** But do you have any specific service lines, like what you used to have in the traditional ADM world?
- Manish Tandon:** So quality intelligence is in the ADM world, , it was known as IVS or testing, as you know, I started that business. Now I'm starting quality intelligence here.
- NGN Puranik:** Interesting. Manish, I also have to understand from your mega deal, how much of that mega deal will have productive AI and what percentage is predictive AI in terms of people, processes and all?
- Manish Tandon:** So see, it's both productive and predictive. So for example, the transition, okay...
- NGN Puranik:** And you will need a lot of prompt engineers there also?
- Manish Tandon:** No, not really. Not really. I mean, I'll have to spend a couple of hours explaining both the productive and predictive part of it.
- NGN Puranik:** Wanting to do that?
- Manish Tandon:** Maybe in our one-on-ones or so on...
- NGN Puranik:** We'll do that. So -- but this is a significant investment, AI would be in this project in megadeal?
- Pulkit Bhandari:** Sir, we would like to refrain from commenting on the...
- NGN Puranik:** Yes, I understand...
- Moderator:** We have next question from the line of Girish Pai from BOB Capital Markets Limited.

**Girish Pai:** I just want to understand what was the AI deflation impact in FY '26 because your -- for the full year, you've grown at about 1.7% in constant currency terms. And you have digital application services, which forms almost like 75%, 80% of your revenue, which I suspect would see a fair amount of deflation because of AI. So can you quantify the deflationary impact in FY '26? And what do you see happening in FY '27 with all these new models dropping almost every other week? How do you see that deflation playing out in FY '27?

**Manish Tandon:** So first of all, we are slightly unique in that sense that we don't have too many annuity type of contracts. And that is one of the reasons why we have to literally earn our business and our clients' trust quarter after quarter. So we are not seeing so much of deflation because of the nature of work that we are doing is not annuity based. And the newer projects that we are going after, I believe that it is making us much more competitive rather than looking at it as deflation.

So the lens that I am using to look at AI is a positive lens rather than focusing on the negative parts, mainly because the negative part is not impacting us as much as far as our business is concerned. But if the negative part is impacting our clients, then it has an impact on us. So as I mentioned, there are companies who have let go of 30,000 people.

If they are letting go of 30,000 of their own people, imagine how many of the outsourced people must be going out. So that impact is anyway there, and that is accounted for in the revenue attrition overall. But we are not seeing yet that we were doing a project for 100 and now because of AI, we have to do the same project at 70.

**Girish Pai:** Okay. Manish, in your opening remarks, you mentioned -- I don't know maybe opening remarks or elsewhere. You mentioned about larger companies, Tier 1 companies bidding for some of the projects, which they never used to do previously or at least you didn't see them do that a few months back. Against Tier 1 competition in these projects, what is our right to win? Why do you think we should win some of those contracts?

**Manish Tandon:** So I would say one is our AI native offerings are making an impact, number one. Number two, as you see that our customer satisfaction and our employee satisfaction is really excellent, okay! And I have said this before that ultimately, I run a very simple business where if you take care of your clients and if you take care of your employees, then things should be good.

So that is the second thing. And the third, I would say is while a heavy car has momentum, a lighter car is more agile and more manoeuvrable. And this is the time for manoeuvrability rather than momentum. So I would say those are the 3 reasons that we can claim.

**Girish Pai:** Okay. My last question is, are you seeing any rise of new players in the market? Are you -- because now you don't require those thousands of employees to deliver a project. So are you seeing newer players coming to the market? Or do you think it's a little too early, maybe that phenomenon is going to pick up maybe 6 months or 12 months down the road?

**Manish Tandon:** See, I would say the newer players coming in is when the industry attractiveness is high and the margins are higher, both, as you know, have been declining relatively for the industry as a whole. So we are not really seeing new boutique firms. And anyway, these boutique firms are 1 or 2

account vendors usually. So we are not seeing too many of those entrants of new competitors per se because the attractiveness of the industry has come down over a period of time.

**Girish Pai:** Yes. Lastly, is decision-making pushed back because of either macro concerns or because of AI-related issues in the sense that the clients think that you're going to get more from the same vendors, maybe 3 months down the road or 6 months down the road. So is decision-making impacting deal flow?

**Manish Tandon:** See, I have no purview of client decision-making cycles, to be honest with you. I would say I'm not seeing that the same client who was taking a decision in 6 months is now taking 9 months for the decision. It has more to do with the culture of the client rather than on the macro situation. Macro situation is impacting the overall budgets. AI also is impacting the budgets. But I am not the right guy to comment on decision-making cycles per se. It's a very intimate thing that you have to look at for each client and figure out whether culturally they have become more cautious or not.

**Moderator:** We have next question from the line of Pankaj, Renaissance Investment Managers.

**Pankaj Murarka:** This is Pankaj Murarka here. Manish, you mentioned on the call about the layoffs by tech companies, including Oracle and Snap. And now in the last few days, that has only accentuated because we've seen something similar from Meta and Microsoft as well. So if you can share some more industry perspective as to what is driving that?

Is it these companies are reaping AI efficiency gains and which is what it is leading to? Or what's the trend that's playing out there? And if that is the case, meaning is it next few quarters or you think it's a slightly more medium-term trend? That's the first question. And also in that context -- sorry, just to complete also in that context, what it means for where does our business from that segment stabilize?

**Manish Tandon:** So first of all, there is some amount of AI washing happening. Second is if you have to buy, if you have to make capital investments worth hundreds of billions of dollars, that money has to come from somewhere. And one way that money is being generated is by letting go of people who are not adding full value or whatever. So one, as I said, it's the capital investment that these companies have to make, which forces them to cut costs. And the second is some amount of AI washing, et cetera, that is happening.

The answer for us is we have to use AI to expand the addressable market much more. And for example, we are not a BPO company. But we are using AI to go after some of that traditional BPO business because our proposition is what you are doing with 200 people, I can do it with 50 people and 150 agents, AI agents. And by the way, because we are doing it ourselves, we can assure you those]...

**Moderator:** Management line has been disconnected. We are quickly reconnecting the management line. Please hold the line. Participants, thank you for your patience, we have management line reconnected.

**Manish Tandon:** All right. Is there something that we need to answer because we got disconnected. So that's why?

- Pankaj Murarka:** Yes. We could only hear partly your answer to the question. So if you could answer that?
- Manish Tandon:** If you can repeat the question, please?
- Pankaj Murarka:** I was saying we were talking about on the TMT side, we've seen acceleration of layoffs from the likes of Microsoft and Meta as well now?
- Manish Tandon:** Okay. At what point did we lose you?
- Pankaj Murarka:** No. You were mentioning that essentially companies have to reap those benefits to fund their AI capex?
- Manish Tandon:** Okay. So you lost us very early in the cycle. Okay. So the issue is that they have to fund the capex, and that is number one. And number two, I -- and this could be my personal view that these companies had over hired in the post-COVID boom. And hence, they are working on reducing the excess fat, if I may say so. And some amount of AI washing is also happening.
- The answer to the second part of your question is what should companies be doing? I would say that what we are doing is trying to increase our addressable market and increasing our addressable market, we can do it today because of AI. And that means getting out of our comfort zones, which is just the CIO organization and moving to adjacent organizations that spend a lot of money on technology, including CMO, content organizations, BPO or operations, HR, finance, et cetera. So that would be our response to this market.
- Pankaj Murarka:** And the other question was, where do we see this stabilize for us given the fact that we continue to face headwinds here on this side of the business?
- Manish Tandon:** That is a very important question. I wish I knew the answer, too. But I can tell you that our aim is to make sure that we continue to grow and create value for our services despite the headwinds. Sometimes when we are not able to create value through revenue growth, we still create value through EPS growth, through profitability and so on. But the focus is on creating shareholder value quarter after quarter.
- Pankaj Murarka:** Sure. That's helpful. And one last thing. When you -- meaning you highlighted that you're seeing a very high level of competitive intensity, which is an industry-wide phenomenon and you're seeing, let's say, in some of your accounts, Tier 1 companies, which you would have not otherwise seen. Meaning what's your take from where you're sitting and as you foresee things, how long do you think this competitive intensity probably might just persist? Or do you think that persisting throughout the course of the year, this year? Or how would you think this whole phenomena plays out?
- Manish Tandon:** Until the situation with AI stabilizes, this will continue to see, competitive intensity is a function of the changes happening in the environment. And a lot of changes are happening in the environment in terms of introduction of a new technology, which is AI. So till this situation around AI stabilizes a little bit, we will continue to see increased competitive intensity because the market size is not increasing dramatically, right?

Unlike previous technologies where be it digital, be it Internet, be it mobile, be it cloud, the market size increased. But with AI, the market size is not increasing with services, at least in services. It might be increasing on spends on LLMs and tokens and so on, but it is not increasing on the services side. So this competitive intensity, we should learn to live with it till the situation with AI stabilizes.

**Moderator:** We take the last question from the line of Mr. Sandeep. Please go ahead.

**Sandeep:** The question is on margins. So we generally treat 14% to 16% as a comfortable band, while 4Q is at the upper end of the band. And we understand there would be a large deal transition cost in the first half. So Pulkit, is it fair to assume 14%, 16% as a full year would also be true for the upcoming year FY '27?

**Pulkit Bhandari:** So I would say, yes, mid-teens is something which we have always maintained. We would like to continue with that overall guidance for the year. There may be a quarter where it can basically vary slightly, but that's how we are looking at FY '27 as a whole.

And Sandeep, like what I have also maintained is that basically, there's a trade-off from a growth and a margin perspective. And while from a long-term perspective, your question is very fair, and as I said, long term, we will stay in this guided range. There may be blips which I can't call out today. But if there are, then the trade-off around that will be for growth.

**Sandeep:** Okay. And just the last question in terms of margin in this quarter, more than 100 bps or closer to 100 bps has been defined as a large deal transition cost and investment. So can you also believe those transition costs is already captured for the mega deal in the fourth quarter number?

**Pulkit Bhandari:** Not at all,. There's only a very small part. So the cost that I spoke about, while I kind of mentioned it, please do not get anchored that this is all the cost which has come into it. And I would like to reiterate that as we go into the transition phase, these costs will increase. The one which I mentioned is that in the planning process, right, once we got, I would say, some certainty that there is a chance of getting in there, we started planning ahead of time. We started hiring ahead of time. We started investing ahead of time, but these are very, very miniscule costs which have come in now. The large part of these costs will come in Q1 and Q2.

**Sandeep:** Okay. And last question, if I can squeeze in. Manish sir, outside the top client in TMT...

**Pulkit Bhandari:** I just want to make it amply clear that do not assume that all the cost with regards to this has come in this quarter. That is not the case at all.

**Sandeep:** Yes. Got it. And just the last question, Manish, sir, if I can squeeze in. Except for the top client in TMT, is there any other large specific client-related issue in other sectors or in TMT?

**Manish Tandon:** As I mentioned before, I mean, see, other clients, small ups and downs will happen, which is business as usual, which we plan for certain amount of revenue attrition and so on. So as I mentioned in the last call also, there have been a couple of consolidation plays that have happened against us in healthcare and life sciences. But those kind of things are to be expected. So we are ready for those kind of things.

**Sandeep:** And that wallet share loss in the healthcare, will that impact in the coming year or the impact is already reflected in the FY '26?

**Manish Tandon:** No, actually, FY '26, healthcare and life sciences actually has grown by 8%. While for FY '27, we are hoping that we can remain at least flat in Healthcare, Life Sciences.

**Moderator:** Ladies and gentlemen, I now hand conference over to Mr. Manish Tandon for closing comments.

**Manish Tandon:** Yes. Thank you, everyone, for being on this call. Before we conclude, I want to reiterate my gratitude, first of all, as always, to our clients for their continued trust, to all Zensarians for their unwavering dedication and to our shareholders for their confidence and support.

In summary, while the demand environment remains mixed, our annualized revenue growth, significant margin expansion, healthy order book and robust cash position collectively reinforces our confidence in the path ahead. As we move into FY '27, our priorities remain clear: maintain disciplined execution, deepen the value we deliver to clients and continue advancing our AI native capabilities. Thank you once again for taking the time to join Zensar's Q4 and FY '26 earnings call. Thank you very much.

**Moderator:** Participants, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.