

Zensar-19012018

- MODERATOR

- Ladies and gentlemen good day and welcome to the Zensar Q3 FY18 Earnings Conference Call hosted by Prabhudas Lilladher Private 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 * then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Madhu Babu from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

- MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD

- Good evening everyone. On behalf of Prabhudas Lilladher I welcome you all to Zensar Q3 FY18 Earnings Conference Call. From Zensar we have with us the CEO Mr. Sandeep Kishore along with the senior management. I would now hand over the call to the management. Over to you sir.

- MR. SANDEEP KISHORE – CEO, ZENSAR

- Thank you Madhu. Hello and good afternoon to everyone. Thank you for joining the call. On the call with me I have today from the Zensar management team Ajay Bhandari: our Head of Strategy and Corporate Development, Vivek Ranjan: Global Head of HR, Sanjay Rawa: Global Financial Controller. We also have the call joined by Navneet Khandelwal who has recently – couple of days ago – joined us as our new CFO. I will give you a brief overview of how the last quarter Q3 FY18 went for Zensar. This will then be followed by an update on the financial metrics by Navneet. Post that we will open the floor for questions.
- I trust all of you have had a chance to go through the detailed Q3 FY18 financial results and the fact sheet that we released yesterday on 18th January 2018. Let me take the opportunity to present some key details from our results and business performance in Q3. Q3 was another good quarter for us. On an overall basis we had a revenue growth of 3.4% sequentially and 5.1% year on year both in dollar terms. Our gross margin and EBITDA grew smartly QoQ and went up by 8.2% and 17.9% respectively again in dollar terms. Our net profit however saw a sequential decline due to exchange impact and higher taxes. We are also happy to report that Keystone, the company we acquired in March 2017, continues to perform well. Keystone had a great quarter and grew over 12% sequentially. The synergistic capabilities of Zensar and Keystone is creating a lot of interest and traction within our client base particularly in the retail sector. We see more business being booked by our combined delivery capabilities and solution offering.

- Europe revenue saw a decline this quarter due to furlough. However we are quite excited about the growth in the pipeline and the winds that we expect particularly in the CXUX, the digital agency and the CMOCD space in the European market segment. Our digital revenue accounted for just another 39%, 38.8% of the overall revenue and grew quite well 9% sequentially and 35% year on year. Both our core application services and infrastructure services grew this quarter. Application services grew 3.5% from constant currency sequentially which is predominantly driven by the digital revenue growth. Overall IM business also grew 3.5 % sequentially despite a decline in the maintenance business. The IM business growth was driven by strong growth in IM services component which grew 7.5% sequentially on constant currency. The maintenance business however de-grew sequentially and we are working towards ensuring that profitability level of that business are optimised to the maximum possible extent. As we have mentioned in our earlier calls as well, that's a continued area of focus for the management team.
- Our key market of US delivered a solid growth of 5.3% on constant currency sequentially. Africa continued its great performance and grew 3.3% sequentially on constant currency. Europe predominantly on account of fool proof revenue actually saw a marginal decline due to the furloughs and seasonality of the business. In terms of the vertical market, all markets grew. Financial services grew 6%, manufacturing grew 5% and retail above 1.8% on constant currency.
- Towards the end of last fiscal we had talked about our focused tree in a box strategy for our top client to leverage the available growth in the headroom. We continue to focus exclusively on our top client and as a result of that you've seen continuous movement in our top 5, 10 and 20 clients. They all grew 6.1%, 6.3 and 3.2% respectively. Our focus on digital continues to be very, very strong and it's the key part of the business strategy as well for us. Return on digital which is Zensar's proprietary solution framework which we had launched at the end of first quarter in fiscal '18 continues to gain very good acceptance from our client and is now at the centre of almost every deal that we are fighting in the market place.
- We have closed a million dollar of revenue on the return on digital platform itself which indirectly influenced close to 8 million dollars on the traditional services business also. Our other digital solution like ZenAnalytica. Vinci and Digital Workplace continues to have great performance and great reviews not just from the client but it has also gained significant acceptance in the analysts' community as well. ZenAnalytica is driving the growth of analytics in our business and several business as well as traditional deals now have ZenAnalytica as a critical component into the analytic sector which also leads us quite well into the upcoming artificial intelligence and the machine learning category.
- Most of our wins in this quarter have been in the digital space. Overall the wins from the company last quarter was 100 million TCV. You will find the details on some of the wins in the press release. But I will call out a few for quick reference here. We won multiple deals across experience design, digital

commerce, analytics, and automation. We won experience design services deal for one of the global leaders in beverages, a leading insurance company in the UK, an integrated business and IT Systems company in the United States. We closed several digital commerce deals as well for retail customers. Micro services for a very large American home furnishing company. Also a US company with vast range of business services particularly to financial services and SMEs. We also won a multi-year deal from an American clothing and accessory retailers, auto management and digital supply chain from an American chain of luxury departmental store. Analytics deal with one of the largest paper and packaging manufacturer in South Africa, a robotics process automation deal from one of the largest American companies in risk mitigation. We are very pleased with the traction that our digital offerings are making in the market place which is also helping us position well in the traditional services offering as well. We have also had wins across the core traditional services category; multi-million dollar application reengineering deal from a large American hi-tech company. Multimillion multiyear managed services deal from a large European bank. A testing opportunity and a testing deal from UK multinational electricity and gas utility company. A maintenance and MDS deal from an American multinational biotechnology company. Our utilisation from an operating parameter perspective dropped 110 basis points sequentially as we ramped up staff for the new projects. Net addition was about 200 people between Q3 and over Q2.

- We continued to get included across various industry analyst reports by reputed analyst firms. Zensar was mentioned in Everest Group Cloud enablement service, market trend, peak matrix assessment. We were also captured and featured in Gartner's market guide for enterprise architecture consulting. Zensar was mentioned in Gartner competitive landscape partnering with third party maintenance particularly for data centre and network management. We were named rising star in the ISG provider lens, managed digital workplace quadrant report 2017. And a leader in ISG digital workplace report in 2017. We were called out as challenger in the application support and maintenance category in the ISG application development and maintenance services report. Overall I think we are very pleased with the operating numbers that we have delivered in Q3. And the progress that the company is making particularly towards the digital led transformation deal for our customers in the retail financial services and the manufacturing category. With that let me call Navneet, our CFO who just joined us to provide us a quick update on some of the additional finance data. And after that we will open the floor for questions. Navneet.

- **MR. NAVNEET KHANDELWAL – CFO, ZENSAR**

- Thank you Sandeep. Good evening everyone. Welcome to this call. In addition to Sandeep talking about the business I will take you through some of the financials and the P&L as well. We have reported revenue for the quarter at Rs. 7937 million which reflects a sequential growth of 4.1% in rupee terms. Wherein US dollar terms the reported revenue is \$122.6 million reflecting a growth of 3.4% sequentially

and 5.1% year on year. The US dollar realisation during the quarter has been 64.72 per dollar as against 64.30 in the quarter before. And year before in the same quarter it has been 67.40. The gross margin for the quarter improved by 134 basis points over the previous quarter despite of lesser working days in the US. We had been able to achieve this through business efficiencies driven by return on digital platform internally deployed in Zensar and growth in digital business. The effective tax rate of the quarter is at 33% as against 26.2% in the previous quarter. This is primarily due to the increase in profits in our US business and quarter two included a onetime gain in India taxes which is not recurring. Consequently the PAT reduced by 6.3% over the previous quarter. DSO stood at 66 days as against 65 days in Q2. The total amount of outstanding hedges as on 31st December 2017 was equivalent to USD 47 million against USD 70 million in the previous quarter. With that I come to the end of my presentation and open the house for questions and answers.

- **MODERATOR**

- Sure, thank you very much. We will now begin with the question and answer session. Participants who wish to ask questions may please press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking questions. Ladies and gentlemen we will wait for a moment while the question queue assembles. Participants who wish to ask questions may press * and 1 on their touchtone telephone.
- We have the first question from the line of Mukul Garg from Haitong Securities. Please go ahead.

- **MR. MUKUL GARG – HAITONG SECURITIES**

- Thanks for giving me the opportunity and congratulations to the management, quite a good quarter. The first question was on the business growth in the quarter. Can you give us some sense on, given that AMS and manufacturing both did well in a seasonally weak quarter, what is the sense of the demand environment currently in the market?

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- So the demand environment so far Mukul I think it's good. We are not seeing the large deals as yet but we are definitely seeing a lot of small deals happening. So in a way a lot of the deals are kind of led by digital and even where there are let's say "legacy" or "traditional" deals happening, that is also done with end objective of doing something in Digital. So the demand environment is positive, there is business out there. We are just not seeing too many large deals but multiple small ones. And I think that probably is also the commentary on the state of the industry where the very large deals are slowing down especially in our market place.

- **MR. MUKUL GARG – HAITONG SECURITIES**

- Understood. And Ajay similar to this there were quite a few million dollar deals in the press release. So have you started seeing faster decisions cycles and more budgets?

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- We are definitely seeing it in Digital Mukul. There are these pockets of technologies; for e.g. if you look at the wins a lot of our deals are led by a digital platform and also around ecommerce. So if you look at our ecommerce business that started growing again, and a lot of this is related to transformation of ecommerce sites and in many cases transformation of any front end application where the whole experience is being redesigned and there is a big demand coming for UI, UX, front end development, Java skills. And especially development with more Agile, Dev-ops etc. So lot of such deals are happening and these are happening in short cycles, which is why the deal sizes are smaller.

- **MR. MUKUL GARG – HAITONG SECURITIES**

- Got it. And if I can squeeze on final question Sandeep, I think last 2 quarters both have been quite good. So I know you guys don't provide guidance but what is your sense? Are you seeing a return to more usual business growth going forward? What is the initial sense of CY'18?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Yeah thanks Mukul. I guess you are right. We don't give any forward looking guidance. But from where I see, and I think Ajay touched on several of those aspects, we actually see pretty good demand environment. US which is our core market, 70% of our business is US, the US economy and all the broad financial parameters in US are doing quite well. The tax reforms I do believe are going to help spawn more investments particularly in the technology and more digital areas. So we are seeing demand environment and we continue to be pretty optimistic about the deal pipeline.

- **MR. MUKUL GARG – HAITONG SECURITIES**

- Got it. Thanks for answering my questions and all the best for the new year.

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Thank you, thanks Mukul.

- **MODERATOR**

- Thank you. We have the next question from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- Yeah hi. Congrats on a good quarter. Sir last year we had weakness in Q4 and I think even in the earlier year. So would there be any quarter specific weakness this year also?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- No Madhu Babu. I don't think. I think we had a very exceptional fourth quarter of last year particularly on account of decline and we had called that out at that time on the product business as well as some government business in India. I don't see both of them coming. And we do hope, we are all working in our management team to continue to win. Particularly in the area where we compete in. We compete in digital transformation led deals. And our pipeline is looking good. So no guidance but we feel pretty good about fourth quarter.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- So when we will have good Q4 exit rate so next year we would be on a strong footing to deliver around 10-12% growth. Is that the way to read it?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- Well I wouldn't read any forward guidance. But right now we are focused on making sure that our propositions are sharper, better. We fight and we win. And that is the entire focus. Also you've seen some spotty performances earlier particularly in infrastructure services business. Q3 of infrastructure services business was good. But in previous quarters there have been some spotty performances on the core IM business. So we are very focused to make sure that we put the right team in place in the United States. And deliver the core volume businesses as well from IM. So application which is led by digital, IM which is led by cloud, is the centre of our strategy. And at this time our entire focus is to make sure that we execute well on that plan.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- Sir how is Vinci enabling in terms of new deal wins in IMS side?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- So Vinci is a key part of our IM cloud orchestration proposition itself. It is the centre of autonomic led pitch that we do to our clients. And we had mentioned about it in our earlier calls. We are currently

running pilots and proof of concepts in over about half a dozen of our customers. All indications and reports are actually quite good. So you should see at least many of them getting converted into full-fledged deals over the next couple of quarters. It's not going to happen in the next immediate quarter or so but over the next couple of quarters you will actually see improved wins in IM business, enabled by Vinci. I mean Vinci and digital workplace are the two key components of our IM strategy.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- And what could be the deal sizes sir from this platform led strategy in IMS? What could be the typical deal strategy?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- I cannot put a number but I think it will be in the 10 million dollar range TCV.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- Okay. And one last thing from my side. Sir now that we are focusing more on the UX and CX part of the digital transformation, there could be vertical agnostic opportunities say in a newer vertical like say travel or some other fintech or financial services etc. So how are we trying to leverage into new verticals?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Yeah I think it's a great question. Yes CX, UX is a horizontal strategy. However our vertical focus is also quite sharp. I mean 96-97% of our business actually comes from just three markets which is retail, financial and manufacturing. And our first focus is to really grow at scale into those three markets before we horizontally spread ourselves into other markets. So I don't think we are going to go all over the place. There are a few tactical wins you will continue to see, particularly because of client movements. Existing client moves from a customer A in an industry to a customer B in a different industry. And you know many a times they just want to continue to work with us. But other than that I think our strategic focus continues to remain deep into what we have stated time and time again fewer markets, fewer customers but grow deep, provide multiple services. That's the reason we acquired foolproof and brought that competency in and it is a part of our growth strategy. We are taking CX/UX first into the market that we are in.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- Okay. And top line traction has been very well. So do you expect that kind of momentum and how is the digital being sold to your top accounts?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- Yes we have – and we mentioned that earlier as well. I think we have completely redone our strategy for our top clients. Top client is quite significant for us. We’ve converted many of the T&M into managed services. That’s the first step forward which we have taken into the top clients. We have also won some non-IT deals which are digital led. So analytics, campaigns, data, IOT. So our growth strategy in that particular relationship is now a more balanced strategy rather than just being traditional IT application and IT support strategy. And we have seen some very good traction and we have got some pretty good wins. That’s the reason why you are seeing traction coming in into the top 5, 10 and 20 accounts which is a part of our pretty strong performance over the last couple of quarters.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- Okay, and what would be the effective tax rate for the coming quarters?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- Navneet what’s the effective tax rate for the coming quarter?
- **MR. NAVNEET KHANDELWAL – CFO, ZENSAR**
- Yeah so actually we will typically not make a forward looking statement on that but this quarter has been unusually high. We expect it to come down in the subsequent quarters.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- Okay sir thanks a lot.
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- Thank you.
- **MODERATOR**
- Thank you. We have the next question from the line of Vishal Desai from Axis Capital. Please go ahead.
- **MR. VISHAL DESAI – AXIS CAPITAL**
- Yeah hi thanks for the opportunity and congratulations to the management on strong set of numbers. I had a couple of questions. First one starting off with in terms of the deal pipeline that’s been seen, could we get some sense of in terms of like what is the deal pipeline currently standing at? And secondly could

we break it down into our key market of US and what kind of work are we envisaging there in terms of the pipeline?

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- So Vishal our deal pipeline always hovers around USD 700 or 800 million and this quarter is no different. But you know if you had to break it down by geography it more or less tracks the same percentages as our geography concentration. It's around 70% towards US and around 15-18% for Europe and the balance for South Africa. The types of deals have started changing as I mentioned earlier. Earlier we used to have a lot of say large Oracle implementation deals. These days we are getting a lot of deals in a variety of new areas especially the whole digital engineering piece which is anything to do with development of digital platforms. Also a lot of deals in mobility, cloud, even IOT anything to do with AI or analytics in general. Lot of these deals are smaller. They are million or two in size. And typically there will always been 2 or 3 large deals we are facing which are fairly large in size, maybe USD 50-100 million. But off late most of our wins have been in smaller deals, 1 to 5 million kind of ACVs or at best 8-10 million dollar TCVs. But largely digital in nature which is project based, less annuity at the moment. Which is why you may continue to see some fluctuations in utilisations. But on the whole as far as the trajectory of the business is concerned, moving a lot more towards digital rather than legacy.

- **MR. VISHAL DESAI – AXIS CAPITAL**

- Sure. That sounds good. Secondly I just wanted to understand in terms of is there any kind of colour that you all can give in terms of your top 20 accounts. While I know the earlier question was hovering around this, around how and what is the traction that we are seeing on the top 20 accounts in terms of our digital offering? And obviously I assume that we are maintaining our overall 3 year horizon of 50 to 55% on revenues coming in from digital as well.

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- Yeah so we have identified our top 20. Like any other organization we have strategic plans built for each account and there is a team and some rigour that they go through for the growth of these accounts. Off late since most of our clients especially in the top 20 have either put up freeze on legacy or there is some pressure on prices also in some cases on legacy, a bulk of the spend is in the digital or cloud areas. And off late we have ramped up our capabilities significantly both in India and in the US to attack that part of the spend. Therefore you will find probably a uniformity in the strategy for all these top 20 accounts where we are trying to penetrate at least in a large part of the digital stack. We are leading by a few solutions – supply chain or Omni channel largely in the retail or at least industries affected by Omni channel in our top 20. Or by customer experience in the BFS, Retail, Insurance and adjacent areas. And if it's hi-tech manufacturing both areas still apply. Only on the traditional manufacturing areas we

are still chasing IM or Oracle deals. So it's not like Oracle has completely evaporated. We just signed a USD 24 million dollar deal last quarter for a large debt major to do Oracle implementation as well. So there are all kinds of deals even though leaning towards digital. And then we are definitely trying to sell a lot more of our ZenROD platform which is both a product platform and a capability play. And typically when we make presentations to clients on sale of this product, the business invariably comes either in the form of buying the product itself, or sometimes it is about buying the platform or sometimes just capabilities. So the business at the moment is definitely tilting towards a lot more digital in top 20.

- **MR. VISHAL DESAI – AXIS CAPITAL**

- Sure. And lastly from my side if I may, in the infrastructure space you had mentioned that the maintenance piece continues to be in a little bit of an overhaul for a couple of quarters. How far are we on this from here on?

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- So as far as maintenance is concerned I think we mentioned in the last quarter that we have a new team. There is a completely new team which is looking after the business. They have been brought in from the tier one maintenance space. We now refer to our Maintenance business as TPM or third party maintenance. So we've looked at TPM players and brought some of the best from the TPM industry to manage this business. It does require complete change in the way we sell as well as a change in the way we deliver. And that is currently in process. Maybe still 3 or 4 quarters away before we show a complete turnaround.

- **MR. VISHAL DESAI – AXIS CAPITAL**

- Just last thing from my side in terms of the Foolproof acquisition and Keystone. Any kind of commentary that you all can provide in terms of cross selling? And EBITDA margins have been at around 13.1% or 13.3% to be precise. Could someone just give me a sense in terms of what are the levers that we have going into Q4 and the next year?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- So actually I will address that. This is Sandeep here Vishal. But I will also add a quick comment on the TPM business as well. We have stated it continuously that it is a profit improvement area. It is not a revenue play. Hence we have couple of quarters to go before we get a full handle on that business from a significant contribution to our profitability. It's a work in progress. It will take us a couple of quarters. Foolproof business I think the integration is done, integration is complete. Complete go to market. It is a part now of our European business. It's a London based company that we have acquired. They have a

very small Singapore office and a Singapore play in South East Asia here. But I think 95% of the business is actually UK driven. So the go to market alignment with our European UK sales team is complete. EBITDA alignment I still think the EBITDA, given that the fact that the service delivery model in the digital agency CMO/CDO CX/UX world is largely going to remain onsite, I think you will continue to see the EBITDA in the same range for that business. I don't think there is a significant change expected there.

- **MR. VISHAL DESAI – AXIS CAPITAL**

- Sure. And lastly on the margin levers or the consolidated and what do we have in terms of levers that can be picked up from here given that utilisation has anyway been targeted by the management is around 83%?

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- Vishal the biggest lever obviously is to move our infrastructure business into a more profitable zone. I think that in itself should provide you an uptake in margins. So if we continue to do all the good stuff we are doing on the application side and turnaround the profit profile of our infrastructure business, then I think you will definitely see a margin uptake.

- **MR. VISHAL DESAI – AXIS CAPITAL**

- Sure, thanks. All the best.

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Thank you.

- **MODERATOR**

- Thank you. Next we have a follow up question from the line of Mukul Garg from Haitong Securities. Please go ahead.

- **MR. KARAN – HAITONG SECURITIES**

- Thanks for the opportunity again. This is Karan again from Haitong, sir question again on ebidta margins. Sir do you think ebidta margins can reach again to FY'16 levels in the next 1 or 2 years?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- You know we don't give forward guidance at all. And our focus at this time is to deliver a consistent performance. That to us is most important. Number two is to really sharpen our proposition on go to

market and I think Ajay explained to you about the digital led strategy. The reason both of these become important is they do have a margin play. So if we get both of them right, I do think you will actually start to see stabilisation and some improvement across gross margin and the ebidta track. You do have some amount of headwinds. I mean these are projects. So these are not typical traditional annuity based business. The projects come and the projects get delivered. So the whole sale cycle starts all over again. In my commentary earlier I actually called out about ROD platform which we sold. It's like a product. So we sold a million dollars' worth of that last quarter. We sold about 400,000 dollars the previous quarter. Significant addition to the margin and it goes all the way into the ebidta now. So it's a combination, no guidance. But our endeavour certainly is to deliver a consistent performance across all operating financial parameters.

- **MR. KARAN – HAITONG SECURITIES**

- Okay thank you sir.

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Sure.

- **MODERATOR**

- Thank you. Next we have a follow up question from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- Sir we have earlier executed some RPA deals in South Africa. So how was the pipeline there I mean after we have a good client reference as well now? Sir would we chase more deals on RPA side as well?

- **MR. AJAY BHANDARI – HEAD STRATEGY & CORPORATE DEVELOPMENT, ZENSAR**

- So Madhu this is Ajay. Yes I think RPA pipeline is good. RPA deals are of all types. So we play a pure consulting role where we do a complete managed service. The number of BOTs that we have in the market is continuously on the rise. So it is definitely an area where we are seeing traction in certain sectors in insurance, even pockets of manufacturing. And off late use of RPA is moving slowly away from pure transaction processing. And in some cases even being used like an IOT device, which is used to automate certain transactions. So yes like analytics, RPA has the potential of becoming a fundamental aspect of practically every outcome based offering that we are doing at the moment.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- Okay. And second on the financial services on the developed market side, so we are strong in the insurance but not much on the banking side. So developed markets banking are we trying to chase the opportunity through some acquisition of we would as of now not focus much there?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- So I think Madhu your assessment is right. Banking for us is actually quite strong in the European, UK as well as in South Africa. In the US it has not been that strong. We do have some smaller banking clients. And at this time using the digital strategy that we have put for insurance we are actually taking that to a few banking customers. We have seen some pretty encouraging initial set of results from the pilots that we are doing. I don't want to comment on the acquisition strategy on the banking. But our initial focus on banking is to definitely use digital as a lever to get into some of the tier one and tier two banks in the United States.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- And sir there appears to be some senior management addition over the last 2-3 months. Any new additions there in the vertical side?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- Yes. I mean we've got new additions. We've got a new head of our infrastructure services business in the United States. Of course we talked about Navneet who joined. We've got a new Head of our retail business in the United States again. We've Vivek Ranjan who joined us as the CHRO. We've got a new Head of digital sales in the United States. So we've got a significant line up of industry experts and from tier one companies joining us particularly in the last 100 days.
- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**
- Sir and just one last question. On the digital I mean obviously the project sizes are smaller and we are relatively higher on site component. So would that be a challenge for the margin for these projects? I mean how do we go ahead on that?
- **MR. SANDEEP KISHORE – CEO, ZENSAR**
- So yes the answer is in the initial phase of the program there will be some impact. But that happens traditionally in any business that you do. When you are doing initial onsite centric work it comes as an onsite centric margin. And then of course the job is to make sure that we do it in a balanced global delivery model, so that you achieve the margin at the company operating margin. But those spikes we

will have to manage it. In some digital pockets if it's low, in some traditional business that we win, you've got to deliver higher margin so that you balance it out.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- Okay and just on the skill set, so how are we finding that? I mean at least this is a niche skillset so how is the labour market over there and how are the cost prices from the skill set side on digital?

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- So I think we are training our people extensively on the digital skills. We have talked about it in our earlier calls as well on what we've done to essentially train 100% of Zensarians around the world on the service delivery, operations, and client engagement team. And that continues. But I would call on Vivek to add some additional points on what we are doing for training on digital.

- **VIVEK RANJAN - GLOBAL HEAD OF HR, ZENSAR**

- Absolutely. This is going to be a focus number one for us and we have taken multiple initiatives under the project of Talent Transformation where we have built up a robust digital academy and we have moved quite a few of our employees. And they are undergoing in-depth training in this space through a digital academy. So this will remain a key focus area for us.

- **MR. MADHU BABU – PRABHUDAS LILLADHER PVT LTD**

- Okay sir thanks a lot.

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Thank you.

- **MODERATOR**

- Thank you very much. That was the last question in the queue. I would now like to hand the conference back to the management for any closing comments.

- **MR. SANDEEP KISHORE – CEO, ZENSAR**

- Thank you everyone for dialling in and thank you for the questions. We've delivered a pretty good set of numbers in quarter 3 and we see good pipeline and good deal momentum continuing. So thank you for your support and we look forward to talking to you again in quarter 4. Thank you, bye.

- **MODERATOR**

- Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines.

END