



“Zensar Technologies Limited  
Q4 FY2021 Earnings Conference Call”

April 30, 2021



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY2021 Results Conference Call of Zensar Technologies, hosted by JM Financial. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manik Taneja. Thank you and over to you Sir!

**Manik Taneja:** Thank you moderator. Good morning everyone. Thanks for joining us today. On behalf of JM Financial Institutional Securities Limited, I would like to thank the management team of Zensar Technologies giving us this opportunity to host 4Q FY2021 earnings call. We have with us Mr. Ajay S. Bhutoria, Chief Executive Officer and Managing Director of Zensar Technologies, Mr. Navneet Khandelwal, CFO, along with other senior management team members on the call. We will start with a brief presentation and opening remarks from the management. Subsequently we will open up the floor for Q&A. The safe harbor statement on the second slide of the analyst presentation is assumed to be read and understood. Thanks for being with us once again. Over to you Ajay.

**Ajay S Bhutoria:** Thank you Manik. Hello and Good morning everyone. First and foremost, I hope you and your families are keeping safe. These difficult times continue to take toll on our physical and mental health. Having said that, the fact that we have gathered today is a testament to our strength. I hope that the new fiscal year brings better times for everyone. Thank you for joining us today to discuss Zensar’s financial results for the fourth quarter of fiscal year 2021, which closed on March 31, 2021.

On this call with me are a few others from Zensar’s leadership; Navneet Khandelwal, our Chief Financial Officer, Vivek Ranjan our Chief Human Relations Officer, Prameela Kalive our Chief Operating Officer, Harjott Atrii, our Global Head of Digital Foundation Services, Harish Lala, our Head of Africa region, Shirshendu Deb - Global Financial Controller and Arjun Warty - Head of Corporate Development.

The last quarter was a steep learning curve for me as I immersed myself in all things in Zensar and my defining takeaway is that this company is brimming with energy and passion. Of course, there are areas which will need attention and nurturing over a course of time; however, being nimble and agile, we are favorably placed to grow and to serve our clients. Since I came on board, I have interacted with all of our key clients to learn more about our partnership and the expectations of Zensar.

These interactions have been very positive and have helped me better understand our engagement with them and how we can deliver value going forward. I have also connected one on one with over 100 Zensar associates to get to know them, learn what makes them tick, their contribution to our clients. It gives me great pleasure to see the level of commitment of our people and the alignment that they show to our customers. I have been working with the leadership team to formulate and draft Zensar’s strategy for the next three years, carefully outlining our strength, understanding where we want to go as an



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organization and setting up the milestones to be tracked in order to reach those goals. We are in the advanced stages of finalizing the strategy.

I have also been interacting closely with investors, analysts, partners and thought leaders to understand their perspective of the market dynamics and of Zensar. Before I share broad outline of Zensar's strategy that we have crystallized over the last quarter, let me give you an update of our Q4 FY2021 performance.

We registered a revenue of \$120.2 million translating into a sequential decline of 2.1% this quarter. As we have called out previously this is a large part due to the continued impact at one of our clients in Hi Tech space and certain declines in our Consumer Services vertical. Also, one of our large DFS accounts declined this quarter due to project completion. On the other side our BFSI vertical is experiencing traction with the new leadership team in place and multiple initiatives being taken to fuel growth. BFSI revenue saw an uptick of 2.1% quarter-on-quarter. We had a modest growth in Europe with revenue increasing by 4.7% quarter-on-quarter. South Africa saw a decline of around 6.5% quarter-on-quarter largely due to a project completion in this quarter.

Our focus on efficiency remains strong. Our margins have remained stable despite the reduction in revenue. Our gross margin has increased to 34.9% compared to 34.6% last quarter. EBITDA margin for Q4 FY2021 stood at 19.9% vis-à-vis 20.6% in Q3 FY2021. Our PAT margins for Q4 FY2021 stood at 10.3% compared to 10.9% last quarter. For the full year 2021 our EBITDA margin is at 18.7% compared to 12.5% in FY2020. This is a healthy 29.9% year-on-year growth. Our net cash position continues to be strong and stands at \$166 million. This is a new milestone for us. Navneet will cover this further in his commentary on the financials.

Order booking for the Q4 was at \$100 million TCV. This includes both renewals and new business. I would like to call out that a few significant deals that we were expecting to close in our DFS business have been deferred by a quarter. The company's growth in recent times has been soft for various reasons but with rigorous operational discipline we have achieved the best EBITDA levels in the last 10 years, a strong cash position and improved profitability. This gives us ability to invest in growth.

Zensar's global headcount at the end of Q4 stood at 9,111 which is an increase of 302 FTEs over the previous quarter. We are continuing to strengthen our teams with a mix of seasoned employees and fresh hires. Our Work From Anywhere model continues to be a success with over 550 associates on boarded and fully integrated.

Now let us move to the work we have done in the last quarter on company's strategy. After a thorough analysis of key market trends, our understanding of client expectations and evaluating our company's strengths we are in the process of finalizing our strategy across five strategic growth opportunities or SGOs. These SGOs are broad areas of market opportunities that will allow us to repurpose company



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resources, investments, and alliances to deliver maximum business impact. The first is Experience services. This area is a current strength for us. Experiences services refers to the integrated delivery of research, strategy, design, prototyping, and production. We provide this through Zensar Studios which operates as Foolproof in the UK and Indigo Slate in the US. Second SGO product is Advanced Engineering Services. This SGO provides cloud native full stack high velocity engineering to address the complex requirements that results from products and platforms built on cloud native architectures.

We will continue to invest in our engineering and cloud-native development capabilities on top of our strength in experiences services in order to provide an integrated offering to our clients. Third SGO is Data engineering and analytics. This SGO addresses the fast-growing world of data, advanced analytics, artificial intelligence, and machine learning services. We already have foundational skills in this area and this portfolio is in place to scale up. Number four is Application services. Application services is the most mature of the SGOs and meets the application lifecycle needs of our clients, including application development, support, and engineering services. It also includes enterprise application services that come through partnership with Oracle, SAP, and Salesforce to name a few. The fifth SGO for us is Foundation services. This area is a key area of strength for us and our solutions around experience led infrastructure services driven by an interconnected foundation has found strong market resonance. We will continue to drive our thrust in this service line.

Each SGO will have two to five levels which are service propositions and solutions target to specific market opportunities and customer needs. They will act as primary tool for go to market and drive client's value propositions. Also, the SGOs themselves will have dedicated sales and delivery units to service our verticals and geographies. Zensar will structure to focus on both horizontal and vertical capabilities.

As we concentrate on the implementation of our strategy in the coming quarters, we will equip our market and delivery teams with these playbooks to enable them to build a strong pipeline and build business. We will be making additional investments to supplement the build out of these capabilities and look to acquire some of these capabilities inorganically.

To summarize the core strategy as follows: 1) Refine and sharpen our core capabilities starting into focused SGOs, 2) Expand and enable sales organization to accelerate market penetration, 3) Invest in strong demand generation engine to drive growth in existing strategic accounts and new accounts, 4) Continue to invest in partnerships with hyperscalers and cloud which will help boost growth, 5) Integrate our current experience competency with software engineering and cloud-native development skills. Our confidence in the company's fundamentals remains strong. I am optimistic about the market potential and believe that as we operationalize our strategy, the results will be evident. Our objective is to refocus on stronger execution to drive sustainable and predictable growth.



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We will implement our company's strategy over the next few quarters and will keep you updated on our progress. Before I conclude, I would like to spend a few minutes on our ongoing and evolving response to the pandemic.

The current situation in India is particularly worrisome with the number of cases rising as part of the COVID second wave. With a significant portion of our workforce based in India, we are monitoring the situation closely. We are continually tracking the health and wellbeing of our associates and have no immediate plans to open our India facilities. We are providing our associates support with 24/7 emergency response teams that are internal to Zensar and include senior members of the leadership. We are also opening up a network to connect associates with plasma donors and to facilitate donation by the recovered associates and so on.

With an increased focus on vaccination and breaking the chain of contamination, we hope the situation improves soon. With that I will now invite Navneet Khandelwal, our Chief Financial Officer to provide an update on the key financial data, after which we will open the floor for questions. Navneet!

**Navneet Khandelwal:**

Thank you Ajay. Good day everyone. Welcome to this call. At the outset, trust you and your loved ones are safe and in good health. In addition to Ajay talking about the business I will take you through some of the details on our financials of our core business.

In Q4 of financial year 2021 we have reported revenue at Rs. 8,767 million which reflects a sequential decline by 3.3% in rupee terms. Our gross margin for this quarter improved to 34.9% as against 34.6% in the previous quarter. For the FY2021 our revenue in rupee terms stood at 36,682 million representing a YOY decline of 8.5%. Gross margin for the full year stood at 33.4% as compared to 28.3% in the previous financial year.

In US dollar terms, for the fourth quarter, the reported revenue stood at \$120.2 million reflecting a decline of 2.1% sequentially. In constant currency terms, revenue for the quarter declined by 3.4% sequentially. For the year FY2021 our revenues in US dollar terms stood at \$494 million representing a YOY decline of 12.7%.

The effective tax rate for the Q4 is 25.3% as against 26.5% in the previous quarter. Full year effective tax rate for FY2021 was at 26.1% as against 27.8% in the previous financial year. The US dollar realization during the quarter has been Rs. 72.9 per dollar as against Rs.73.8 in the previous quarter. The year before in the same quarter it was Rs.72.4.

The total amount of outstanding hedges as of March 31, 2021 was equivalent to \$122.3 million as against \$120.6 million in Q3 of this fiscal. As of end of this quarter, cash and cash equivalent balance was \$166.3 million against \$160.2 million in Q3 of FY2021. For the full year, net cash and cash equivalent grew by 178.4% on a year-on-year basis.

During FY2021 we have put focused efforts on improving our cash flows. Our operating cash flows grew by 25% to Rs. 8,580 million as against Rs. 6,862 million for FY2020. Free cash flow grew by 34.6% and stood at Rs.8,185 million in FY2021 as against Rs. 6,080 million for FY2020. Our operating cash flow as a percentage of EBITDA stood at 125.3% as against 135.3% in FY2020 and free cash flow as a percentage of EBITDA was 119.5% as against 119.9% in FY2020.

Our return on capital employed before exceptional items improved to 33.8% as against 19.9% in the previous financial year. For the quarter ended March 31, 2021 billed DSO increased by three days and stood at 51 days as against 48 days of the previous quarter, while DSO including unbilled increased by three days to 77 days as against 73 days in the previous quarter. On a year-on-year basis DSO has declined by nine days.

During the quarter ended March 31, 2021 the Board of Directors have recommended a final dividend of Rs. 2.4 per share subject to the approvals of shareholders. With this total dividend payout including the interim dividend for this year will be 180%. With that I come to the end of my presentation and open the house for questions.

**Moderator:** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

**Mukul Garg:** Thanks for taking my question. Ajay I just wanted to start with your assessment of how things are in Zensar. You have had some time to look at and analyse the weakness which the business has seen in over a year now. While it is good to see the strategy refresh can you offer some perspective on how this should impact growth and by when should we expect this to translate into growth?

**Ajay S Bhutoria:** Mukul to begin with I would like to reiterate our full faith in our capabilities of the organization, we have a strong company, very strong client base, very committed set of individuals, very resilient processes, and foundation. We are resilient and agile. Now the strategy has been carefully handcrafted in consultation with leading experts, clearly identifying what we have seen from experts, what we have heard from our clients, what actually is happening in the market, what we have heard from analysts including folks such as yourselves and we have come up with this strategy. Our objective has been to crystallize our focus, to provide clarity on our GTM and our offerings and to reorient the organization to serve our clients better. I am confident that as we go about executing on this, we will over a period of time, see the results and the benefits accrue to the firm.

**Mukul Garg:** Another question related to this is given that you had troubles at your top clients over the last few quarters, and your consumer space is also weak, is that something which has kind of eased off now? Any growth visibility you can offer? I know you do not provide a guidance, but do you expect things to cater to the growth going forward?

**Ajay S Bhutoria:** Let me address this in two ways, Mukul. If you look at this quarter, the pressure came from two segments, Hi Tech, and Consumer Services, now within Consumer Services, consumer services US actually has done quite well. It has grown. We had very significant project completion and closure in both UK and South Africa and that caused the decline. So, we are watching that space very carefully. So, I think over a period of time that should stabilise, number one. Number two- in the Hi Tech space; the clients base that we service was disproportionately impacted by the pandemic. What we do see now is that going forward again we see a lot of resilience in that client segment, and we see that segment also stabilized which I think is going to provide a trajectory for us in the right direction. So, we see that looking into the future that both these segments will stabilize, and we will continue to see some Consumer Services pressure in the UK because we have got projects lined up but outside of that we see good resilience in our customers and therefore a good trajectory set up for us.

**Mukul Garg:** Thanks for answering my question. I will get back into the queue and best of luck for FY2022.

**Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:** Thank you for the opportunity. Ajay, in terms of your postmortem about where Zensar stands and where you want to take it, any introspective in terms of the observations there, we claim that digital revenue is as big as 65% of the revenues while our growth has been lagging year-after-year one of the lowest, so, these two are the major disconnect. So, where is Zensar going wrong and how do you want to rectify going forward?

**Ajay S Bhutoria:** Sandeep, I will give you a slightly long answer to that question. So, first of all, you know, what we have seen especially in the last several quarters, is that our traditional client base, it is just which side of the draw you are on, our traditional client base especially in Hi Tech and Consumer services to a great extent and to Insurance in a slightly lesser extent has been in areas that has been disproportionately impacted by the pandemic. So, this has resulted in reduced spend, budgets, etc. and further, what has happened is our own response to the pandemic which also pretty much was month-on-month and influenced by what we saw happening in our traditional client base, was to tighten our operational radars. So the results, Sandeep is that while we tightened ourselves in the first and second quarter of the pandemic, as the demand opened in certain sectors, we continued because again what we saw in our traditional client base, you need certain areas of investment, which at the right time may have yielded results. So, we have now recognised this as key focus areas of our go forward strategy. That is the first thing. Second thing is we are now as we speak, coming out of the strategy exercise and coming out of how we are going to operationalize and execute on the strategy that we have put up. We have put up a very sharp structure around that. We are significantly strengthening our tails, our marketing, our client acquisition, and our account management engine in addition to the sharp focus we now have into our capabilities through our SGOs and our services into our playbooks and I think this will over a period of time, bear results.

**Sandeep Shah:** Any estimates where you believe that FY2022 could be a year of execution and with exit rates providing just 3% decline in the revenue on a quarterly annualized basis if you look at the Q4 annualized revenue then FY2022 we again may have soft or muted growth versus industry and our strategy may start playing out from FY2023. Any expectation you can throw in terms of when do we expect this strategy to start playing out in terms of turning around growth?

**Ajay S Bhutoria:** Sandeep what I can share with you is the fact that a big part of the core strategic exercise has been completed. As we speak, we are now looking to operationalize it and to launch it. Typically what happens is that with this kind of a strategy refresh now if you see the way we have gone about it is that we have restructured ourselves, we have refocused our energy through these SGOs and through these playbooks. We already have core capabilities in all these SGOs and the playbooks that we were going to go up none of this is brand new. But typically, what happens is as we do this kind of a re-muscle, refresh up the strategy, the results accrue over a period of time and I see that happening with us as well.

**Sandeep Shah:** Just last two questions; in terms of entering FY2022 any large client specific issue especially in the Hi Tech top clients as well as any other clients and second in terms of wage hikes and attrition what are the plans for FY2022 and what would be the margin range one can predict for FY2022, looking at future exit versus what they were a year back has been really strong?

**Ajay S Bhutoria:** Sandeep the first part of the question I will answer and then I will pass it on to Vivek and Navneet is that what we see especially in the course of last quarter is some of our top tier clients especially the one in Hi Tech and a couple in consumer services, have demonstrated strong resilience and we see that resilience has translated into stabilized business and stabilised budgets for them and that bodes well for folks like ourselves in terms of our own business trajectory and our own project pipeline with some of these clients. So, we think that as their businesses stabilized as their business has shown resilience it will translate into a better trajectory for us going forward. So that is the first thing. Now in terms of the other two questions if I could first request Vivek to chime in and then Navneet to give you a sense of the margins. Vivek please.

**Vivek Ranjan:** Thanks a lot Ajay and thanks for the question. You have two questions; one is on attrition and the second is on wage hike. So, on attrition, we have seen there is an increase in the industry and a similar trend is also in Zensar. However, we always do better than industry and we have a robust strategy and plan to retain our key people. As all of you know Zensar is recognised for best in class people practices and through our employee engagement framework we ensure extensive connects with our employees which is focused on career development, progression, and learning. We have learning as a key differentiator and we also use extensive digital platform to engage, enhance, connect, and get pulse of people and ensure that we provide effective experience on all touch points. So, we have a robust plan to ensure that attrition is minimized, and we have seen a net headcount growth of 302 and we plan to ramp up accordingly through this plan. In terms of wage hikes, we have been witnessing an industry wide demand and supply mismatch and there is an overall wage growth. So, we will be giving a hike



aligned to what is the market trend. Having said that we will also continuously be working towards optimising our pyramid and we strive to minimize the impact on the margins. So, our endeavor is always to reward performance and skills which are more valuable in the market. Over to you, Navneet.

**Sandeep Shah:** So, when will be the wage hike be given?

**Vivek Ranjan:** This is effective July 1.

**Navneet Khandelwal:** Last salary hike we gave was effective January 1, and that has reflected already in our Q4 performance. Coming back to the question on margins broadly, we will continue to focus on driving operational efficiencies and in our efforts in automation and digitization to enhance productivity, which has helped us in driving the overall operational performance reflected in our release so far. Onsite-offshore mix which has been a good lever for us during this period will continue to remain more offshore centric and we will drive further improvements in the way we are actually managing our people pyramid which should give us enough levers to be able to fuel the further investments that are required for growth. We will make investments in specific areas to have a sustainable and predictable growth and as a result we expect that there will be some moderations which would happen in the margins in the medium term and the S&M investments will definitely go up and one can expect the margins to be in the range of high teens from a go forward perspective.

**Sandeep Shah:** Thanks. We will come in the followup. All the best.

**Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Good morning everyone. I wanted to know your thoughts from an assessment perspective of the business, when you look at the predictability overall, is it a function of higher short cycle projects for us or how would we sort of look at it into whatever we have seen so far?

**Ajay S Bhutoria:** Let me take a shot at your question. I would like to give an expanded answer. So, the goal Nitin is to have sustainable predictable growth and as we worked on our strategy, and we looked at what were the areas we wanted to overinvest in, focus on, what kind of playbooks we wanted to drive, what services we wanted to double down on; I have worked with the leadership team out here to be very careful of the fact that we in the ensuing period, reach that goal of sustainable predictable growth. Now since I joined in January, I was very careful of firstly to avoid any short-term reactions, to take time to identify root causes of performance, look forward a strategy that is strict to purpose, which in our case is something that enables to drive predictable, sustainable, profitable growth. So, with that I made the point to deep dive into each portfolio, evaluate all our key engagements, deal wins and pipeline, to identify gaps and pressure points that stand in way of growth. I have personally spoken with the deals for the clients to make sure our relationships are helping clients, get an understanding where they expect us to deliver value and the result of which we have created this strategy which will repeat in

scaffolding which will help us drive that sustainability that we are looking for, predictability we are looking for and it will come with the right mix of experienced related projects, engineering projects, development projects, what we do around data, the application support what we do, the infrastructure support what we do, will come as a mix and will constantly focus on the mix in the right way to make sure that we are responding to the evolving market demand and thereby using that as a news to drive sustainability and predictability.

**Nitin Padmanabhan:** Sure. That is helpful. If we think about it the way we see today and the mix that you are sort of visualizing do you think the road to predictability would be one year kind of target or do you think it takes slightly longer? Just wanted your thoughts in terms of how quick do you think this takes place for you?

**Ajay S Bhutoria:** Nitin, good point and as I was saying a little bit earlier, is that when you do a strategy refresh and then you operationalize strategy like this even though we are not bringing in any new kind of services, we are basically reorienting, refocusing ourselves, we are crystallizing our capability around very specific growth opportunities and playbooks. If we take a period for this to play out, and it is going to take that time to play out, typically it would take four, six, eight quarters, sometimes a little bit sooner, but we will be watching this space very carefully, we have been giving the report on our progress on how we are driving this strategy every quarter that we meet you.

**Nitin Padmanabhan:** The last question I had was around several quarters of impact that we have seen so far on revenues and obviously because of the pandemic a lot of clients would have pulled back spending including the top clients, do you think that the entire set is sort of bottomed out and at least the decline will be arrested from here on and at least it should be a sort of growth perspective considering that each of these are on a recovery path?

**Ajay S Bhutoria:** The way Nitin, I would answer that question is that as we drive our investments, as we refocus around the strategic areas, as we crystallize, drive, and operationalize these playbooks and solutions, and as we increase our investments in the business both in terms of our sales and market and our capability built out and our partnerships, increasingly over a period of time this will create that sustainability and the predictability that we are looking for. It will get executed over a period of time as we operationalize. That is what I firmly believe right now.

**Nitin Padmanabhan:** One last question if I may. The new leadership that BFSI has, what are the unique changes so far and how is the thought process evolved from that vertical standpoint under the new leadership for that vertical?

**Ajay S Bhutoria:** Sure, we have doubled down on BFSI about three quarters back, we got a new leadership. In addition to the existing talent that we had; we have put a very sharp focus on that vertical. The result has been that Insurance piece of the BFSI business has stabilized and the BFS business is showing green shoots

and with the kind of team we have in place, with the kind of effort that is being put, with the kind of pipeline that is being generated, I feel confident of the work we are doing in that vertical.

**Nitin Padmanabhan:** Absolutely clear. Thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Manik Taneja. Please go ahead.

**Manik Taneja:** Thank you for the opportunity. The first question was for Navneet. In the current quarter we have seen a significant decline in S&M expenses and in associated increase in our G&A expenses. So for most account it appears that there are some one-off G&A expenses in terms of the payout to the outgoing CEO, if you could help us understand or clarify that? Also give us some sense of how should be the thinking about our SG&A expenses going forward given the fact that you spoke about increase in spending here in terms of account management as well as the expense?

**Navneet Khandelwal:** Yes, Sure. In our S&M expenses there has been provision write backs on account of excess provisions that we have got which is one time reduction that you are seeing and also in the G&A it has been on account of one time increase in certain costs and you have seen the note towards that in the financials. But largely if you will see on an operating margin level, both of this will be typically knocking off each other. So, while on a go forward basis, our S&M expenses will increase, and you will see a decline in G&M expenses.

**Manik Taneja:** Just a clarification with regards to wage increments for the next year. So you plan to increase wage increments towards July 1. Is that correct?

**Navneet Khandelwal:** Yes. That is right. We will be resuming our normal wage increase cycles which is typically in the July of every year.

**Manik Taneja:** So couple of questions, firstly while the situation seems to be developing just wanted to understand given the COVID outbreak in the second phase, which has been very severe, are you seeing any near-term impact from a delivery standpoint on your operations and how do you intent to address that. Second question was for Ajay given the fact that customers have got much more used to offshore delivery over the last 12 months and the industry also has seen a significant progress on that front, just wanted to understand if the customers are open to much more fee-based pricing versus inflation basis pricing as such?

**Ajay S Bhutoria:** Manik thank you for the questions. I will actually request Prameela to answer the first question and a part of the second question as she is the right person. Prameela please go ahead.

**Prameela Kalive:** Thank you Ajay. Manik the question if you look at the offshore mix trend for us for the last couple of quarters, I believe we will see the same trends continuing if you go by this current pipeline and order

book that we have and we look at where the customers are spending and the conversations we are having with our customers. We see this shore mix to be in line with what we have seen in the last few quarters.

**Ajay S Bhutoria:** Manik, can I request you to repeat your second question again please?

**Manik Taneja:** My second question was that given the fact that customers have got much more accustomed to offshore delivery over the last 12 to 15 month timeframe, do you see a scenario wherein customers become much more open to skill-based pricing and less agnostic to location-based pricing and thereby some benefit for the industry as a whole given the demand supply mismatch?

**Ajay S Bhutoria:** Manik first of all, you are absolutely spot on. Pandemic has created increasing borderless world when it comes to talent. The comfort level was already decent, if anything has gone up during the course of the pandemic in terms of which shore you get the work done. The result that, we believe is that this increased offshoring of work is a trend that will continue. And with that there are certain implications in terms of pricing etc., and I think that will remain consistent with what we have seen in the last couple of quarters. Any significant moves in directions it is going to remain consistent, with what we have seen in the last two quarters.

**Manik Taneja:** Thank you and all the best for future.

**Moderator:** Thank you. The next question is from the line of Sandeep Shah from East India Securities. Please go ahead.

**Sandeep Shah:** Thanks for the opportunity again. Just a question on strategy; in terms of our strategic areas where we want to refocus, those are not materially different in terms of what the strategy of other peers are also adopting so in that scenario just wanted to understand what would be the key investee of Zensar in terms of door openers or entry drivers into the clients to say that we are also an emerging alternative, which will drive predictability and sustainability in terms of the growth.

**Ajay S Bhutoria:** Sandeep, first of all, we would agree that none of the identified SGOs will come as a surprise. Now, the most important premise is that all of these are well defined, high growth market segments which either are very high growth like advanced engineering or sometimes what we call it high velocity engineering, data engineering, and experience services. These are smallest high growth segments and/or there are markets which are currently very large and then continue to draw a significant portion of our client spends such as the work we do around foundation services and the work we do around application services. Now, the way we see this play out is that in the latter category which is foundation and application services we will draw on our current strength and momentum to build on the strong base that we already have. In the first category which is experience, high velocity engineering and data engineering, as we redirect our investments and as we drive our talent pipeline to bring this to market with relevant service offerings, I think, this is going to create a resonance with our clients. We already

are doing significant work in each one of these areas, between 10% and 15% of our revenue already comes from this and as we refocus our execution muscle in this, as we refocus our investments and with the kind of clarity that we bring out, through our SGOs and playbooks in terms of driving customer value propositions, and given the agile, nimble, and strong execution muscle that we have with the firm I think this will play out. All of these three are high market demand areas where there is going to be enormous investment that will happen from our customers and I think we are well positioned to capture.

**Sandeep Shah:** Just in terms of the strategy execution, have you defined two or three KPIs which as you a leader would like to track on ongoing basis before the execution starts yielding result. So, any performance measurement, KPIs which we would like to observe, and we would also like to observe to see whether the strategy is moving in a right direction?

**Ajay S Bhutoria:** Sandeep, again good question. We are working on that right now. I mean there are standard metrics like revenue margin etc., but we are working on what are the key indicators that we would like to track as we operationalize the strategy so we will come back to you.

**Sandeep Shah:** Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Akshay Ramnani from Axis Capital. Please go ahead.

**Akshay Ramnani:** Hi Ajay, I had a question on your comment on strategic clients, so you mentioned about keeping a focus on strategic clients for growth that is a reservation for us. So, do you think that our current set of clients are optimum for driving that growth journey or do you think we will have to double down our efforts on adding new set of strategic clients for a sustainable growth ahead.

**Ajay S Bhutoria:** Hi Akshay, the answer is both and that is how we are doing our operationalization plan, that is how we are setting up our sales and marketing team, that is how we are creating solutions and presales backbone to support. It tends to address both these segments. We cannot address either one of these two. As we look forward, we continue to double down on our strategic clients to make sure we deliver value and reap our benefits coming out of that as we stand shoulder to shoulder with them to drive their agenda and at the same time continue to drive our thrust around acquiring new clients in the segments that we want to play. So, the answer is both.

**Akshay Ramnani:** Another one was on acquisition. So if you can just provide some color on what areas you will be focusing, a tentative size of that you will be looking for?

**Ajay S Bhutoria:** Akshay, let me give you two quick points on that. The first one is that the way we have managed our business, we have created a significant war chest that is available to us for making acquisitions, basically doing some M&A activity and we are constantly in the lookout for tuck-in acquisition that enhances our capabilities in certain areas of focus. So that is one. The second is that what we are very

clear, and this is also a part of the whole strategy exercise is that, any acquisition we do will be in one of the five strategic growth areas. We will not do any acquisitions outside. It will fit one of the five strategic growth areas mostly the ones we are looking at very seriously, you know we are very strong in experience because of Foolproof and Indigo Slate. We will continue to bring more and more of that into the mainstream of how we drive, experienced led engineering. As we look forward, we will look at tuck-in acquisitions in the space of engineering, data, platform, what we do with the hyperscalers. So those will be all the acquisition conversations will revolve around one or more of these five strategic growth areas.

**Akshay Ramnani:** Is this a matured space pipeline of inorganic investments or is it mid to early stage you can put some timeline to that and also the size what would be the space for us?

**Ajay S Bhutoria:** We are constantly evaluating, Akshay. With Arjun we have a very vibrant corporate development team. So, we are constantly evaluating and as and when some of these mature we will come back, and we will let you know. These are typically tuck-in acquisitions. We are going to acquire for capabilities. We are going to acquire largely to make sure that we get leapfrog into areas of capabilities which are focus areas of investment for us. The nature of tuck-in acquisition with your view in terms of what kind of acquisitions we are looking at, what is the rough size of the firms we are looking at; given where we stand, given our size, given the fact that we can do tuck-in acquisition; it will be consistent with what we have done in the recent past, etc. Having said that we continue to watch that space very carefully, so while we would spend in tuck in, while we are going to be consistent with what we have done in the recent past, given the magnitude of the war chest that is available to us we are looking at this space constantly.

**Akshay Ramnani:** That is very helpful, Ajay. Thanks, and best of luck.

**Moderator:** Thank you. The next question is from the line of Devang Bhatt from ICICI Direct. Please go ahead.

**Devang Bhatt:** Thank you for taking my question. All my questions are answered just one clarification as to normally you give order book numbers, what is the order book number and you said that Hi-Tech has bottomed out, so am I correct in that and what deal closure that has been deferred by in foundation services?

**Ajay S Bhutoria:** Hi Devang, I will take a shot at your question and then I will ask Navneet to chime in as well. Hi-Tech, some of our key strategic clients in Hi-Tech have stabilized regularly and they are showing stable business going forward. They have done their past period of their challenge the way we see it and they have shown very, very good business metrics and we hope that is going to also enable us to get on the right trajectory. There is a section of Hi-Tech clients that continues to see that little bit of weakness, though not a very large client for us, but we are watching that space carefully, because Hi-Tech clearly is a tale of two cities. You know there are certain segments that have done extremely well during the pandemic and there are certain segments that have been disproportionately impacted. So, we are

watching that space very carefully. Now in terms of order book stands at about \$100 million right now. In terms of certain deferrals, few significant deals in our Digital Foundation Services business have been deferred to the next quarter. We are in the very advanced stage of the deal closures and we are hoping that deferral will get consummated in the next quarter. Navneet would you like to add?

**Navneet Khandelwal:** Ajay, you have actually covered completely from the perspective of what Devang wanted, but just to add, from a demand environment perspective, the demand environment looks good and yes the order booking number that you have seen which is about \$100 million this quarter it includes both the renewals and the new order book that we have done and it is slightly lower number because we have couple of deals we are working especially in DFS which have got delayed because of client specific issues and that is what is getting reflected there, Devang.

**Devang Bhatt:** One last question in terms of strategy is there any particular focus on geography? Is there a particular geography that you are going to focus, or it is going to be across?

**Ajay S Bhutoria:** Again Devang our three focus geographies are US, UK and Europe and South Africa and we will retain focus on all these three geographies. We have a very strong footprint in all of these three and we will continue to retain our focus in all three geographies.

**Devang Bhatt:** Thank you.

**Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Manik Taneja for his closing comments. Over to you Sir!

**Manik Taneja:** Thank you, moderator. We thank you all once again for joining us today and also express our sincere thanks to the management team of Zensar Technology for giving us the opportunity to host the call. I hope you and your loved ones are keeping safe with the second wave of pandemic. Take care and stay safe. Thank you once again.

**Ajay S Bhutoria:** Thank you.

**Moderator:** Thank you. On behalf of JM Financial that concludes this conference. Thank you all for joining. You may now disconnect your lines.