



“Zensar Technologies Limited
Q1 FY2022 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Zensar Technologies Q1 FY2022 Conference Call. 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. Amit Chandra from HDFC Securities. Thank you and over to you Sir!

Amit Chandra: Thank you operator. Good morning everyone. On behalf of HDFC Securities, let me welcome you all to the Zensar Q1 FY2022 earnings call. We have with us Mr. Ajay S Bhutoria, Chief Executive and Managing Director of Zensar Technologies, Mr. Navneet Khandelwal, CFO and other senior management team members. Without further delay, I would like to hand over this call to Mr. Ajay Bhutoria to give us an introduction of the rest of the management team and update on Q1 FY2022 performance following which we will open up for the question answer session. Thank you and over to you Sir!

Ajay S Bhutoria: Thank you Amit. Hello and good morning everyone. Thank you for joining us today to discuss Zensar's financial results for the first quarter of fiscal year 2022. On this call, with me are a few others from the Zensar leadership team. We have Navneet Khandelwal our Chief Financial Officer, Mr. Vivek Ranjan, our Chief Human Resources Officer, Ms. Prameela Kalive, our Chief Operating Officer, Mr. Harjott Atrii, Global Head of Hi-Tech Manufacturing and Digital Foundation Services. Mr. Nachiketa Mitra - our Global Head of Banking Financial Services and Insurance, Shirsendu Deb, Global Finance Controller and Arjun Warty, Head of Corporate Development.

First and foremost, I hope that you and your families are keeping safe. Our thoughts are with everyone during the continued COVID crisis. I hope and believe that better days are ahead of all of us. As the second wave of COVID hit India, we worked to provide extensive support to our associates and their family members. Our emergency response team which includes the top leadership of the firm closely monitored the situation, worked to secure medical infrastructure, and oversaw an extensive multi-location vaccination campaign. We created a mobile enabled tracking platform to help coordinate procurement and usage of oxygen concentrators, ambulances, hospital beds and vaccine doses to ensure resource availability and utilization in the best possible manner. We also created a network to facilitate plasma donations from our recovered associates and as we speak, over 65% of our associates in India are vaccinated with at least one dose.

Before I take you through the Q1 performance I am pleased to highlight our acquisition of M3bi which strengthens our capabilities in advanced engineering, data engineering, analytics, and AI/ML services, we are excited and look forward to integrating M3bi into Zensar.



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Now moving on to our Q1 FY2022 performance, we started FY2022 on a positive note. Revenue for Q1 FY2022 stood at \$127.2 million which represents a sequential QoQ growth of 5.8%. This QoQ growth is the highest organic growth for Zensar in the last six years. Our growth in Q1 FY2022 was led by an increase in revenue in multiple areas. We registered growth across all geographies with South Africa region registering 9.5% sequential QoQ growth and the U.S region showing 6.7% sequential QoQ growth. While our European region saw a muted sequential growth of 0.1%, we are seeing significant traction in experienced led engineering contributing to multiple new client additions in this geography which should reflect in results in the coming quarters.

Our Hi-tech and manufacturing vertical registered 9.2% sequential QoQ growth indicating a steady recovery by our Hi-Tech clients and we are confident that this momentum will continue. Our banking business has shown a sequential growth of 5.2% quarter-on-quarter indicating that our investments in this vertical are paying off. Insurance vertical has registered a dip of 2.2% QoQ sequentially due to a few client specific issues and project ramp downs. We will remain committed to investing in this vertical in order to bolster growth. Consumer services remained stable with sequential QoQ growth of 0.6% and a year-on-year growth of 19.2%. We are seeing an uptick in revenue in both our service lines, Digital Application Services which has shown 6.4% sequential growth QoQ and Digital Foundation Services, which has posted 2.3% sequential QoQ growth. This positive demand indicates stabilization in clients that were impacted by the pandemic. I would like to reiterate that our strategy launched last quarter has a clear objective of achieving sustainable growth over the next three to seven quarters.

Gross margins stood at 34.8% versus 34.9% in the last quarter. EBITDA margin for Q1 FY2022 was 18.5%, a sequential decline QoQ by 142 basis points. The margin decline was primarily due to increased cost of delivery and increased opex investments. PAT margin for the quarter stood at 10.8% compared to 10.3% last quarter. We reached a new milestone in our net cash position which stands at \$183.2 million. This strong war chest allows us to continue investing into our strategic growth opportunity areas to drive growth.

Order booking for the quarter was at \$96.7 million TCv which includes both renewals and new business. We have also scaled an existing customer into the \$20 million+ category, bringing the total number of clients in this category to three. Our new company strategy has received a positive response from our clients. We see increased traction and multiple wins in Experience Services and Advanced Engineering Services areas. I am confident that with our new SGOs we will continue to deliver expertise and transformation to our clients.

Zensar's headcount crossed 9.5k mark and stood at 9,512 for Q1 FY2022. We announced salary hikes for our associates effective July 1, 2021, which is our second hike in the calendar year. We continue to invest in our internal talent and on on-boarding fresh talent.



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Before handing over to Navneet for a detailed walkthrough of the Q1 FY2022 financials, I would like to provide a brief update on the strategy refresh that we announced last quarter. We are sharpening our go-to-market by refocusing and realigning company resources along five strategic growth areas, Experience Services, Advanced Engineering Services, Data Engineering and Analytics, Application Services and Foundation Services. We conducted a massive exercise to roll out detailed playbooks that enable our associates to approach the market with a crystallized set of services and a strong set of value propositions for our clients.

We remain focused on investing in our talent engine adding niche talent to align with our strategic priority areas along with massive upskilling and reskilling initiatives. We have expanded our hunting teams to drive growth in existing strategic and into new accounts. Over the coming quarters as we keep refining and implementing our strategy, we will keep you updated of our progress.

With that I now invite Navneet Khandelwal, our Chief Financial Officer to update you on the quarter's key financial data and open the floor for questions.

Navneet Khandelwal:

Thank you Ajay. Good day everyone, welcome to this call. In addition to Ajay talking about the business, I will talk you through some of the details on financials. In the first quarter of FY2022 we have reported revenue at Rs. 9,368 million which reflects a QoQ sequential growth by 6.8% and YoY decline by 1.2% in rupee terms.

In U.S dollar terms the reported revenue is \$127.2 million reflecting growth of 5.8% sequentially and 1.6% annually. In constant currency terms, for the quarter, growth of 4.8% sequentially and a decline of 3.1% annually. The US dollar realization during the quarter has been 73.7 per dollar against Rs.72.9 in the previous quarter. The year before in the same quarter, it was Rs.75.8.

Our gross margin declined marginally to 34.8% as against 34.9% in the previous quarter. PAT% improved to 10.8% versus 10.3% in the previous quarter. This shows a sequential growth of 10.9% in absolute terms. The effective tax rate has increased to 26.4% as against 25.3% in the previous quarter. For the quarter ended June 30, 2021, billed DSO has increased as compared with the previous quarter and stood at 55 days against 51 days, while DSO including unbilled increased by three days to 80 days as against 77 days in the previous quarter.

On a YoY basis, DSO including unbilled increased by 7 days from 73 days to 80 days. Cash and cash equivalents including investments in mutual funds net of borrowings increased from \$166.3 million in the previous quarter to \$183.2 million in the quarter ended June 30, 2021, reflecting a net increase of \$16.9 million.

The total amount of outstanding hedges as of June 30, 2021, was equivalent to \$136.1 million against \$122.3 million in the previous quarter. On May 15, 2021, we entered into a definitive agreement to

acquire M3bi, a Scottsdale Arizona-based Data Engineering and Digital Engineering firm. The acquisition has been completed in the month of July. With this M3bi revenues will be included in our performance from Q2 onwards.

With that, I come to the end of my presentation and open the house for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manik Taneja from JM Financial Services. Please go ahead.

Manik Taneja: Thank you for the opportunity. Congratulations on the sequential rebound in terms of business. Ajay, I wanted to understand that this current quarter we have seen the rebound largely led by the Hi-tech vertical. Just wanted to get some sense as to when do we start seeing this growth getting much more broad-based and the second question was related to the increase in onshore mix in the current quarters, any sense on what is driving that and how should we be thinking about this aspect going forward? Thank you.

Ajay S. Bhutoria: Thanks, Manik and good morning. Let me go one question at a time. We saw growth across multiple verticals and geographies, our Hi-tech business grew 13.5%, Banking grew 5.2%, in Consumer Services business, we have been steadily growing; it was one of the worst affected of the industry verticals for us during the pandemic, it has been steadily growing and stabilizing. It grew just about half a point, but it is on a good wicket. In terms of our geographies U.S grew by 6.7% QoQ, South Africa grew 9.5% QoQ. Europe, while it was marginally higher at just 0.1%, what we have seen is that it did face some headwinds in terms of revenue perspective, in terms of completed projects, but we saw a flurry of new wins led by the whole Experience-led engineering playbooks that we have driven with Foolproof and Zensar coming together and that will generate momentum over the course of next two to three quarters. So, we have seen growth across multiple verticals and across geographies. So that is Manik, the first part of your question. Now in terms of increase in onsite mix, a couple of things to call out there. We saw a bunch of deal wins during the quarter and as we execute, the beginning of those deals typically start with a sizable onsite activity, so that is one factor that has increased the onsite mix in this quarter and the other thing is we saw an uptick in terms of our near shore delivery, be it US or other geographies and these two factors have contributed to the onsite mix increase.

Manik Taneja: Thank you for that explanation. I also had a follow-up question for Navneet. So last quarter we had seen certain one-offs in G&A expenses related to the outgoing CEO, so one would have expected the G&A expenses to come off. What is driving the G&A expenses to be stable at the current level?

Navneet Khandelwal: Manik, while there were certain one-off hits, there were certain one-off credits also as a result of that, which were knocking off. As we are working towards investing into our new strategy, some element of hiring which happens, gets reflected from an accounting perspective into G&A as opposed to S&M

so that is where the SG&A is stabilized. Another element I want to call out is last quarter, we also had a net write back in our provision for bad and doubtful debts whereas this quarter there has been a marginal hit, so that swing also has had some kind of impact in the overall change.

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

Moderator: Thank you. The next question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: Good morning to the management team and thanks for giving me an opportunity. Ajay, I have one question with four subparts, and I hope you will be helping me with the clarification. First of all, Ajay since you joined until now and this question I have asked a few days back also, are you seeing a change in your timelines which you are now dedicating towards business versus filling up your leadership gap, filling up your capability gap, filling up your geographic and client gap; is there a change which means I want to know that, is the progress on fixing those issues broadly done or is it done to some extent, so that it releases bandwidth for you for marketing and sales? I do not mean to say that you are not doing a balanced act of doing all of them together, you are definitely doing it, but my intention is to understand how much bandwidth you have been able to release from those processes which will give me clarity that those processes have now stabilized? So that is one part of my question. Second part of my question is that you are in a very sweet spot with almost 15% of your business coming in from Hi-tech and Manufacturing which is expected to be one of the best segments because of manpower in the European region and the significant amount of growth which is coming in this segment and moreover, the massive demand supply gap which has been built in the consumer electronic side and all; so when do you see that growth coming to a very, very bigger number. I know that we have done well but I still believe there is some leadership gap, may not be at top level but at some middle level which is restraining our growth in that segment so that is subpart two of my question, you want me to tell you another question now or you will first answer this question?

Ajay S. Bhutoria: Let me start with the first two questions and then I will wait for your other two questions. Sandeep, as you yourself pointed out, in my role I work on multiple different counters. I work on sales and marketing, I work on delivery, I work on strategy, I work on operationalization of strategy, I constantly work on making sure we have the best leadership in Zensar, be it market leadership or be it engagement and delivery leadership. We did a massive strategy refresh last quarter and we have kicked off this operationalization of strategy into the first gear and we will continue to double down on that operationalization over the next few quarters. Now, it is not that the mix is going to drastically change. There is a bunch of things that we put in place. Going one at a time, we came off a healthy EBITDA, a strong cash position, we are going to expand activity, we are going to expand our sales teams, we are going to expand the overall go-to-market and we have done a reasonably good job during the quarter. We have done some internal rotation, we have a new head of Hi-tech manufacturing, Harjott Atrii, we hired a new head of Consumer Services for markets, we also hired a new head of delivery for Consumer Services. We have moved a few leaders of the firm around and I

feel very good about how the leadership team is shaping up. Now to attest to that, I will actually start going into answering your second question, a testament to that is our Hi-Tech business grew by 13.5% sequentially QoQ and it was underpinned by multiple different areas of growth. Outside of growth, in existing accounts, we also closed a fair number of new logos that will assist us in keeping momentum going in this vertical and mind you it is not just Hi-Tech that did well, over the last several quarters we have invested in our Banking business and our Insurance business, Banking showed a 5.2% QoQ growth that looks healthy. We have had a large number of MSA closures and over the next two to three quarters we feel confident of that business as well. In terms of geography, South Africa has done extremely well, that momentum will continue. UK saw a minor dip in terms of project completions and closures, but then our Experience-led engineering story is resonating extremely well and we see an uptick in business out there both in terms of new logo closures as well as from within our existing accounts. So, it gives me a good deal of confidence in terms of how we are shaping as a business. Now like I mentioned, we moved the strategy into the first gear and as we did that, we have seen some early signs of success and it shows that we are headed in the right direction. As we operationalize that strategy further, our objective of driving predictable sustainable growth, we feel pretty good, as I told you the last time, we are down a quarter, it is going to fire in the next three to seven quarters, I still maintain that.

Sandeep Agarwal:

Thanks for that elaborate answer on the subparts. The third question Ajay is that how many large deal consultants, I mean the external consultants, who generally help in formulating and sourcing the large deals, have you already started engaging with those external consultants or you believe in the strategy that you will build your own large deal team; what is the thought process on that side because we have seen most of the midcap get associated with external large deal consultants and they give them that \$25-50 million one or two deals, which help them to do a massive operating leverage because maybe closure costs will go up because of supply side constraints but the way it is, the pricing environment is that the demand is using supply, I am sure that it will be a very big opportunity for us, so have your thoughts on those lines? That is my third question and my final question and I apologize for the long question again is that I still believe that our EBITDA margins are much below their optimum level if you compare same size businesses and I understand that we have done acquisition, we are trying to assimilate it and we have just started transitioning and getting into that category and all, but do you think that Hi-Tech and Manufacturing, although you highlighted there is the internal person who is now leading, that is a great thing to happen, but do you think that that was the only gap in Hi-Tech and Manufacturing and below that there is no gap because when I speak to clients in the European market particularly in that space, the feeling is that there is huge demand and there is no credible vendor or supplier today, there is no supply of manpower no one who can commit that so is there a scope where we can fill those gaps within the Hi-Tech and Manufacturing and that can boost our growth much higher than what we are seeing today and I am not complaining about the current growth. So what I am trying to understand is that can we reach 30% growth in Hi-Tech and Manufacturing the way demand environment is, if we have the right leadership team below the top

leadership and also large deal consultants who can get us there. Can you give your perspective?
Thanks. Best of luck for the future quarters.

Ajay S. Bhutoria:

Sandeep that was two long questions. So, I will try to do justice with my answers. So, first of all, Sandeep is that, traditionally and always within Zensar we have, and we continue to have large deal focus. Now there are two aspects to this, as you yourself pointed out, Sandeep, the first is how we engage with third-party intermediaries and third-party advisors and this is both from a perspective of large deal inflows as well as it is in terms of how we shape these deals. Now we traditionally had a lot of focus on this and we continue to have that focus. We will not diminish that focus. That is one. Second thing is that in order to meet this across the service lines, we have an internal engine to support solutions in these large deals and we are not going to dilute those engines, if anything we will further enhance and strengthen those. That is what I can share with you right now. Is large deals an area of focus for us? Absolutely. Are we working with third-party intermediaries? Absolutely. Do we have internal champions and internal capability to manage and solution for these large deals? Absolutely. In fact, we have a very, very differentiated story. This whole story that we have around Experience-led-engineering and Experience-led-infrastructure has resonated extremely well, and it continues to bide us well both in small and large deals. So that is one part. That is your first question. Sandeep to your second question, I would like to answer differently. See if you look at how demand is shaping up overall and you would have heard this in commentary from overall in the industry is that it is a demand rich environment. It is a demand rich environment and that demand pervades across industry verticals, even verticals such as retail which were so badly impacted due to pandemic, as we come out of the pandemic and as people start investing in increased digitalization and more aggressive digitalization, we have entered into an era where the demand environment is very positive and this is not just Hi-Tech this is across verticals. Now our view of that is, that this demand is largely in certain capabilities and certain skills and in order to cater to that demand we have clearly called out case to two Strategic Growth Opportunities traditionally, because of our investment in Foolproof and Indigo Slate are two banners under which we deliver Experience services. We were strong in Experience Services; we have bolstered that strength by adding two very clear strategic growth areas one is Advanced Engineering Services through which we deliver complex engineering skills and through which we deliver cloud-native full-stack services. That is an area where we see a lot of activity, a lot of uptick in demand and by creating this sharp focus, I think we are setting ourselves up to meet the market demand and that is the category in which there is going to be demand not just in Hi-Tech, but also in other industry verticals but to your specific points, I completely agree with you that Hi-Tech is a space where there is going to be a lot of demand now, and it is not just Advanced Engineering Services; closely attached to Advanced Engineering Services is Data Engineering and Analytics, AI/ML they kind of go hand in hand and these two are big, big areas of thrust and investment for us. Sandeep, I hope I was able to answer your questions?

Sandeep Agarwal:

Yes, thanks a lot for the question and I will come back in the queue. I have very simple and small question for Navneet also, I will be in queue. Thank you.

- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** Good morning everyone. I had a couple of quick ones here. One is on Hi-Tech considering there has been a reasonable recovery with the top deck within that vertical now, how do you see it going forward, you did mention a couple of deals and things like that, do you see any context that you could give in terms of qualitative sense on what those new entry points with new clients are? The second thing was on the Retail vertical and any specific pass-through revenues this quarter and finally on margins just wanted your thoughts on how the salary increases could have impact on margins next quarter and are there any offsets for that impact? Those were my three questions. Thank you so much.
- Ajay S. Bhutoria:** Nitin thanks and I will answer your first question and I will defer questions two and three to Navneet and I will add as needed, Nitin. Nitin in terms of Hi-Tech what we have seen is traction across board so to give you a sense, as some of our largest relationships have stabilized and accelerated and as I have mentioned we are deeply focused on making sure that we deliver value to them and we constantly stay aligned to their business strategy and how they execute on their business that has borne fruit and as they have stabilized they have accelerated their business it has had a positive impact on us. Outside of that within the Hi-Tech space and also the question that Sandeep asked we see a lot of activity in Advanced Engineering Services so that is one place where we have seen a lot of uptick and a lot of activity but that is not the only place, we also saw a serious amount of work within our Experience Services category within the Hi-Tech space. So our Experience Services business also witnessed a fairly sizeable growth within that space, so it has been across service lines and across the various clients that we have within our Hi-Tech business so overall we feel good about it so this of course has been a very, very fruitful quarter from Hi-Tech business and I feel quite positive about this business going forward especially in line of the new leadership that we have brought in and in terms of what that leadership is doing to drive a business. Nitin for your second and third question I would request Navneet to chip in.
- Navneet Khandelwal:** Yes, Nitin so in terms of Retail vertical, the numbers that you see are pure services-based number and it has shown a modest growth of about 0.6% sequentially. There has not been any pass-through element associated with that. In terms of the margins, actually this quarter if you will see, our gross margin got impacted by 0.1% adverse, that is largely because we got positive on the exchange side which was to the extent of about 0.9% and we have seen supply side pressures impacting our cost of delivery, which has been one of the hits which we took this quarter and the utilization also has dipped a bit. In terms of opex, our SG&A has gone up. That is in line with the investments that we had planned to do and that is largely on track is what I would say. I would also want to iterate that we have announced wage hikes effective July 1, 2021, across the board, so that is something which you will start seeing has an impact on a go forward basis, as we continue to invest in our sales engine and the other strategic areas as a part of our operationalizing of strategy. In terms of operating levers, we are working on multiple levers including pyramid optimization, productivity improvement, we have a continuous focus on offshoring as an element and we would look at every ways and means possible to

how do we improve profitability in our specific accounts. So that in a nutshell, summarizes the overall margin perspective from our site.

Nitin Padmanabhan: I just had two quick follow-ups if I may. One is Navneet if you could quantify what could be the potential impact on margin because of salary increases and two Ajay, on Hi-Tech if I understand there are two very dominant clients within the Hi-Tech both on the Experience space and the Application space, apart from that, do you see the sort of traction within those clients continuing in terms of momentum going forward and two, do you think there are other new clients that you spoke about which can actually fill in for any project based rundowns that would happen in case there were some runoffs within that so those are the two follow-ups?

Navneet Khandelwal: Nitin, so what I will do is I will answer the first question. For the second question, I will refer it to Harjott, who is the head of that business. In terms of impact of salary increases, we normally do not give any forward-looking guidance Nitin, but I would say that this salary increase will be typically higher than what we had given in the January earlier this year, so that is how it will work out. Over to you, Harjott on the Hi-tech questions.

Harjott Atrii: Thanks, Navneet. I think what we have done with a new Zensar and a new strategy of Zensar which is SGO centered, we have also launched a new HTM strategy for our customers. So yes, we are cross-selling new services into our existing accounts and we are acquiring new customers, new logos, with our new SGOs as well and a lot of focus in the new service offerings are on the areas where our HTM customers will spend more money, so we are aligned to where they will spend post pandemic and then it is largely new offerings around servitization, as a service model; how do we help them, do the reference architecture changes, similarly with the traditional industrial manufacturers, how do we enable a new reference architecture for connected operations, so our customers are seeing both our existing customers and our new customers are seeing, a new Zensar and a new HTM team which is very domain-led SGO enabled and very much aligned to where their spend would be over the next three to five years, so we feel very positive about the coming two quarters as well.

Nitin Padmanabhan: That is helpful. Thank you so much and all the best.

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

Sandeep Shah: Thanks for the opportunity. In this quarter the growth rate is at 4.8% CC sequentially, if I am not wrong, close to 1.6% growth is driven through pass through and also there is an effort mix change from offshore to onsite, so in that scenario, is it wrong to say that the underlying volume growth is more than 4.8%? Second, I just wanted to understand in a new strategy what would be the go-to-market, will it be verticalized or it would as be horizontal and I have a couple of more asks once these replies comes.

Navneet Khandelwal: Ajay briefly covered earlier as well on the onsite mix part of it, but yes there has been some element of pass-through revenues, so to that extent, the sequential growth in terms of services volume per se in constant currency will be slightly lower than 4.8% that you are saying. So that is correct, but we see good momentum and volume building up. One of the points which Ajay also highlighted is, this has been one of the highest growth that we have seen in the last six years and this is coming after I would say around five consecutive quarters of decline, where the trajectory has changed and it has changed in a very meaningful way. I would let Ajay tackle the second question now.

Ajay S. Bhutoria: Thanks, Navneet. Sandeep the last time we spoke, I did walk you through this big strategy refresh that we did. Traditionally, we had three by three by three, which was three geographies US, South Africa, Europe, three verticals Hi-Tech & Manufacturing, Banking, Financial Services & Insurance and Consumer Services and two service lines, DAS and DFS and a third one budding, Experience Services. What we have done is that we have taken what was an 85% block of services and we have put a very sharp structure around these services in the form of five SGOs, which is Experience Services, Advanced Engineering Services, Data Engineering and Analytics, Application Services and Foundation Services and to channelize these five SGOs into specific go-to-market, we have launched 21 services through playbooks which are crystallized, well-defined services that we are taking to market and under each playbook we have got multiple levels of content and material as well as in terms of how we have structured ourselves to support these SGOs and playbooks. Outside of this, as we operationalize the strategy, we have identified four pillars of operationalization. One is sales expansion, two is what we do with talent, three is what we do with our strategic partnerships and four is what we do with our M&A. This quarter we have started operationalizing this strategy and we have seen some early signs of success and it shows that we are headed in the right direction. In the subsequent quarters as we step up this operationalization, as we get into a higher gear of execution on this strategy, we will get to the objective that we have set for ourselves which is to deliver predictable sustainable growth. Right now the way it looks like, the kind of market response that we have received, the positive response we have received from the clients as we have articulated this message to them and as we have configured our services around these five SGOs and the 21 playbooks, we feel that we will be able to meet the schedule that we publish together with the strategy refresh which is, we are one quarter down and in the next three to seven quarters, we will be able to hit the stride and the cadence of delivering predictable sustainable growth. Sandeep back to you.

Sandeep Shah: Ajay just a follow up, so is it the sales organization, which is verticalized especially in the key markets, in the U.S or is it against these 5 SGOs as a whole? So how is the sales organization being restructured?

Ajay S. Bhutoria: Sandeep, good point. We operate in a matrix. The core sales organization reports into the verticals and the SGOs and the playbooks and the service lines are represented by strike force teams that matrix with the vertical sales teams in order to deliver our solutions and the value proposition to our clients.

Sandeep Shah: Just last thing, in terms of order intake this quarter has been \$97 million and the last quarter being \$100 million, Q1 to Q3 FY2021 average was \$175 million so despite we are saying the demand brought early signs of positiveness from the client on new strategy, the order intake number has been declining as a whole so, any thoughts on the same and Navneet just wanted to understand your comment earlier about this year's EBITDA margin to remain at the high teens, is it still valid or you have changed your goal post?

Ajay S. Bhutoria: Sandeep, I will take a go first and then I will request Navneet to add. Sandeep, what we have done in the course of especially the last three quarters, and we started this journey actually even prior, is to work on how we report our metrics. Internally we have become much more stringent in terms of how we report our numbers, how we compute the numbers, how we report the numbers, we have become much more conservative. We have heard from the community, we have heard from you folks, we have also looked at how we used to report raw numbers versus qualified numbers as we go forth we will retain this stringent set of steps that we have taken in terms of how we report these numbers and the fact that we will be conservative on these going forward. Navneet do you want to add and also take the second question?

Navneet Khandelwal: Yes, Sure. Actually, there are good number of logos that we have opened during the current quarter and as we start fulfilling them and we are able to staff and start delivering revenues to them, those will also start reflecting in the order booking. So, to a certain extent, the numbers that you see on order booking is not really reflective of how we are seeing the demand and fulfillment situation to pan out and resultant impact of it in the topline. So you should look at this over a period of time, how does it work and you should be able to correlate it much better go forward, is how we see the order booking scenario will be. In terms of your margin question, along with the strategy we had picked up and we talked about our margins, where, we do not give any immediate quarter guidance but we have said that over the mid to long term, as the strategy starts working out, getting to high teens level and maintaining that is something which remains an integral part of our strategy. So we are committed to that. However as you start investing, there will always be timeframe when initially as the investments go in while the revenue outcome gets delivered over a lag on the investments, you could always see some decline or some shifts which happen in the margins in the interim but from a medium to long term perspective, we are really focused on what we have talked of and all our endeavors will be towards that and what I would do is I would also invite Prameela to just talk about a few of the operational measures and rigor that we are putting in which should give us a leverage in the times to come from an operating perspective, Prameela you want to add?

Prameela Kalive: I would just add to what Navneet talked about, so our focus on cost optimization continues and two significant tracks that we are driving in a very accelerated way is the whole pyramid optimization. In that, we are now creating a very, very strong internal talent market place that is reskilling and upskilling our internal talent in the big bet technologies that Ajay called out whether it is Advanced Engineering, Data Engineering AI/ML or Enterprise, SaaS areas. So we are upskilling an entire team

and also we've significantly upped our fresher intake over the last few quarters and we will continue to do that in the year ahead and our entire fresher program training has been focused on. From day one we want our freshers to be ready in these new areas. We are crunching the fresher time to build billability. These two will significantly help us increase our internal fulfillment as we respond to the increased demand in the market. This we believe, like Navneet called out, in the medium to long term, it will help us mitigate some of the impact we will see in the margin on account of the wage hikes and of course the continued focus on automation, on offshoring, these have been our focus areas, they will continue to be so in the quarters going forward as well.

Sandeep Shah: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Thanks for the opportunity. So, my question is related to the sales and marketing investments, so have you filled all the gaps there or are there some areas where you need to make further investments? Also if you can elaborate what changes have been made in terms of the key hiring changes in the near future and how the sales process, the incentive structure has changed and when do we see large deals coming in? So this is the first question and the second question is on the insurance vertical, so if you can elaborate what is actually leading to the softness in this vertical and is it client specific or are we seeing this weakness in the decision making here? When do we see stability in this vertical; more color would be helpful? Thank you.

Ajay S. Bhutoria: I will take the first question and I will ask Nachi to pick up the second question, Nachiketa Mitra who heads the Banking and Financial Services for us. So, Amit, the first question is that we have expanded our sales team as well as engagement leadership teams. So, we have expanded over the quarter, both, the go-to-market teams as well as engagement team. Now this expansion has been not just in the verticals but also in the geographies and very importantly also in the strategic growth opportunity areas that I alluded to, just a little while back. So, it is across board. Now as we speak, we have done that over the last quarter or so and as we look into the next two- three quarters we will continue to hire people into vertical and SGO sales and engagement teams, although as we fulfill these positions the pace of that hiring will reduce, so that is Amit, your first question. In terms of deal flow, we take a very holistic view Amit, the way we go after the market is both large deals as well as what we do with looking at our client areas of opportunity as well as problem statements, in terms of what we do with them proactively and third thing is, in this highly demand-rich environment to fulfill the demand that is steadily coming from the clients to service providers such as us. So it is all the three vectors, not just the large deals, so we are focused on all of these three vectors, so that is the first question and for the second question in terms of what we are doing with the insurance business. I would hand over to Nachiketa.

Nachiketa Mitra: Thank you Ajay. Thank you, Amit, for the question. I appreciate the opportunity to talk about our insurance practice. I just want to reiterate that as Navneet had mentioned in his statement that there are certain client specific projects which came to an end and then another client got acquired by a larger organization so some projects went on hold, so couple of client specific issues that caused a little bit of blip; however, what we are doing as a response to that is we are broadening our play field. So we used to be very, very focused on property and casualty segment within United States so we are expanding that market, we are going after the larger clients who are in the property and casualty segment, but also we are going after life and benefits, we are going after insurance brokerage business, so that is number one. In terms of the way we are approaching the market, we are really focused on solution led consulting led delivery and sales, so deep commitment towards building up domain capability, we are reinforcing our partnership with Guidewire but we are also looking at other platforms like Duck Creek. Right now, as we speak, we are training our workforce on Duck Creek and because there are opportunities in the market that we want to kind of tap into. Third thing is the way we are looking at the sales process itself we are tweaking it a little bit, we are doing hunting impacts, so it is a client partner solution team as well as the hunters together going and with the prospects so the conversion rates, we are seeing significant increase and then of course the partnership so as I mentioned there are a lot of insure tech organizations that are offering tremendous niche solutions and we are trying to partner with them as well so that we are relevant for the future with our insurance clientele but I would take a pause and see if you have any clarification to what I just said.

Amit Chandra: It was helpful. Thank you and best of luck for the future.

Moderator: Thank you. The next question is from the line of Sandip Agarwal from Edelweiss. Please go ahead.

Sandip Agarwal: Thanks for taking me back in the queue again. I have few questions. One is for Navneet. First to start with, Navneet you have one of the highest gap in the industry between EBITDA margins and EBIT, and if you see this pandemic, this is actually against this gap and structurally should reduce this gap significantly. Which means that even if you grow your revenue at zero percent for next two years, which is impossible to achieve in my view, then also your earnings growth 15% annual should only come from this gap getting reduced because of the nature of the pandemic and the impact of it on the lease, on the depreciation part of it. So, I am just trying to understand why that confidence is not showing up when you are talking about margin. Number two, second question is to Ajay and Navneet, both of you have already spoken about the strategy hiring transitioning and all that. Can you please give us some highlight that the new leadership which you are hiring or the senior leaders you are hiring, what is your approach to hire them, are you giving them a bigger upfront salary or bigger commission structure or you are giving them a huge ESOP which is largely back-ended, because giving huge fixture and huge variable pay is a temporary solution to the demand supply mismatch, but I think a back-ended huge option is something which creates the value, so what is your approach towards that if you can disclose it otherwise I am fine with that? Finally, in the worst of the pandemic situation, the large companies which have \$25 billion revenue, they also pause for one quarter before

they gave some kind of guidance and I am not talking about quantitative guidance, but some benchmarking that we will be doing an industry growth or around that or will be second quartile, first quartile something, what stops you, when you are already six to seven months into the business, you have finished all your strategy and you already are talking about so much of traction in all the places of business. What stops you from giving some kind of qualitative guidance rather than quantitative. I am not at all pressing you to go against your policy of not giving guidance, but at least some quality that we will be in top quartile or within the midcap phase or the small cap phase or the industry growth or around that something if you can give them it will be very comfortable? Thanks a lot.

Ajay S. Bhutoria: Navneet, do you want to go first. I will let Navneet and then I will add to answer the questions two and three. I will also pull in Vivek. First go ahead Navneet.

Navneet Khandelwal: I think your observation has been quite valid that between EBITDA to EBIT, there is a much more gap in Zensar, but that is also because of the acquisitions that we have done in the past, a good chunk of that gap is on account of amortization of intangibles which comes as a part of our P&L. Now this amortization based on the nature of intangibilities, it goes on for a period of about 5 to 10 years, so as and when that amortization tapers off, you will start seeing tapering of that. Number two is, as we scale up in terms of growth, and you are right we will probably not be investing in facilities incrementally as opposed to what we have already done so that leverage will start playing out and we have always talked about EBITDA as a number, we have never talked of EBIT as a number, and that is where you would start seeing over a period of time some additional leverage onto EBIT, as the gap over a period of time narrows down, so that part of your observation is right. I would not be able to comment in terms of the extent that you have talked of being 15% but directionally as we scale up it should reduce. The second element is that we have also done an acquisition right now so, that will again start introducing another intangible charge in our P&L from Q2 of this fiscal, so that is where while the past acquisitions, amortizations start tapering off the new acquisitions, amortization starts replacing it. Hence it is much easier for us to give perspectives on EBITDA, and that is why we have been talking largely on the EBITDA in all our commentaries. Before I give Ajay to talk on the subsequent questions, one of the parts on guidance is, that is what our internal strategy is, that we are talking that we want to hit a phase where we are more predictable and we show consistency in our performance, so that you are able to predict much more reliably as our growth comes out and it would not be completely on basis of what the management is talking where will we end, but I will let Ajay take those two elements as he answers this one. Over to you Ajay!

Ajay S. Bhutoria: Navneet thanks. Sandip, picking up the second question right. Sandip as I mentioned I think the last time you and I spoke is that from a comp perspective right, our comp for senior leadership position is divided between fixed, variable and stocks. I think we always had a very compelling comp and benefits package, as well as a very compelling structure around fixed, variable and stocks. That was never a problem with Zensar and that was a good practice which we will continue with. Sandip to your second question right, so what we have seen in this quarter is that the right team is coming

together, right set of services, clients are coming back, has generated momentum. In terms of operationalization of strategy, we have moved it into gear, so we have gone into first gear, over the next few quarters as we step up, as we go up into the higher gear, this strategy will take routes and will anchor and will start driving towards our objective which is to get into a cadence of predictable, sustainable growth. Now I just want to be very clear that this quarter is not because our strategy has kicked in. There are green shoots that we have seen as we have gone into the first gear, but the true impact of strategy will happen over the course of next three to seven quarters, we are one quarter down. Sandip I hope that answers your question?

Sandip Agarwal:

You have answered it quite elaborately, but I am still not very much clear what you are trying to say on the recruitment policy and I again do not want anything to know on your strategy part of it, but at least what is your thought process like if you are seeing a very good industry tailwind going ahead and we all know the supply facing demand, which is the fact which has established in last 18 months so in that case getting manpower itself is very challenging and we are facing it every day with every company when we are talking, we are telling us the consultants are telling us, how are you going to fix this part because until unless there is a huge compensation which comes from the ESOP and retaining the top talent will be really challenging, because if you go the other path of giving high fixed cost and variable component, you take two risks one is that your margins keep on going up and your COGs keep on going up which puts a lot of pressure for the SG&A to go down and might not be good in the long term because then it compromises with your marketing strategy. On the other hand if it is more coming from the back-ended ESOP then the benefit is that everyone benefits from the journey and everyone is motivated towards that objective so if you can at least give some qualitative comment on that it will be a great help because this answer of having great strategies from beginning on the compensation part, is something which we all are aware and we respect that, but if you can give some qualitative aspect that will be really, really helpful. Thanks a lot.

Ajay S. Bhutoria:

There is a third question you asked, so I will divide your question into two parts. One is what is our strategy for senior level hires and what is our strategy for direct contributors. For senior level hires, I think we have a very good comp and benefits plan in place and we continue to attract top talent, so the hires that we have done in various businesses, we have actually ended up hiring the top talent in the industry. Your other question is related to the fact that we are in a demand rich, but a supply constrained environment which means supply is very inelastic and most of that inelasticity of supply is in the area of direct contributors, and a lot of that is in terms of direct contributors in engineering and data engineering skills. That is a completely different bracket right and how we address that is how we address overall demand supply equation for our business and Prameela gave you a view of that a little while back, right in terms of what we are doing in terms of upskilling, reskilling, existing talent, what we have been doing in terms of increasing engagement, what we are doing in terms of rotations, what we are doing in terms of amplifying our organic engine to bring in new talent that is a second category Sandip. We are focused on making sure that we do the best on both categories.

Sandip Agarwal: That is very helpful. Thanks, and best of luck your future quarters and a great quarter once again. Thank you.

Moderator: Thank you. Due to the time constraint ladies and gentlemen we will be taking the last question for today which is from the line of Madhu Babu from Canara HSBC. Please go ahead.

Madhu Babu: Congrats on strong execution. A while back we were talking of taking the permanent work from home employees, so how has been the experience with those employees, we have hired from tier-2 cities etc., and incrementally how do you see the delivery changing post COVID even after normalization how much of your workforce will be on the work from home and second on BFSI we have done one acquisition earlier on the insurance, but took being such a large vertical and we have a kind of a smaller presence there, so with the current cash balance would you like to beef up the BFSI vertical with another acquisition, so these are the two questions. Thanks.

Ajay S. Bhutoria: Madhu, I will request Vivek to answer your first question and for Prameela to add to it and then I will come back to answer your second question. So Vivek do you want to take the work from home and the talent on-boarding question and Prameela if you can add please.

Vivek Ranjan: Absolutely Ajay. Thanks a lot, and good morning everybody. Thanks, Madhu Babu, for the question. Yes in fact as all of us we have been pioneering in terms of the model of work from anywhere and that is becoming extremely pertinent and relevant in the context of what the situation we are facing in the market right now where every company is finding opportunity to ensure that supply base increases and that supply based fulfills the demand which is there in the market, so for us to answer your question it has been a very good experience, we have been able to engage with our work from anywhere employees very extensively and it has helped us move into tier 2 and tier 3 cities to increase the supply base, so our experience has been extremely good and we are going to further build on this opportunity which we have put together, initiative we have put in place. Over to you Prameela for the second question.

Prameela Kalive: Thank you Vivek. Just to add to what Vivek mentioned Madhu, the work from anywhere has been an opportunity for us to tap into new talent pool going beyond the centers where Zensar has been operating in India. So a lot of our talent both including senior talent as well as fresher talent, now we are looking at on-boarding them from all over India, so that has been a big opportunity for us to really strengthen our talent supply channels itself and so on the work from anywhere model I mean we continue to deliver our projects to our customers seamlessly across the globe in the last five to six quarters ever since we have gone to work from home into this model so we continue to strengthen our like what Vivek talked about the engagement with our employees is one thing. Second is, lots of strengthening our ability to virtually start projects, win projects, execute them seamlessly. Being a digital company the investment we have made in digitizing all the delivery process in Zensar over the last three to four years that has become a big advantage for us in this new virtual mode to continue to

deliver on the projects on a very strong way with process maturity not diluting the rigor at all. So, we see that once the second vaccination for most of our employees here in India once that happens, we will see going back to the office, we do not have the timeline here, yet we have not decided that, but it will not be everybody going back to office, we see teams in small numbers going back, they have already identified what are the kind of roles and projects which can be executed in their hybrid mode, so that we are waiting and watching how the whole environment unfolds for us. This is not really impacting. This further strengthens our talent supply chain, the whole work from anywhere situation now.

Ajay S. Bhutoria: Thanks, Prameela. Madhu, if I can answer your second question, which relates to M&A. Just to reiterate strategy 5 SGOs, operational hived through 21 bid books, which are specific service propositions to our clients, supported by four pillars, say it is expansion, talent, M&A, and partnerships. M&A, all future M&A that we do, including the M3bi acquisition that we just concluded, we announced the acquisition in Q1, we just concluded it, all acquisitions that we do have to support one of more of these stated SGOs. That is the first principle. The second principle that we will go by is that any acquisition that we do has to bring in capabilities, skills, and market access. Just to take M3bi as an example, while they support multiple verticals, the dominant play that they have is in financial services. So, what they do is they will not just augment skills in Advanced Engineering Services and Data Engineering Services, but they also bring to us client access in form of some very, very large clients, very sizable clients in Financial Services space and a couple of other verticals as well, but predominantly international services and that is the strategy that we look forward to implementing and adhering to as we go forward. Our big focus areas from services perspective, from our SGO perspective, as we look into the next set of acquisitions, as I had shared with you in the prior conversations that we had, is Advanced Engineering Services and around SaaS platforms like SFDC etc. So, Madhu, I hope that answers your question?

Madhu Babu: Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Varun Goenka from Nippon India Asset Management Company. Please go ahead.

Varun Goenka: Good morning everybody. Good set of numbers and very elaborate answers. Thank you so much. Just one question, I wanted to understand our gross margins what could be our drivers of our gross margin, which is actually I would say lower than some of our peers at the moment and how that could trend or what could really dry that? It would also provide a better understanding of the value addition that you are doing, so I just want to understand this line item of yours.

Ajay S. Bhutoria: Varun, I will actually request Navneet to take that question.

Navneet Khandelwal: In terms of gross margins, I think, we have exited the quarter at 34.8%. I think for a company of our size and if you see the trend of our gross margins in the past, this has been significantly higher levels as compared to the margins that we had been operating at, in the past, so to a certain extent it has gone up. We definitely see a good amount of headwinds coming in, on account of the supply side crunch, which the industry is going through, the wage hikes that we have announced for and while this is the case, we are also working on significant levers to improve these margins. I think Prameela spoke about the focus that we are giving on pyramid. That is something which will take some time to really start to show up in the gross margins for us over a period of time as we are able to move and change the pyramid to much more lower experienced people so that the cost benefits start realizing in the margins. We also are cognitive of onsite offshore mix, if you see about a year or a year and a half back, the onsite mix of our revenues used to be around 65% to 67%. At this moment, it is around 58%. So, we have already made a good shift in comparison with the other companies, I think, these two reasons have always stood out as a the reasons why our gross margins have been slightly lower both on account of higher onsite mix as well as the per person cost that we have and in both these areas, we have made a decent movement so far, but a good chunk of work also has to be done in the pyramid bit, which will take some time to deliver on. So, we do not give any kind of a guidance on a gross margin perspective, but we have always reiterated that on an EBITDA perspective, what is the level that we want to hit in the medium to long-term and we are all focused on getting to that as an end result as we work towards how do we improve our gross margins but at this level, I think these are very high levels, which you currently see in the current quarter as well and there would definitely be, in the short-term, some moderation which will happen to these levels.

Varun Goenka: Thanks. That is very clear. Just to go a bit deeper on this, one on the offshoring mix, ballpark directionally, will it keep improving in your favor for the next several years, or how do you see that based on either the clients or your project requirements, how do we really understand what the next few quarters or more, may be three years down the line how do we see your mix?

Navneet Khandelwal: From a long-term perspective we would want to have much more a bit higher offshoring mix, but it will still remain range bound till it makes a big shift. I think we already made a quantum shift from the levels we were used to be operating in the past. So, at this moment for some period it will remain within a range. As over a longer term we still work out how do we get and drive higher offshoring as a lever for us.

Varun Goenka: Okay and like your presentation shows that you have added a client so as your deal sizes grow or as your client mining grows will this at least give you additional lever to invest in your SG&A or maintain your margins to offset the supply side issue or that is not adding anything incremental?

Navneet Khandelwal: From the current level, I would say it is difficult to say to add further incremental to fuel the OPEX investments, and that is why we have been very clear that in the interim, there would be some element of moderation you will see on the margins on account of both of these the supply side issues, the

wage hikes as well as the continuous investments that we will be making as we have called out and you know over a long term from an EBITDA perspective like I answered in one of the earlier questions as well, we maintain that we want to hit and be consistent around the high-teen margin which is the EBITDA range and that is what all of us are focused on.

Varun Goenka: I really appreciate you guys giving a very realistic picture and moderating our expectations. Thank you and I hope this is just a beginning.

Ajay S. Bhutoria: Thanks. Appreciate your wishes.

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

Nitin Padmanabhan: Thanks for the follow-up. Just had a quick book-keeping question; of the total TCV of wins that we have announced what is the net new proportion?

Navneet Khandelwal: It would be around 50:50 as net new and 50% as renewals.

Nitin Padmanabhan: How are the tenures sort of trending for you on the TCVs?

Navneet Khandelwal: The TCV tenures have not changed drastically for us. You know it ranges based on the deals it can go on from say three months to a five-year tenure, so it is a mix of all kinds of deals in the TCV at this moment.

Nitin Padmanabhan: Sure. Are shorter tenure deals having bigger proportion at this point of time?

Navneet Khandelwal: Yes, that is very difficult to comment on offhand probably we will take that offline.

Nitin Padmanabhan: Sure, fair enough Navneet. Thank you so much and all the very best. That is all from my end.

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

Manik Taneja: Thank you for the opportunity. Ajay just wanted to pick your brains on the aspect that everybody in the industry is campaigning to hire fresher talent and in the past whenever we have seen this kind of a situation, we have also heard murmurs around the quality of talent. Do you think that becomes some sort of an issue maybe over the next four to six quarters timeframe, and second question was with regards to the possibility for value-based pricing for both Zensar as well as the industry as a whole given you take the comments from some of your peers about the possibility of some pricing realignment due to supply side pressures. Thank you.

Ajay S. Bhutoria: Manik, as we know, we are in a situation where the supply side of the equation is very inelastic. It is a demand-rich supply-constrained environment, and we are addressing this problem using multiple

different levers. We are looking at expanding the scope of geographies that we operate out of. We are looking at expanding, we just went through the whole work from home, already we have people working from 28 cities so outside of our core development centers in India in Pune, Hyderabad, Bengaluru, we will look to expand outside in line with whatever we have achieved thus far, big lever is what we do with fresh talent. Without going into too much detail, we have created a very sharp plan in terms of how we onboard that talent that is from Zensar specific perspective, a very sharp plan to activate that talent to onboard that talent to make that talent productive. From a macro perspective industry-wide, Manik, I think what we will see is a rebound of effort from firms such as ours to really invest in on boarding that fresh talent, an effort that in the last two or three years had diminished and with the extreme inelasticity that we see developing that effort is going to rebound. Now as we do that, yes we have to be careful as to what we do with the quality of that talent, but also Manik we have a buying community that is much more discerning, much more careful about the quality of the talent that is on-boarded and the winners and losers in this space in terms of how you fare with fresh talent is going to be determined in terms of how well and how quickly can you make this talent productive and we have put a very strong plan in place, we are piloting that plan, and we will continue to develop on that over the next several quarters.

Manik Taneja: Thank you and I had a follow-up question for Navneet. Navneet, you said that the quantum of wage increments or the impact of wage increments in 2Q would be higher than what it was in January for the fourth year FY2021 quarter. So that impact was about 100 BPS x of some of the optimization, so should that be the benchmark, or should the benchmark be more like 250 BPS impact on margins because of wage increments?

Navneet Khandelwal: I have given you a direction perspective. we are not giving any particular guidance on this. We are still to work out on how it will impact on an overall perspective from our Q2 perspective, but I would just reiterate what I have said, it will be directionally much higher than what you have seen in Q4 financials the way it had played out. So, it will definitely be much higher than that.

Manik Taneja: Thank you very much, Navneet I appreciate that my only question is, is that 100 BPS or the comparison benchmarks needs to be higher than 200 BPS because that 100 BPS also included the benefit of certain cost optimization measures?

Navneet Khandelwal: Yes, so as we said, the cost optimization measures will take some time to play out, so you should probably assume that the cost optimization impact will come in future quarters, will not impact immediately, and that is largely on account of the supply side issues which the industry is going through.

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

Moderator: Thank you. The next question is from the line of Jenil Jain from Omkara Capital. Please go ahead.

Jenil Jain: Thank you for the opportunity. I had a couple of questions regarding how you see the growth going forward and more specifically what sort of growth do you expect to come from the acquisition that we recently made of the M3bi and the second part of my question is about the utilization as do you see that as a margin level going forward, and if yes then what levels of utilizations do you hope to achieve?

Ajay S. Bhutoria: Yes, actually Jenil I will take the first question and I will request Navneet to take the second. So, yes, as I mentioned, we feel good about the direction of our business, we put a strategy in place, we have called out that as we operationalize the strategy that operationalization will happen over several quarters for the impact of that strategy to be felt in terms of achieving our objectives which is to drive predictable sustainable growth, it will take four to eight quarters and we are one quarter down. So we are not changing that trajectory, what we do see is some early signs of success which point to the fact that we are headed in the right direction, but in order to achieve a cadence of sustainable predictable growth for the future for the whole strategy to play out to take root we stick by what we stated when we launched the strategy which is four to eight quarters and we are one quarter down. For the second question, I would refer back to Navneet.

Navneet Khandelwal: If you would see, our utilization, especially during the pandemic period had gone up very significantly. As demand started coming back, we have also done good amount of proactive hiring, which is what you are seeing reflecting in our utilizations currently. As we have talked of significant initiatives around pyramid optimization, which would mean that we will hire a good amount of fresh engineering graduates, there will be some impact on utilization as a consequence of that as well. However, the cost of those will be significantly lower, so incrementally, it should not impact the margins adversely. Still, we believe the utilization levels that we are currently at should remain within a narrow range. This should not move either way very sharply, and that is what we have also assumed in that we are talking anything with respect to our margin expectations from a go-forward perspective.

Jenil Jain: That is fair enough and just could you give a number on what sort of growth you expect from the acquisitions and will you still be looking at more acquisitions?

Navneet Khandelwal: With respect to the current M3bi which has been concluded, its numbers will start flowing from the Q2 of our financial year, which is the July to September quarter. For the calendar year 2020 that transaction, I think M3bi had reported revenues of over \$26.75 million. From those levels, they have gone up a bit and which will start reflecting in our Q2 numbers. From a go-forward perspective, as Ajay has called out, a part of our strategy is to augment the capabilities and build and strengthen the capabilities that we want to in our focused SGOs, and that is something we would be continually looking at and as and when there is something which makes sense we will go ahead and acquire it. As of now, there is no particular perspective as to how much proportion of our growth will come from acquisitions. As and when they start getting added into our numbers, we will call it out as to what is

the extent of organic you can look at it or versus what is it incrementally, which has come from an acquired entity so that you get a much better picture on it.

Jenil Jain: Thank you. All the best for the future.

Moderator: Thank you. The next question is from the line of Gaurav Konar from Augmenta Research. Please go ahead.

Gaurav Konar: Good morning everyone. Congratulations to the management for a good set of numbers. Most of my questions have been answered. Just wanted to quickly ask about the M3bi acquisition which is with the topline growth that you will be getting from these numbers being integrated in your results, will these be coming at similar margin levels as the rest of your business? Second question I had is, are there any more acquisitions in the pipeline for this financial year? Thank you.

Navneet Khandelwal: I wanted to comment on the margin aspect that you have asked for. So, in terms of M3bi, the revenues will start flowing in. See whenever you make an acquisition, there is always initially an impact that comes to your P&L on account of the amortization of intangible assets, which in the initial years tends to be slightly higher than the revenue inflow, which comes in because while the revenue will start flowing first, the growth starts flowing in subsequently. So that is some dilution you will start seeing on the EBIT level straight away, in terms of margins, M3bi margins at the time of acquisitions have been slightly lower than Zensar margins. We will call out in our next quarter results as to how it has performed differentially for you to be able to understand what its impact on margins is. So that is on the M3bi piece. In terms of future acquisitions, as I called out and Ajay also had elaborated, we are continuously looking for targets in the focus SGOs we have and as and when we actually come around something meaningful and get into any kind of a SPA or a definitive agreement, we will be announcing that to the market.

Ajay S. Bhutoria: Gaurav, look as I mentioned earlier any acquisition we do going forward, including the M3bi acquisition that we just concluded will need to support. We will do an acquisition only if it supports one or more of our stated SGOs, number one. Number two is the acquisition needs to bring to us three things: capabilities, skills, and market access. Our approach towards acquisition has been to tuck-in acquisition to leapfrog capabilities to bring in skills and gain market access. This overall approach is not going to change. We constantly look at acquisition candidates and if we find one that is of the right value and of the right fit with our approach and strategy, we will look at it seriously, we constantly evaluate what is out there in the market.

Gaurav Konar: Got it. Thank you for the answers and we wish you all the best for the future endeavors.

Moderator: Thank you. As there are no further questions, I would now like to have the conference over to Mr. Ajay Bhutoria for closing comments.



Zensar Technologies Limited
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Ajay S. Bhutoria: Thank you folks. Thanks for attending our call. Thank you for the great questions that you asked us. I trust and hope that we have given you clear answers and we have given you a sense of our business. Look forward to connecting with you on an ongoing basis and wish you all a very good morning. Thanks a lot.

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