"Zensar Technologies Limited Q3 FY-17 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Zensar Q3 FY17 Results Conference Call hosted by Motilal Oswal Securities Limited. As a reminder, all participants' 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. Sagar Lele from Motilal Oswal Securities. Thank you and over to you, sir.

Sagar Lele: Good evening everyone. On behalf of Motilal Oswal Securities I welcome you all to Zensar's 3Q FY17 Earnings conference call. From Zensar we have got the CEO and MD Mr. Sandeep Kishore with us along with the rest of the leadership team. I'll let Sandeep take over and introduce the team and give a brief overview of how the quarter went. Over to you, Sandeep.

Sandeep Kishore: Thank you Sagar. Thank you everyone for joining our Q3 FY17 call. I have with me from our leadership and management team Bala, our CFO; Manoj Jaiswal who is our incoming CFO, CFO-Designate; Ajay who is Head of our Strategy and Corporate Development; Azfar, our global head of HR and Sanjay who is our financial controller.

I will give you a brief overview of how the last quarter went for Zensar. This will be followed by a brief note by Bala on other financial details post which we will open the floor for questions.

I trust all of you by now have had the opportunity to go through the detailed financial results and the fact sheet that we released yesterday on 24th for our results. Let me take the opportunity to present some key details from our results and business performance. First our Q3 FY17 performance. We had an overall a pretty good quarter. In constant currency revenue growth was 1.9% sequentially. In US dollar term quarter-on-quarter revenue grew 1.3% from $116 million to $117.5 million. In INR terms quarter-on-quarter revenue grew 2% from Rs. 776.7 crores to Rs. 792.2 crores. Gross margins grew by 2.3% in US dollar term and 3% in INR term quarter-on-quarter. Our net profit grew by 17.1% in USD and 17.9% in INR again sequentially.

Our digital revenue grew quarter-on-quarter as a result of our organic growth and also through the foolproof acquisitions which we completed in Q3. Q3 digital revenue accounted for 30% of the total Zensar's revenue. Our core application services business grew at 1.3% sequentially on constant currency basis. Infrastructure management services grew by 3.4% sequentially in constant currency with the services component growing at 5.3% driven by the revitalized team, improved account farming and new wins. As a result of our focus on Fortune 1,000 customers, our number $1 million customers have gone up from 69 to 71.

During Q3, we had seen some ramp down in our commerce business particularly related to the holiday seasons as a result of which the revenue from top 5, 10 and 20 customers sequentially declined however on a year-on-year basis the 5, 10 and 20 actually saw good improvement if you compare Q3 FY17 over Q3 FY16. In the top 5, 10 and 20 customers the percentage of revenue actually by 2.5%, 2.0% and 3.6% respectively. From a geography perspective business grew across all of our focus growth territories. Revenue from US grew by 0.3%, Europe 30.2% and Africa by 8.1% all quarter-on-quarter in constant currency terms.

Financial services vertical experienced quite a strong growth of 9.7% in sequential constant currency. This was driven by a large win which we have had with a marquee BFSI customer. New as well as some existing accounts have given new digital business. Manufacturing vertical grew by 1.4% and Retail and consumer services grew by 0.7% sequentially.

We continue to focus on digital as a key lever and a key driver for our growth. As stated in the earlier analyst calls in the previous quarters, we believe that today CMO has the largest budget on digital spend in most of the companies that we are tracking and with the foolproof acquisition we now have a pretty compelling suite of propositions which is experienced led and a unique differentiator in our customer base. Foolproof clearly has equipped us with world class experience design capabilities and we have been jointly working with foolproof teams and the core Zensar teams to create the end-to-end offering keeping the experience at the center of it. Digital as we mentioned earlier now accounts for 30% of our overall business and this was driven by the combination of organic growth and through foolproof acquisitions. In the organic business we have invested significantly in RPA and The Vinci which are our two key proposition launched during the last quarters and both have seen significant traction in our customer base.

Our focus on large deal continues to yield result in form of deals from both existing as well as new clients and significant number of large deal order book. We signed four multimillion dollar multi-year deals this quarter in Retail and BSFI segment. Our focus on digital has also resulted into number of significant wins in the last quarter. Some examples:

- Large deal from a net new account which is a $3 billion US based clothing and accessory retailer,
- Another large deal for implementation of next generation commerce platform from one of US largest departmental stores,
- Redesign and conversion of mobile gaming platform of South Africa's largest online gaming company.

We have also been focusing extensively on automations through Zensar's IP. We won a Zensar IP RPA (Robotic Process Automation) based deal with one of South Africa's largest fund administration company. We won another deal in automation space of a mobile control and automation development for America's leading gift e-tailer.

We have also notched up significant wins in our traditional services lines.

- A large deal for providing managed services model for mainframe development for UK's largest employee owned retailer,
- Oracle Application Transformation for one of the largest networking and high tech manufacturing company,
- Operational and infrastructure management support for a US based multi billion dollar airline,
- Data center management deal for a multi billion dollar American home furnishing company.

Our focus on thought leadership continues driven by the return on digital and continues to drive result and position us differently into the market space. We have been prominently featured and covered across multiple reports by the industry leading analysts throughout the year. We continued to refine our IPs and have filed for patents for a few of those offerings as well. We continue to work towards making Zensar a 100% digital company. We have now automated more than 50% of our internal processes with various dashboards and mobile applications. Using our return on digital framework we have ensured a customer centric front end with a very strong digital and application led processes.

All of our internal systems have now been streamlined with new systems launched to ensure that the gaps are bridged. Processes like sales pipe line and revenue tracking, project delivery system, timesheet management system, HR handling, talent management, expense claims, they have all been put on to digital applications which we think now provides us phenomenal opportunity to start to convert them into customer centric propositions as well. Infrastructure investments in our company continues to be quite well. All of our India based campuses are now Wi-Fi enabled so that all of our associates have access to all digital platform and applications anywhere anytime on a real time basis. Now we continue to refine the existing applications based on the feedback and also making sure that we convert several of them into client facing propositions.

So in summary Q3 has been a good quarter for us with broad based growth in most of our areas. Our focus on return on digital continues to show results and investments that we have made will continue to drive returns in this sector.

With that let me ask Bala to provide you with his view and insight on additional financial details. Subsequent to that we will then open the floor for questions. Bala.

S. Balasubramaniam: Thank you, Sandeep. Good evening ladies and gentlemen. I will give you some financial numbers right up front in the call, so you can just frame your questions accordingly. As of end of this quarter, we have spent Rs. 29.34 crores that is YTD for 9 months as our CAPEX. During this quarter alone we spent about Rs. 16.14 crores. In terms of our debtors, outstanding debtors is Rs. 593.28 crores or $87.32 million. We have been able to bring down the DSO from 64 days to 62 days at the end of this quarter. In terms of our Forex cover, we have total cover at the end of December of $44 million at an average rate of Rs. 71.17 and in terms of our cash position, as of YTD December Quarter 3 the cash we have on the books is Rs. 539.04 crores or $79.27 million out of which liquid cash is Rs. 338.66 crores or $49.80 million and in short term investments at Rs. 200.38 crores which is $29.47 million.

We have short term debt of $4.5 million which is essentially packing credit. The long term working capital debt of $17.7 million. So the total free cash in the balance sheet as of end of Q3 is $57.07 million. So these are some of the financial indicators that I had for you. I will hand the call back to Sandeep.

Sandeep Kishore: Thank you, Bala. And with that we will open the floor for questions. So Sagar, if you can host those questions please.

Moderator: Thank you very much. We will now begin with the question-and-answer session.

We will take the first question from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: My first question relates to what are the initial feedback you have seen from these processes in terms of either the cost savings or in terms of showcasing it as a proof of concept to your clients - that is one. And secondly, could you share some of the initial client runs you would have had with the Vinci which you launched early this quarter?

Sandeep Kishore: So let me just give some context and color. Let me address the Vinci part first. We launched Vinci in Q3 with clear differentiating factors through Autonomics and hyper orchestration layer for cloud as a proposition. So both it is pretty unique and that is the reason why all the industry leading analysts have given it a very, very strong thumbs up. We have taken it to our existing customers just to make sure that we first test it out with them. We are currently deploying it with half a dozen of our existing customers in the US. We have of course also now taken this as a wedge and lead opening the door with all the net new accounts.

The business benefits that we have seen in the existing customer is that it actually automates to the extent of close to 45% to 50% on the Level 1, Level 2 of the standard operating environment in a traditional infrastructure data center run. So all inputs and feedbacks have actually been pretty good and we feel very confident that this will do well and this actually is going to be a big pivot for us in our core IM business. That also is the reason that in our Core IM business has started to show pretty significant traction - 5.3% sequential growth which you saw in the Core IM business. In the previous quarter we had shown pretty consistent growth coming from existing account largely it has been from existing account although we have had good wins but those volumes are not big on the net new business yet.

On the RPA question that you had asked earlier, Priya, we had announced one win publicly which is two sisters in UK and that is where we are automating one back end financial processes currently. Initially just to make sure that we get the process right and get the automation numbers from robotic process perspective. We are going to be completing this by end of this quarter and then that is going to go mainstream. We have also announced a win as I mentioned in South Africa with a fund administration company and there also we are seeing pretty significant traction to the extent of automating almost 70% - 80% of the simple back end processes. These are our growth vectors, growth wedges which we think will hold us in pretty good stead.

Priya Rohira: Sure, this is helpful. My second question relates to you know in terms of the deal signing which you have mentioned in the presentation to the extent of $127 million you know in terms of the competitive environment you won I guess in this quarter plus you remember if you had and in Q2 you had indicated a 700 million pipeline, where we stand and how much of it is got converted from that perspective?

Sandeep Kishore: I will give the broad number and I will ask Ajay to add to that. Our bid to win ratio actually is very, very good right now. It is in excess of 38% - 39%. So we are very focused on first qualifying whether it is the right deal for us if we have a winning strategy, if the proposition that we have invested in works well. And our deal pipeline even now after winning those $100 plus million of deals which are large deals. The total win actually is more, the total win I have said earlier during the day today is about $170 million. It is the total wins last quarter. $100 million of that has actually come from larger deals, $10 plus million deals. On the competitive landscape, Ajay do you want to just add?

Ajay Bhandari: So Priya your question was who do we compete with, was that your question?

Priya Rohira: That is right.

Ajay Bhandari: So Priya invariably our competition always tends to be the Tier 1 which is Indian or global Tier 1. It is very rarely the Indian Tier 2 players. So you can say that it is either the IBMs or Accentures of the world or the TCS, Infosys, Wipro kind of players.

Priya Rohira: So if I can squeeze in one more question on the margin front. This quarter we have invested heavily in building up our front end team. Just wanted to understand are we done with this or you think there are some because of the growth which you are seeing or maybe the different selling platform propositions which you are taking to the market, you would require a different set of people and there could be additional investments. And what could be the margin outlook one could look at you know from a next two to three year perspective?

Sandeep Kishore: So I mean the short answer is, no. We are not done with it. I think we will continue to invest into the front end and through the efficiency improvement you would have also seen that for two consecutive quarters we have expanded our gross margin. In the most recent Q3 we expanded by 30 basis points, Q2 we had also expanded it by 60 basis points. So over a two quarters we have taken it by almost a percentage point more. That investment actually has to go back into creating differentiated capabilities and also in hiring the right set of people.

So we have hired our Head of US Sales who joined in the last quarter in Q3, our Head of Enterprise Application Delivery who also comes from a very large organization has joined again towards the end of the quarter. We added head of our Digital Commerce business who joined us right at the beginning of Q3 and we are building the team. Our entire strategy is built around the digital transformation partner for our customers. So that needs a different set of capability. We will continue to invest.

Priya Rohira: And any comment on the steady margins you may look in the future maybe not now, but after you are done with the investments and what the benefits from automation products that could come into?

Sandeep Kishore: No, we do not give any guidance Priya on margin. I think we have been operating in that range and that range is going to be pretty consistent. So we are going to be driving efficiency out and invest it back in the business.

Priya Rohira: Sure, that is helpful, and just if I may, I wanted to understand the $170 million win which you have had this quarter was versus $40 million which you had announced in Q2. Am I reading it like-to-like or was it the $40 million was purely for IMS and digital which you had mentioned that majority of it was going to be in that area?

Ajay Bhandari: The $40 million was largely digital, Priya

Priya Rohira: So what was the aggregate comparison I mean $170 million versus what?

Ajay Bhandari: I think last quarter the $170 million comparable number was close to a $130 million.

Moderator: Thank you. We will take the next question from the line of Sumit Surana from Haitong Securities. Please go ahead.

Sumit Surana: My question is basically a follow up of Priya's question earlier. And I am seeing that your gross margin is improving. So what are the levers that we have that is helping the gross margin grow despite investing in people at front end and the sales team as well?

Ajay Bhandari: So what we have done Sumit is that we have taken a serious look at every aspect of our business. We are flattening the pyramid wherever possible so you know there is some amount of cost efficiencies we are doing there. Automation. as Sandeep mentioned, there were a lot of automation that we have built in specific parts of our business that is also helping us and just better leverage as well because you know if you see, revenues are gradually going up and there is no serious investment in the practice delivery head count. So better mining etcetera is just resulting in better leverage there. It is I think a combination of these three factors which is taking the margins up.

Sumit Surana: Should we assume that the gross margin should expand continuing from now or they remain steady at this levels?

Ajay Bhandari: I think it is going to remain more or less where it is. Obviously the effort is to push it higher. But from a guidance standpoint we would not like to guide anything more.

Sumit Surana: Okay, and my second question is on Foolproof. So how much did Foolroof contribute in terms of revenue and was it only two months, right?

Ajay Bhandari: I think it is slightly less than two months

Sumit Surana: And the revenue contribution if you could share the number?

Ajay Bhandari: it was around $2 million.

Sumit Surana: And was there any seasonality in Foolproof and is it similar to Zensar's seasonality?

Ajay Bhandari: There is a bit of seasonality there though it is too early to comment. By next quarter we will be able to give you some more information.

Sandeep Kishore: Let me just add to what Ajay is saying, Sumit. It is the first two months of our integration with Foolproof. Foolproof integration is done but we have to remember it is a 100% project business and it is 100% CMO led. So there will be seasonality, there will be projects also 50% of the business is financial services and 100% of the business is UK. So we have to keep all of that into mind. We have put the teams together which is the core Zensar team into UK and the core Foolproof team to make sure that we now bring a unified experience to cross over to you know full business impact for the CMO. And that is what we want to really take it to both set of customers, existing Zensar customers as well as existing Foolproof customers.

Sumit Surana: Okay and if I could squeeze just one more in sir, you said that G&A expenses are higher because of the acquisition related charges. So are those behind us now or do we expect some more cost going forward?

Ajay Bhandari: Well as far as Foolproof is concerned they are behind us. But we continue to remain acquisitive. So there is nothing to say that a similar cost may not come but obviously it will be associated with some further acquisitions.

Sumit Surana: That is right, okay. And you know lastly maybe on the IMS thing the last quarter IMS growth was largely led by IMS Cloud. Can you share some color on this quarter what has the IMS grow?

Ajay Bhandari: Well, IMS is continuing to improve on all fronts, Sumit. We are now figuring in the significant quadrants of many analyst reports. Sales team has been revamped completely. We now have a strong arrowhead in Vinci which we are using to penetrate into accounts. A lot of the large deals that we are closing are all in the IMS space. So IMS cloud is continuing to drive new growth across the spectrum and there were lot of security deals also we closed towards the fag end of the quarter. So as a unit they are doing fairly well.

Moderator: Thank you. We will take the next question from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: Firstly Sandeep, just wanted to understand from you a little bit more on the dynamics of the team that would be behind this whole RPA development etcetera in terms of whether it is based out of here in India or is this team geographically diverse and you know in terms of the selling effort, is it completely different and just how many people or how big the teams usually are in efforts like these?

Sandeep Kishore: Yes, I think it is a very, very good question, thank you for asking, Ashish. See there are two components. One is offering in go-to-market, the other is delivery. So offering in go-to-market we have trained all the front-end sales organizations into the new offerings – RPA and Vinci included, because it needs a different kind of capability and articulation and proposition development obviously in collaboration with the customers. But that training has been completed. Number 2, is the service delivery which is by and large India led here. There are very few probably 5% - 7% of the people in that because it is actually location agnostics.

There are some business process identification, transformation, rearchitecting of those solutions which need to be done in conjunction with the customer. But otherwise the idea that you are actually putting in RPA case is that it is a BOT. So that BOT you know it can be there in the customer systems in the Cloud and the process actually takes care of it. So we are not driving this as a people intensive delivery organization. That is the whole idea here that it will not be driven from a people intensity point of view. Vinci is a hybrid. Vinci actually is a mix of both. It has as I said, it has autonomics which automates a very large part of the infrastructure core layer as well as we have cloud hyper orchestration and that needs you know still experts and people available both closer to customer location as well as from our global delivery center in India.

Ashish Chopra: Sure, that is helpful. And just another question was on the margins. Just to understand the characterization of the same going forward. So with your initiatives in RPA and the Vinci's scaling up going forward, I would expect them to be probably you know margin accretive at the gross level and also the fact that your focus on growing revenues from the top accounts again that should have some impact in terms of the leverage from scale. At the same time the reinvestment of that as you mentioned into capabilities will be an ongoing process. So the trend that we observed in the last two quarters of the gross margin expanding and so also the SG&A, should we expect probably that to continue while the margins remain in the band as you have guided?

Ajay Bhandari: Well, I would not say Ashish exactly the way you said it that you know it is gone down and it will continue to go down. I think to a certain extent as an organization we believe some of the investments that were needed to build some of the solutions etcetera because it typically tends to be in people, partnerships etcetera that has got done that is already baked in. And a lot of sales investment that we had to make, a large bit of it has already been made. So movement on either side is going to be incremental and not substantial from this point. So the margins will remain in the range that we have kind of been at over the last say 12 months or so and we do not see any significant breaks on either side.

Ashish Chopra: Got it and just lastly from my side in terms of the deal wins. If you could just throw some additional color on these larger deals, how does the mix shape up between existing accounts and completely new logos, are there also significant portion of these coming from completely new accounts especially the ones that you classify into the larger deals?

Ajay Bhandari: We have actually had pretty good success even in new accounts as well. So I think this is the first time in many quarters that we have entered two new accounts and entered large. So typically you enter small and expand it. But we have had two wins where we have entered and entered large. So to answer your question while existing accounts continue to be where the majority of the large deals happen, I think we have done well in new accounts penetrations as well with large deals.

Ashish Chopra: And the foot in the door here would be through services like IMS or are they also large with the purely digital kind of offerings?

Ajay Bhandari: It is actually a combination of both because in both cases what is being outsourced is digital and what we call cross over and a bit of managed services. So it is all three, so we manage to win because of our good capability in all three of them. So there is a fair bit of digital work we are doing in both the new contracts that we won.

Sandeep Kishore: Let me just add, I think it is fair to assume that a deal which is large will have all the three components. Front end, crossover and core systems because the customers are still not giving multi million multi year deal on just pure front end digital. So the moment we are winning total of 170 million or 100 million of digital win, they are digital led but they impact and create business opportunities for our customers. So the earlier example which we were giving for one of the largest clothing and accessories company in the US. So it is about a full omni challenge strategy.

It is about mobile development, it is about creating cloud application, it is about harnessing the existing investment which the customer has in an existing old legacy system. So the only way you can win a multi million, multi year deal is if you connect all the three and that is where our return on digital and investment and sales push is aligned towards.

Moderator: Thank you. We take the next question from the line of Varshit Shah from Centrum Broking. Please go ahead.

Varshit Shah: This question is probably for Ajay. So Ajay, can you just throw some more light on the digital deals which we are currently signing particularly over the last two, three quarters how the trend has been? So are those deal sizes getting higher and are you seeing such trends?

Ajay Bhandari: We are seeing a trend of deal sizes getting higher largely because earlier when digital deals were getting outsourced or was given to partners like us, it used to be only the digital front end kind of deals. But now with wisdom setting in that for real return on digital you need to have the front end and the back end integrated, most deals these days are being signed with digital front end as well as what we call crossover capabilities together and so crossover tends to be much larger than the size of the front end digital deployments. So deals sizes are getting larger.

Also we are seeing that a lot of the digital deals especially if you look at e-commerce they are being signed for longer periods of time as well as the scope also is now not only covering e-commerce but it also covers UX/CX etcetera. So yes, I mean there is a gradual movement towards larger deal in some areas. Deals in some areas however they continue to remain small. Analytics – we are not seeing a big jump in the size of those deals. RPA we have seen most deals start with a small POC but the follow up deal tends to be pretty large. So I would say in general the digital deals have started moving towards larger size.

Varshit Shah: So if I were to just conclude, in detail what we are seeing currently is that we have core digital contract or may be deals and then probably we are doing a lot of back end and then we are using automation and also we are having a very hybrid kind of solution and that is how you balance your margin and owing the overall deal. So it is correct to understand?

Ajay Bhandari: Yes, I think that is a fair summary.

Moderator: Thank you. We take the next question from the line of Sagar Lele from Motilal Oswal Securities. Please go ahead.

Sagar Lele: Just had a question on the conscious cut down of accounts that we have been looking at since the last few quarters. On a net additions basis probably this was one of the quarters where we again saw a decline excluding the acquisition obviously and this has probably been the fourth or fifth consecutive quarter of that happening. Just wanted to get a sense of how much of the undesirable or less desirable portfolio have you already consciously cut down and how much can we expect of that going forward?

Ajay Bhandari: the current number on that is 9 more this quarter and they will continue in Q4 as well. So the revenue impact was not significant it is very marginal. It is just that as a strategy since we are just focusing on Fortune 1000 what is happened is we have added new Fortune 1000 logos and at the same time we are retiring accounts which are no longer Fortune 1000. But that will continue in Q4 as well.

Sagar Lele: Alright and just wanted to get an update on Professional Access as well. You spoke of building capabilities in selling SAP hybris and some of the other commerce platforms as well. Wanted to know if the readiness has been now prepared I mean are you organizationally ready to do that now or is it still a little time away?

Ajay Bhandari: On the e-commerce side of the business, Sagar, there is also a trend which is to move to Cloud deployment on Oracle's own commerce on cloud or Demandware which got acquired by SalesForce.com. But there is an equally big trend of building customized e-commerce extensions over existing platforms around ATG. So a lot of work that we are doing right now in e-commerce is e-commerce extensions which are largely micro services based extensions or lot more UX/CX kind of work around an ecommerce platform. So the commerce business itself is becoming less platform and more customized.

that is the trend we are seeing. So to that extent at least as far as creating great customer experience is concerned around a commerce platform all those skills we already have in our commerce business. And we are seeing a lot more business coming out of there rather than any big movement to Magento and Hybris. So while Magento and Hybris from a partnership standpoint have got signed, some capability has got built, the real growth will come from doing the more customized ecommerce work around analytics, mobile and greater customer experience and less about green field deployments on Magento or Hybris.

Sagar Lele: So, looking at the last three quarters that have passed in FY17, it looks like the infrastructure management profitability will end up a little lower for the full year compared to the previous one. I am wondering why you are seeing this despite an ongoing portfolio shift, is it because the investments that the services business requires simultaneously?

Ajay Bhandari: What is playing out there, Sagar, is the fact that the maintenance business the profitability of which gets added to the infrastructure business has been as you know in a correction mode where we have been constantly focusing on moving that business into higher margin regions but at the same time not really focusing on revenue. So if you look at revenue declines, the revenue has been on a decline in that business. However, the turnaround in profits that is happening only now. We are seeing some turnaround in this quarter and better turnaround in Q4. So the impact is less on the IM cloud side because that business is doing well. It is more the correction cost that we have to do in the maintenance business which is hitting the profitability. I think you may see that the coming quarter which is Q4 and maybe Q1 of next year there will be some corrections in the profitability there.

Sagar Lele: Last one from my side. While you have worked on setting up a team to hunt and win large deals, how is the organization coping up with the delivery bit I mean what changes are you bringing about there to ensure that execution does not falter around these and that the new approach is well accepted and sinked into the organization now?

Sandeep Kishore: So I think the delivery organization is coping up quite well. On both first on the efficiency and the result on that is on gross margin expansions. Because it is now quite an intense real time data led analytics driven organization. So what we are taking to market is also what we are practicing inside and that has been a phenomenal change. Number 2, is the focus has always been to be digital led transformation for our customers. Now that means some shift in the delivery model also which would fundamentally mean wherever it is people oriented it needs investments and it needs alignment of front end into our three regions. So we have put in the last nine months we have probably put over 20 senior people, senior project architects, delivery leaders in the South Africa, US and UK combined. And they are settled in quite well. So we have also as we mentioned earlier we have done several leaderships hire at the business unit head levels and of course they are bringing in a completely new set of thinking as well. And that investment is going to continue even at the delivery. It does not show upon SG&A because it is all part of the direct cost.

Moderator: We take the next question from the line of Priya Rohira from Axis Capital. Please go ahead.

Puranik: This is Puranik from Enam Securities. I have a couple of questions. One is with reference to the Vinci platform. So if you can give us some understanding on the evolving effort to what ratio in this platform and also when will this platform become mainstream? Thirdly, what is the roadmap for this platform going forward in terms of how it is going to be in the cognitive skills?

Ajay Bhandari: It is a good question. The Vinci to answer your second question is already live and we have already started taking to clients and one of the large wins that we had was on the base of that. So this is the platform that integrates various elements of infra whether it is service desk, automation and cloud orchestration because as you know these days most infrastructure environments are hybrid and it requires you to manage both on premise and cloud infrastructure and you need the ability to seamlessly burst into any public cloud whether it is AWS or anything else. So this is the cloud that manages all of that it is almost 100% automated and it relies heavily on machine learning and analytics to do a lot of the work.

So lot of what you have mentioned is kind of inbuilt in to the platform. This requires further development of course because we are going to further improve this product and we do believe that it is a strong differentiator. We have had ratings from top analysts who have also agreed with us that this is differentiated with respect to a lot of other platforms that are in the market. So the heavy lifting on the product is done. We are still going to have levels and layers to it and especially build more analytics to deliver dashboards so that the users have a better experience on how their infrastructure is being managed.

Puranik: So going forward what more this can do in terms of creating cost savings and creating new value like analytics you mentioned about?

Sandeep Kishore: Yes, I think those are the next set of development which we are going to do. So what Ajay explained to you, Puranik is what we have currently, what we call we have already taken into version 2 and analytics AI cognitive and we are also going to be adding some layers which have to do with IOT. That is the plan of the future roadmap of the product. It is actually important for us to make sure that because see the way most of these autonomics works is the more you have onboarded in the platform the better the system gets and this style that is our biggest profits.

Puranik: So journey for learning will happen then?

Sandeep Kishore: Absolutely, yes. So that is what will drive the cognitive. Unless you had the data in the customer environment because a large bank may have the same system but it actually runs it quite differently from a retail company or a healthcare company. So it has to be in the context of that environment and that is what our focus is. Our focus is in our market segment which is Financial Services. Retail and Manufacturing. We first want to make it get to scale and the investments which you heard from us earlier is Sales organization which we have now done it is the third quarter running. The platform investment on Vinci that we have done and that team is actually based in the US.

So the entire front end and the reason we are seeing higher penetration and higher adoption and higher conversation with the customer is because it is lead closer to the customer environment. So it is a fundamental shift in the way go-to-market has been for the core IM business. And based on all the inputs and what we hear from Gartners and Forresters and we have given some of that in the analyst deck, we think we have a pretty strong hand on how to really take it to now mainstream market place.

Puranik: So this will also help to deepen relationship with your client organizations?

Sandeep Kishore: Absolutely, yes.

Puranik: And the kind of sales team which interacts with the client organizations or the account management team which interact with the client organization and includes what?

Sandeep Kishore: So I did not get the question, includes what?

Puranik: Yes, what kind of people interact with because when you are selling a platform you are taking it to the next level what level of your people is it the team of architect, designers who will be talking to them, what kind of people because?

Sandeep Kishore: Yes, we call it actually hunting-in-packs. So this is not one sales person going and selling because this is a real solution selling. You have to demonstrate the advantage along with the technical architect, along with the delivery team right and build it together for them.

Puranik: Do you also have an analytics platform?

Sandeep Kishore: Yes, we absolutely do.

Puranik: So that goes well with this?

Sandeep Kishore: It goes well but our analytics platform right now we are treating this as a wedge for more digital analytics on the application footprint. On the infrastructure, Vinci has a layer of analytics built in but it is more about orchestration and it is more about automation than about analytics right now.

Puranik: And the deal size is typically as what kind this year?

Sandeep Kishore: On Vinci the deal sizes are anywhere between 8 million to 9 million TCV to 20 million TCV.

Puranik: Sir, another question I have on Foolproof. You mentioned something interesting, you said very interesting stuff saying that this year CMO budget on digital is one of the largest. That is a very interesting statement. So with the Foolproof capability how do you target client in terms of connecting with the CX source and in terms of taking the deal sizes better?

Ajay Bhandari: the CMO side of the budget is indeed growing in size because these days all marketing is technology oriented and if you look at it the entire spectrum of marketing will begin with content which is largely UX which is once again technology oriented. Then there is the management of content which is once again what people call marketing clouds. So the creation of content, propagation of content into various formats and then the content management whether er it is web, social, mobile depending upon the channel you need to manage your content. And after that driving analytics driven marketing campaigns based on consumer behavior you then propagate the right advertisement, right messages which is what is called targeted marketing. And almost all these begins at analytics and then goes to content and vice versa. So these days all marketing is technology oriented.

Puranik: And the biggest is that it all comes from analytics?

Ajay Bhandari: it is actually across the board. I mean for example if you go to a bank or an insurance company, all of them are looking at transforming customer experience. I mean whenever a person comes to a bank whether physical or virtual they want to transform the customer experience. But now with banking moving to online almost all customer experience transformation is happening online. And the moment the experience transformation is online, technology is a significant part of that.

Foolproof is right at the front because they do experience design, with experience you know strategies skills where it then gets connected with our intersection with technology. And after that there is a complete content production, content marketing, and integration with back ends which is Zensar's strength. The marriage of the two companies is a good complementary fit

Puranik: So the deal size is typically would be what in this case?

Ajay Bhandari: Well, good question. So I mean if you just look at the digital transformation itself it can go from say between $1 million to $3 million. Then you add the content production, content marketing, content management and its integrational backend there it can move be 20, 30, 50 you name it because that depends upon the size of the legacy application. So it can be huge.

Puranik: I have another question. This is on the delivery organization you have talked about, the efficiency of delivery. I just want to understand how deep are you in to Agile and DevOp practices?

Ajay Bhandari: Well, Agile and DevOp is defacto standard now. So old waterfall method of development, nobody talks about it anymore. So right now we do have Agile and DevOp practices and this has even gone into e-commerce, ERP, there is SAP on Agile, e-commerce on Agile.

Puranik: It is the enterprise wide?

Ajay Bhandari: Yes, and it is no longer a question of whether you have it.

Puranik: So people do not remember waterfall method now?

Sandeep Kishore: Yes, it is almost becoming history.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Sagar Lele from Motilal Oswal Securities for closing comments.

Sagar Lele: So we thank Zensar for the opportunity to host their earnings call and all the participants for joining in. Have a good day ahead.

Moderator: Thank you very much. On behalf of Motilal Oswal Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.