"Zensar Technologies
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Moderator: Good morning ladies and gentlemen, welcome to Zensar Technologies Q4FY22 Earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Aniket Pande from ICICI Securities Limited. Thank you and over to you Sir!

Aniket Pande: Good morning everyone. On behalf of ICICI Securities, I welcome you all to Zensar Q4 FY22 earnings call. We have with us today, Mr. Ajay Bhutoria – CEO & MD of Zensar Technologies, Mr. Sachin Zute – CFO and few other members from senior management team. Before I hand over the floor to Ajay, I would like to highlight that the safe harbor statement is on the second slide of the analyst presentation and is assumed to be read and understood. With this I hand over the call to Ajay. Thank you.

Ajay Bhutoria: Thank you Aniket. Hello, good morning, good afternoon, and good evening to everyone. Thank you for taking time to join us today to discuss Zensar's financial results for the fourth quarter and full fiscal year 2022. With me on this call are a few others from the Zensar leadership team, Mr. Sachin Zute our Chief Financial Officer, Ms. Prameela Kalive, our Chief Operating Officer, Mr. Vivek Ranjan our Chief Human Relations Officer, Mr. Harjott Atrii, Global Head of Hi-Tech and Manufacturing, Mr. Chaitanya Rajebahadur - Head of Europe, Mr. Harish Lala - Head of South Africa, Mr. Arjun Warty - Head of Corporate Development and Mr. Ankush Akar, Global Finance Controller.

I am pleased to announce that we registered yet another strong quarter with revenues of $153.2 million representing quarterly year-on-year growth of 28.5% in constant currency and 27.4% in reported currency. This growth translates into a sequential quarter-on-quarter growth of 4.2% in constant currency and 4.1% in reported currency. With that we closed fiscal year 2022 on a strong note, registering a full year revenue growth of 15.3% in reported currency. This continued growth in our revenues stems from the strategy refresh and the subsequent execution efforts that we have undertaken in the last year. Our growth in Q4 FY22 was broad-based across geographies and verticals. The US region posted 28.8% quarterly year-on-year growth and 3.4% sequential quarter-on-quarter growth driven by the performance of the logos that we acquired. We have also added new logos, which are poised to extend the growth in the coming quarters. The Europe region registered its highest ever quarterly revenue with quarterly year-on-year growth of 29.7% and a sequential quarter-on-quarter growth of 9.8%. This growth was driven by strong deal win momentum where we leveraged our experience-led engineering arrowhead to land more opportunities across verticals. The South Africa region saw a slightly muted performance with quarterly year-on-year growth of 15.7% and a nearly flat sequential quarter-on-quarter performance of 0.1%.

Moving to our verticals, we saw continuous momentum in Banking, Financial services and Insurance with a quarterly year-on-year growth of 35.4% and a sequential quarter-on-quarter growth of 5.3%. This moment was aided by a growth in the Insurance portfolio and by strong traction with our fintech clients. Consumer Services registered a quarterly year-on-year growth of 34.1% and a sequential quarter-on-quarter growth of 3.9% and it strengthened our client engagements across major accounts with domain-led capabilities. Our domain specific offerings have also received positive recognition from the analysts and advisor community. Hi-Tech and Manufacturing registered quarterly year-on-year growth of 13.7% and a sequential quarter-on-quarter growth of 3.2% as we saw an uptick in revenue from new accounts. We also won multiple new logos this quarter driven by increased focus on strengthening our hunting and third-party alliances. We continue to grow in the Emerging verticals with quarterly year-on-year growth of 148.5% and a sequential quarter-on-quarter growth of 6.1%. Our gross margin stood at 30.1% in Q4 FY22 representing a sequential quarter-on-quarter increase of 50 basis points. Our EBITDA margin for the quarter was 14.1%, a sequential quarter-on-quarter decline of 20 basis points. PAT margin for the quarter stood at 11.2% up 300 basis points quarter-on-quarter sequentially. We ended the quarter with a net cash position of $155.7 million. The order book of Q4 FY22 stood at $165.6 million, a healthy 32% growth over the last quarter supported by multiple wins across verticals. We have also scaled two additional clients to the $5M+ category bringing the total number of clients in this group to 27.

For the fourth quarter, our last 12-month attrition stood at 27.9%, although the in-quarter attrition rate declined, the LTM attrition rate increased due to the tail effect. We expect the situation to gradually stabilize over the next few quarters. To continue delivering our client commitments, we have increased both the pace of our hiring and our upskilling and reskilling initiatives. This quarter we have created new benchmarks with an all-time high gross addition of 2331 associates, our total head count stands at 11839 employees reflecting our enhanced recruitment and our ability to attract top talents.

Compared to the previous quarters, we greatly increased our hiring of new graduates this quarter and we have plans to continue our hiring efforts in the coming year. Our revamped fresher training program focuses on pre-onboarding guidance as well as experiential engagement-led learning opportunities once on the job.

Our upskilling and reskilling initiatives are equally expansive and includes mini-projects, technical mentoring, hackathons, and leadership training, all geared towards helping our associates stay ahead of the curve.

We are also working to expand our talent catchment area and I am excited to announce that we opened our Kolkata delivery center this quarter. Maintaining this momentum, we are actively planning to open other satellite centers in India and expand to nearshore locations in South America and Eastern Europe.

One year into the strategy refresh, we are happy to report that our five strategic focus areas are scaling up well and in-line with our initial expectations.

Experience Services continues to gain momentum in experience-led digital transformation with foundational wins in both product strategy and product engineering.

Advanced Engineering Services is also elevating its game, making a major impact on the market as the practice moves from being a digital engineering provider to a full-scale enterprise transformation thought leader across industries and geographies.

Q4 was a pivotol quarter for our Data Engineering and Analytics practice. Our experience-led approach to cloud data engineering has resonated extremely well with our clients, which has helped us win new fintech and Hi-Tech logos. In addition, our teams continue to deliver significant business value through a variety of solutions from providing cloud-based data driven insights for a manufacturing firm to developing breakthrough AI and blockchain solutions for our clients.

Our Salesforce practice has gathered further traction with expanded focus outside of North America engaging with local markets and creating localized solutions to drive growth.

Lastly, our Digital Foundation Services practice continues to grow and develop new solutions and capabilities that take advantage of our strong product partnerships and hyperscaler engagements.

As always, I am excited to speak about the work to do for our clients. We continue to develop multiservice line offerings to deliver targeted, integrated solutions for each client's unique challenges.

Let me take a couple of minutes to share some examples of the work we have undertaken. We are managing and transforming the end-to-end data centers and workplace services for a public sector customer that provides benefits and retirement support for its employees.

We are partnering with a global lifestyle brand for enterprise e-commerce support to enhance its online purchasing and shopping experience.

We are one of the two partners chosen by a global fintech company to work on an end-to-end automation engagement. The program focuses on both customers facing and internal applications across the development and support lifecycle.

We are expanding our workplace modernization program for a leading pharma company to enhance its associate experience.

We have been selected to partner with a global nonprofit organization for its digital engineering and foundation services.

We are expanding our support for a leading financial services institution to improve its next generation infrastructure for new digital centers.

We continue to grow our wallet share with a global specialty chemical company providing experience-led product development solutions for its connected products platform.

In the cloud engineering space, we partnered with a major mobility service provider to modernize its cloud architecture and enhance its platform to cater to broader geographies.

We are working on an Agile and DevOps assessment consulting project for a major African financial services group.

Now, I would like to spend some time talking about Zensar's commitment through our ESG and sustainability initiatives. We continue to take our sustainability journey seriously, making progress in line with our published ESG vision and mission. Regarding our carbon reduction plan, for achieving zero GHG emissions by 2040, we are embracing renewable energy with an inhouse solar plant combined with other renewable sources. The output from this plant has resulted in our renewable energy mix increasing to 17.5% at our Pune based offices. Please note that these efforts are not limited to one region and we are targeting increased use of renewable energy at our own and leased locations. Our community development activities are also noteworthy as we move forward in our goal of impacting 2,35,000 lives by 2030. In keeping with the Government of India's SWAYAM initiative our employability programs focus on enhancing education to bridge the digital divide providing skilled training and employment opportunities to people facing economic disadvantage and marginalization. We also continue to progress in our diversity and inclusion goals and our efforts in this area have been recognized by various awards and accolades. We are proud to be recognized by the UN Women India group, which named us as the first runner-up for transparency and reporting at Women's Empowerment 2021. As always Zensar is committed to following and practicing the highest level of corporate governance within all our business functions. We continuously engage with our associates, shareholders, and clients to ensure that we adopt best practices at all levels of management.

Let me now take a moment to welcome our new Chief Financial Officer, Sachin Zute. Sachin joined us two weeks ago and we are excited to have him on board. Before I hand it over to Sachin, I want to highlight that FY22 has been a turnaround year for Zensar. Over the year, we have seen multiple green shoots that signal our renewal: Four consecutive quarter of growth, Q4 FY22 quarterly year-on-year growth of 27.4% and 15.3% year-on-year growth in FY22, net added headcount, steady growth in order book and large deals wins, a new strategy for growth and refreshed Zensar brand and stronger sales and delivery leadership, as reflected by the growth across verticals and addition of marquee logos. These and other achievements show that we are in the right path moving ahead slowly and steadily, confident in our strategic framework. For the next four quarters, we will intensify our focus on execution with a view to driving further resilience in our business.

With that I will now invite Sachin Zute, our Chief Financial Officer, to provide updates on critical financial data, after which we will open the floor for questions.

Sachin Zute: Thank you Ajay, for the warm welcome. Good day everyone. Welcome to this call. In addition to Ajay talking about the business I will take you through some of the details on the financials. For FY22 in US dollar terms, the reported revenue is $569.4 million reflecting growth of 15.3% over the previous year. For the fourth quarter of FY22 in US dollar terms, the reported revenue is $153.2 million reflecting quarterly growth of 4.1% sequentially and 27.4% year-on-year. In constant currency terms, the revenue growth for the quarter is 4.2% sequentially and 28.5% year-on-year. The US dollar realization during the quarter has been at Rs.75.2 per dollar against Rs.74.9 in the previous quarter. Our gross margin increased to 30.1% as against 29.6% in the previous quarter. Increase in gross margin is due to improved utilization and volume mix. Exchange rate also helped us partially, but it was offset by certain higher cost of delivery to the extent of 0.6%. Our EBITDA margin stood at 14.1% against 14.3% in the previous quarter. The effective tax rate has marginally increased to 27% against 26.9% in the previous quarter. For the quarter ended March 31, 2022, DSO including unbilled increased by 12 days compared to the previous quarter and stood at 90 days against 78 days. The increase in DSO is mainly due to delay in billings for a few clients and we expect the situation to normalize in Q1 FY23. Cash and cash equivalent including investments in mutual funds decreased from $168 million in previous quarter to $155.7 million in the quarter ended March 31, 2022. The reduction in cash is mainly due to dividend payout of $4.5 million and increased receivables as I mentioned earlier.

The total amount of outstanding hedges as on March 31, 2022, was equivalent to $131.7 million against $124.5 million in Q3 FY22. Other income increased primarily on account of foreign exchange gains, write back of earnout provisions linked to stretch target for an older acquisition and reversal of certain costs relating to South Africa joint venture. The Board of Directors has recommended a final dividend for Rs.3.5 per share for FY22 subject to approvals of shareholders. With this, total dividend payout including the interim dividend for FY22 will be 250%. With that, I come to end up my presentation and I open the house for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Aniket Pande from ICICI Securities. Please go ahead.

Aniket Pande: Thank you for the opportunity and congrats on great performance. I have a couple of questions. You have reported 15.3% revenue growth for the full year, so how much of this was inorganic?

Ajay Bhutoria: Aniket, we do not share the details, but in terms of inorganic, suffice to say that when we acquired M3bi earlier in the year we acquired them when the run rate was about $7.5 million a quarter.

Aniket Pande: Secondly, despite such strong hiring, we have not seen any impact on gross margins in the current quarter, so will we see some impact in Q1 or any other views on that, secondly as we see that right now the demand fulfillment cost is quite high, so how you see your margin trajectory going forward from here on? Thank you.

Ajay Bhutoria: Aniket, let me give you a quick snapshot and then I will invite Sachin to give you a slightly more detailed view. As we had mentioned we are working on a bunch of levers to drive efficiency within the organization, so what drove us the gross margin improvement in both of this quarter is improved utilization largely through elimination of Q3 furlough impact, increased volume and reduced cost of delivery as we add freshers to the mix . In course of the year, we have been steadily increasing our intake of freshers and we substantially elevated that in this last quarter that we are reporting on and the trend around freshers will continue, so Sachin please go ahead and add.

Sachin Zute: Absolutely, Aniket, if you look at the gross margin trajectory have moved from 29.6 to 30.1 that shows the operational efficiency, which our teams are bringing on to the table and I think due to multiple cost optimization initiatives, which we are working on internally, couple of them have just been briefed by Ajay as well like fresher infusion is also helping us from a pyramid perspective and we expect that these initiatives will be useful for us going forward.

Aniket Pande: Thank you and one last question from my side, in last three quarters, we have seen strong revenue growth coming from your retail and BFSI vertical, so going forward from here on, any view on these two verticals? Thank you.

Ajay Bhutoria: We have made a lot of investments in the two verticals, both in terms of financing our sales and market teams and our delivery capabilities over the course of the year and that is bearing fruit. It puts us in both these verticals fairly strong position for execution that is what I can share with you Aniket. You have seen this in results in the form of what we have done in the year, and we feel very good about the momentum that has been generated by these two business units.

Aniket Pande: Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg: Thanks, and good evening. Ajay, just wanted to start with a sense of how we are looking at FY23, as we are just entering the year in a backdrop of continuously weakening macro environment across both US and Europe, so if you can just share some thoughts on whether we will continue to see acceleration in growth and strong demand over the year and also are we still on track after four quarters to catch up to industry growth rate by second half of this year?

Ajay Bhutoria: I will divide my answer into two parts Mukul, the first part is Zensar specific, and the second part is what is happening from a macro perspective. So from Zensar perspective, we put the new strategic framework in place, in the earlier quarters we saw green shoots as I reported in my earlier quarterly calls, what we believe and what we are very confident with from the outcome of especially the last two quarters is that we are now firmly in the execution groove and the various cylinders of the SGOs that we outlined are firing and overall, Zensar's franchise has been strengthened and it put us in a good place. so that is from a Zensar perspective. From a macro perspective, as we speak right now, on absolutely the current basis, we have not really seen much impact; however, we are watching the global economy and the global geopolitics very carefully, we can sense there could be some short-term impact with what is happening with the global economy and global geopolitics. Our view is that this strong growth that we are seeing in our industry, the strong secular growth that we have seen in our industry, is here to stay, so even if you see a little blip, I think medium to long-term demand environment will sustain, just this is a very secular trend, that is our firm belief.

Mukul Garg: Sure, and are we still on track to catch up to industry growth by the second half of FY23?

Ajay Bhutoria: So, Mukul, if you have seen, we grew pretty well overall. This has been the best quarterly revenue that we have had in the company's history. We believe year-on-year for the quarter at 27.4%, we feel very good about and then quarter-on-quarter we have grown 4.2% on cc basis, so if you look at these metrics, I think we have done reasonably well, so without looking into the comparison with the industry, I think with these numbers, we feel confident that we are on the good track.

Mukul Garg: Sure, that is fair. Ajay secondly just wanted to pick your brains on the employee addition and overall hiring, I think this quarter was exceptionally large, is that mainly on the fresher side how should we see the overall pulls and pushes on margins over FY23 given that supply scenario still is quite tight?

Ajay Bhutoria: Right, Mukul. What we have been doing over the past two quarters is to grip increasingly from a reactive mode into a proactive mode, in terms of how we manage our talent. I spoke about in the last couple of quarters enormous effort that we put to build our organic talent engine and happy to say that especially in the last quarter we made huge progress and within the last quarter also in the last month we made huge progress in terms of addition of freshers and that momentum will continue, so that is number one and of course the resulting benefits will accrue over a period of time. The other thing that we are working on is, in order to more proactively meet the demand that is coming our way, we have also started doing a lot more proactive hiring than we did in the past. So, we are hiring ahead of the curve just to manage the demand environment in a much better fashion than we did in the past in the first couple of quarters in the financial year. Both these levers are having positive impact in terms of how we manage the demand that is coming our way. In the short term, there is going to be utilization impact and I think in the medium term it is going to be accretive towards our efficiency efforts and towards our overall optimization in margin. In addition to, by the way, a better ability to meet the demand that is coming out.

Moderator: Thank you. We will move on to the next question that is from the line of Alroy Lobo from Kotak Investment Advisors Limited. Please go ahead.

Alroy Lobo: Thanks. Ajay, I just wanted to get from you when you started your journey at Zensar you did give yourself about 4 to 8 quarters to get things right at Zensar. Where are we in the journey and what are the areas that are still left to sort of fix at Zensar from here onwards?

Ajay Bhutoria: Thanks, so Alroy. as you rightly pointed out that we put the new strategic framework in place almost exactly four quarters back and I had mentioned that it will take four to eight quarters for this to take deep routes and I am confident that we are on the right track, let me start with that statement - confident that we are on the right track. Now over the year, a few things have happened which has caused us to tweak ourselves a little bit, so first of all is that the attrition industry-wide and for Zensar overall came up a little higher than we expected, so we had to tweak our approach towards how we were managing attrition, how we were managing talent and then the overall costs that we were incurring on that counter, so that we had to tweak ourselves as we went through the year. Now outside of that, I think we have put in place the five strategic focus areas or what we call SGOs, instantiated by 21 playbooks and then supported by four pillars of execution. One of which is sales transformation, and talent transformation then M&A and partnerships. We have got in a sizable number of new leadership into the firm, both in verticals and in geographies on one side and to drive our service lines on the other side and I think we have made very good progress and we will continue to make these investments as we go into the future. As we stand today, my short answer is we are making steady progress, we are making steady execution on that framework that we put in place four quarters back.

Alroy Lobo: So, from here onwards, nothing to fix, as basically it is only the outcome of these initiatives that need to be seen now, you have fixed everything that you needed to fix?

Ajay Bhutoria: Yes, the fix is, unfortunately much as I would like it, it is not zero / one. It is a progress right, so every quarter we progress a few percent points towards end goal of achieving a predictable, sustainable and profitable growth, so every quarter we will see improvement over the previous quarter that is how I would characterize it and I still maintain it is four to eight quarters from the original date and of course, we had to tweak based on some of the events that happened especially around inelasticity of talent in the market.

Alroy Lobo: In terms of client profile qualitatively, I understand the growth numbers, but if you can just give us some perspective qualitatively, how is your client profile really improved and what are you doing to improve the client mix going forward?

Ajay Bhutoria: Sure, Alroy. We added 43 new clients this financial year, it is an unprecedented high in a single financial year we added 43 clients, let me start with that. The other key metrics that is useful to follow here for us is that we classify our clients in $20M+, $10M to $20M and then $5M to $10M, in each one of these categories we have increased the numbers. We added two clients to the $20+ bracket, we added two clients to the $10M to $20M bracket outside of the two clients that graduated and we have added additional clients in the $5M plus bracket, so overall if you look at the client-mix and the revenue-mix, that has improved and the last metric that we track is the concentration of revenue in the top 5, top 10, and top 15 clients and there also the metric has moved very favorably.

Alroy Lobo: Thank you.

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

Manik Taneja: Hello, good morning. I hope I am audible now.

Ajay Bhutoria: Yes, Manik, we can hear you.

Manik Taneja: Thank you, for the opportunity and congratulations for a steady performance. Just wanted to pick your brains around the margin trajectory that we should expect for Zensar, both over the near to medium term, given the fact that some of the supply side headwinds remain elongated and one is also, we are going to see resumption in terms of travel and facility expenses, so if could you give us some sense on how you should be thinking about our margins going forward? Thank you.

Ajay Bhutoria: Sure, Manik I will actually refer that question to Sachin, Sachin can you take that question, please?

Sachin Zute: Sure, Ajay. Thank you. Hi, Manik, our endeavor is to reach mid-teens during this fiscal and I think we are well set for that given the multiple levers through which currently we are working and from a longer-term perspective we are definitely looking at going into higher teen trajectory, I think that is the broad picture, which I would like to paint for you.

Manik Taneja: Thank you.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Thank you for taking my question and congratulations on the good set of numbers in this quarter. Sir, my first question was pertaining to this Other income, could you please elaborate a little more on this stretched target for the acquisition?

Ajay Bhutoria: Right, Mayank. In Other income for old acquisition, so whenever we do an acquisition, we put SPA targets and stretched SPA targets, so in case of an old acquisition, due to inability to move the stretched target, we wrote back that SPA amount back into the PAT.

Mayank Babla: My second question, although you have already commented on that, but just wanted to harp a little more on this FY23 while I respect that you do not give quantitative guidance, but can we assume FY22 growths to be the base at least going ahead?

Ajay Bhutoria: So, Mayank, the way I would like to respond is that, this has been a huge turnaround year for us and if you compare especially this quarter with what we had done in the same quarter the previous year, it is over 27% growth right, this gives us confidence that the strategic framework that we laid down is firing, the leadership team that we have got in is firing, our verticals, our geographies and our service lines, all three are firing so this gives us confidence that we are on a strong wicket when it comes to driving business momentum.

Mayank Babla: Can I just squeeze in one last question?

Ajay Bhutoria: Sure, Mayank.

Mayank Babla: Sir, in the case of our top 5 to 10 clients, I just wanted your view basically what are we doing in terms of on-ground level or in sales transformation to focus more on these top 5 to 10 client additions going ahead, because I believe that is where the major transformation at least in terms of growth will come by for the company, so if you could throw some light on your actions in that space?

Ajay Bhutoria: Sure. Mayank, There are two or three motions that we are driving, the first motion is that we are expanding the overall breadth of our sales efforts, so as to increase our ability to catch wider demand and that has aided strong dividends this last year and the result of which is that if you look at proportion of our top 5, top 10 and top 15 clients to overall revenue, while all are booked but the things have grown in absolute dollar terms the top 5, 10 and 15, those clients have grown but their share of revenue to overall revenue has come down, the proportion has come down, which gives you a view that the growth has been broad based, that is number one. The second motion is, I was just responding to a little while back, so our number of clients in the $20M+ bracket, in $10M to $20M bracket and in $5M to $10M bracket have all grown. What that does for us is that our ability to increase engagement within these clients also goes up, our ability to grow and the potential of driving repeat business with these clients goes up so even for these clients we have created a much better position for ourselves in course of the year. Now of course, from time-to-time there is going to be client issues in one client or another, but on a broad basis and every now and then we may see ups and downs, but on a broad basis, if you see what has happened during the year we have done very well on this metric as well, so it puts us in a good place going forward.

Mayank Babla: Sure, that is all from my side and best of luck for the next year.

Moderator: Thank you. The next question is from the line of Nilesh Jethani from BOI Mutual Fund. Please go ahead.

Nilesh Jethani: Good morning gentlemen and thanks for the opportunity. My first question is on the leadership transition, I believe since Mr. Ajay has joined and many new senior leaders have come in, so wanted to understand are we still planning to add a few more or most of the transition has been done now?

Ajay Bhutoria: Thank you and we have added a sizable number of new leaders into the firm a) is to backfill some open positions b) is to drive new leadership and a bunch of service lines and c) is to strengthen both our verticals and geographies as we go into FY23, it is something that we are watching over and looking at very carefully all the time, with a view to bring top talent into the firm, and we will continue with our hiring, maybe not at the same pace as we did in FY22, because in FY22 we just hired a sizeable number, but that hiring process is going to continue in FY23.

Nilesh Jethani: Got it, my second question was on the top accounts now. So, are we seeing some transition, some traction on that regard so on ground implementation considering it is more equipment-led clients, wanted to have understanding on that?

Ajay Bhutoria: Nilesh, I will speak to you broadly about our top clients instead of referring to one client or another, but in terms of our top clients especially in the $20M plus bracket or the $10M to

$20M plus bracket, so first is overall the relationships are stable, second is, I think almost invariably all of them are driving transformation and again, this is a global phenomenon and for all of them, all of our top clients we are a part of this transformation that they are driving, so in one program or another we are a part of this transformation, so that is how I would characterize as to what is happening with our top clients.

Nilesh Jethani: Lastly, on the margin front, so we aspire to have mid-teens margin in FY23 so I want to understand what are the levers for this sharp rise in the margin, of course we have achieved that in FY21, I want to understand what are the levers now to for that jump in the margins?

Ajay Bhutoria: Yes, Nilesh, the margin is something that we are watching over extremely carefully and here is, to just to give you a sense broadly these are the levers. Firstly, a massive effort that we put in to crank up our organic talent engine, that is number one, which is the whole fresher program, we have significantly elevated that program last quarter and that is going to continue in the next fiscal year. Second thing is continuous focus on right shoring, third is expansion of delivery location, the talent availability has been a big factor to drive growth as well as magnitude of growth, so what we have done is we have expanded our delivery locations both in India and in nearshore geographies. In near shore geographies, in the last quarter, we announced Columbia, we are actively looking at eastern Europe, it is a little delay because of what happened in Ukraine, but we are actively working on that and then we opened up the Kolkata development center, there is going to be more coming up so that we can improve our talent catchment. The fourth one is selectively looking at improved commercials with our clients and the fifth one is, there is about five other smaller operational levers that we are driving so as to overall improve our margins to drive optimization and efficiency.

Nilesh Jethani: Got it, I do not know if this question was asked earlier also on the call, but any guidance on what is the expected wage hike, when this would be done in Q1, Q2 and in the guidance of mid-teens, does it incorporate such wage hike, any colour on that?

Ajay Bhutoria: So, there will be wage hike, it typically hits us in Q2, I can share that with you, broadly yes there will be wage hike and it is going to hit us in Q2.

Nilesh Jethani: Got it. I guess those are my questions and one quick suggestion probably now at our annual run rate of around $620M growing annually on Y-o-Y basis more than 25% I think we should come out and give a growth trajectory, which we were pushing up for the last three to four quarters. now whether the growth guidance, trajectory, etc., is still we are shying away from that. So probably at this run rate, that would have been expected from the investor community. That is, it from my side.

Ajay Bhutoria: So, Nilesh, as a practice we do not give forward guidance but what I can share with you is that last year we mentioned that with the new framework, with the new focus on execution it is extremely clear approach towards how we wanted to drive the growth and the investment we were making towards growth. Four to eight quarters to guide this transformation we are well within that, we are executing well despite issues such as inelasticity of supply chain in the industry, attrition, etc., taken that in our stride, yes, we are executing well and our objectives as we mentioned very clearly is all along is to drive sustainable, predictable and profitable growth, I think we are well on progress towards that and our eventual goal is to be in the top quartile of our space - that is our aspiration.

Nilesh Jethani: Got it, that was helpful. Thank you so much.

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

Amit Chandra: Sir, thanks for the opportunity. Sir, my first question is on the TCV number, so around we have seen healthy growth here, so if you can provide some more colour on it, maybe how much of it is being driven through M3bi and how much of it is the new wins versus renewals and also if you can throw some colour how the mix of this TCV had changed maybe four quarters back wherein it was more onsite led versus how it has been now and also the mix in terms of how the other mix has been in terms of short-term deals or longer term deals in this mix?

Ajay Bhutoria: Sure, Amit, let me give you a quick sense. I got most of your questions, let me answer one at a time if I miss anything, do ask me again. So first of all is $165.6 million which is 32% over what we had in the previous quarter, so the things have been good compared to what we did in the last quarter that is number one, number two is that the mix is 40:60, which is slightly better and also slightly better than what we did last quarter, 60% renewal 40% new wins4, third is that it is broad based, it is across board, all verticals, all geographies, all service lines, so that has been one of the highlights of this quarter is that it is across board and number four is I am not sure if I got that right, so it is a good mix between discretionary projects and projects that will yield repeatable business over a period of time.

Amit Chandra: Sir, secondly if you can throw some more light on the Insurance and the BFS vertical, I know that we have been doing good there, so if you can throw some more light whether the investments are done there or maybe now, we want to invest more especially on the Insurance side then what kind of growth you are expecting there on the Insurance vertical?

Ajay Bhutoria: Right, so, Amit, you are asking about Banking and Insurance right, together they grew year-on-year over the quarter they grew 35.4%, a big, big highlight of growth in our Banking business, traditionally we have been stronger in Insurance when compared to the two sectors, so Banking business all the investments that we have been making over the last 18 months are beginning to bear fruit number one. number two is M3bi as an acquisition have been extremely good for us, especially when it comes to Banking and Insurance business, but they have also helped us in couple of other verticals. Number three is, at this year we saw stabilization of our Insurance business, We were in a bit of a sticky wicket when we closed last year especially the last couple of quarters of last year and then we opened this year in the first quarter, over the course of the year we have stabilized our Insurance business, now from a leadership perspective we got in a lot of leadership, we have strengthened the leadership team in both within, that is organic leadership within Zensar and we have infused a lot of external hiring that we have done both in Banking and Insurance vertical and that has borne us good fruit and to that add the leadership that we acquired, the part of the M3bi acquisition, we have made very good progress in this segment, the BFSI segment.

Amit Chandra: Sir, one last question from my side, on the margin side, so I know that you have actually given the classification of the margins, but just I would like to understand how we are going to manage the onsite attrition, that the onsite inflation is going up and also we are seeing higher onsite attrition which was not the case earlier and especially we have higher onsite presence so what impact this can have on our margins?

Ajay Bhutoria: Right, Amit. actually, the shore mix improved this quarter. the offshore revenue mix went up by almost 200 basis points, that aside, attrition has been through course of the year is a huge challenge. We have unprecedented levels of attrition in the firm, in the last 12 months attrition if we count it, 27.9% onshore and the geography and the delivery centers combined. Now having said that, our in-quarter attrition for Q4 was less than the previous two quarters, so all the measures that we have taken to address attrition, some of them are bearing fruit and we reduced our in quarter attrition, so some well early signs of green shoots in that area, now specifically to answer your question, I think broadly the attrition trend onsite-offshore has been consistent through course of the year, so we have not seen any major spike in one location or another. It has been rather bad all around and all around we have made improvements this quarter.

Amit Chandra: Sir, thanks and all the best for the next year.

Moderator: Thank you. The next question is from the line of Alroy Lobo from Kotak Investment Advisors Limited. Please go ahead.

Alroy Lobo: Ajay, recently you all had a big senior management meet, recently when you were down in India, I think it also set up your Kolkata center, etc., if you can just highlight a few takeaways, which could make a very big difference to Zensar over the next 12 months based on the feedback you have got from your senior management or employees in your recent meeting?

Ajay Bhutoria: Yes, it was my first trip after I came on board, after I took charge and it was an amazing trip, the pandemic easing out and with Omicron kind of slowing down, we made the trip, it was the leadership team and I, most of the leaders, not all leaders but most of the leaders made the trip and then of course, got into a huddle. There is two parts, one is leadership is coming together, one is actually and then more important than leadership team coming together is the outreach to our associates. I will tell you Alroy, the response was overwhelming. Starting with the number of people who showed up in our town halls, it is far outstripped the numbers we had planned for, we had packed rooms, packed stadium and the response was overwhelming. What I can say from the trip is, is that I think people are looking forward to make the human connect again, I think the motivation levels are going up, getting high, all said and done, the pandemic did take its toll. Overall the spirits were high, outside of this specifically, we have the started the Kolkata like you said, We have said the Kolkata center and we are looking to expand our core delivery centers Pune, Hyderabad, Bengaluru, We continue to do that and we will announce a couple of other satellite centers in India over the next few quarters, a very good trip, bottom-line very good trip.

Alroy Lobo: Thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Aniket Pande for his closing comments.

Aniket Pande: Thank you, Zensar management for giving us the opportunity to host you and thank you for the participants for attending the call. Now I will hand it over to Ajay for his closing remarks.

Ajay Bhutoria: Thank you Aniket. Thanks a lot for giving us the opportunity to present Q4 FY22 results to the analyst community and to the market. Good morning, good evening, good afternoon to all of you and stay safe. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference call. We thank you for joining us. You may now disconnect your lines.