

Investor Update

Zensar Technologies Revenue Up 11%; Highest Ever Quarterly Revenue And Employee Addition

October 21, 2003

Zensar Technologies Ltd, a joint venture of RPG Group and Fujitsu Services, UK has recorded 11% growth in consolidated revenue to Rs. 63.93 cr and 92% growth in consolidated net profit to Rs. 2.02 cr for the quarter ended September 30, 2003 as compared to the corresponding quarter of the previous year.

Sequentially, revenue increased by 12%. However, net profit was lower due to expenses related to significant ramp up of employees as well as build up of BPO business.

The company registered a significant improvement in offshore volumes with higher average billing rates during the quarter.

For the first half ended September 30, 2003, the company recorded 10% growth in consolidated revenue to Rs. 121.12 cr. and 259% growth in net profit to Rs. 5.2 cr as compared to the corresponding half of the previous year.

The company's financial position is strong with zero debt and Rs. 43.18 cr. in cash / cash equivalents as on September 30, 2003.

Commenting on the performance, Mr. Ganesh Natarajan, Deputy Chairman and Managing Director said, "We are set for sustained growth in revenue and profits due to strong order inflow and rising offshore contribution."

Operational Highlights for the Quarter ended September 30, 2003

- 191 employees added during the quarter, taking total strength to 1502 people. This is the highest ever quarterly addition.
- Offshore business increased to 38% of revenue from 29% in the corresponding quarter of the previous year.
- Manpower utilisation rate was 74% despite significant ramp up.
- Americas grew by 13% over the corresponding quarter of the previous year and contributed 53% to revenue. Europe contributed 32% and Rest of World contributed 15%.
- 8 new customers added during the quarter.
- Top 5 customers accounted for 54% of revenue.
- Acquired assets and prospect base of a BPO company.

Existing Customer Relationships

The company continues to expand its existing customer relationships while adding new customers. This is clearly reflected in the growing number of million \$ accounts and strong order book.

Cisco relationship continues to be on a growth path.

Fujitsu as part of their legacy transformation services is using Zensar's Solution BluePrint (SBP) framework as a core differentiator. Zensar is evaluating SBP based approach for AS400/RPG400 Migration Strategy. The initiative will help Fujitsu to migrate customers using this platform to Microsoft.Net environment.

National Grid Transco has appreciated Zensar team for successful completion of a mission critical project, despite major challenges of new technologies.

The company strengthened its relationship with Mutual & Federal with successful completion of a prestigious "Workflow Consulting" assignment. Its expertise and overall approach was highly appreciated by the client.

New Customers

One of the largest telecom company based in US is now a customer of Zensar through its partner. The client has begun outsourcing offshore a significant portion of its internal IT services where Zensar is the offshore development partner. This will help the company in developing the partnership model to exploit new offshore business opportunities. Also, it will strengthen the company's ability to improve customer acquisition rate in telecom as well as other verticals.

Zensar has bagged a prestigious long-term contract for setting up an ODC for a bank in Africa. The company will takeover the core IT applications from the existing vendor and will do the maintenance, support and enhancement on these applications for the next three years. It would be using the SBP framework to provide high value to the customer.

The company has commenced work on an offshore application development project for a state government department in Australia. The company and its partner will execute the project jointly, using the SBP framework. This is a significant win for Zensar since it strengthens the company's partnership model and also marks its entry into state government IT projects in Australia.

Zensar and Fujitsu have jointly bagged a project from a State Transit Authority in Australia. The company will develop new system offshore.

A leading airline in Middle East has chosen Zensar for enterprise applications including Oracle. The ODC is expected to be operational before the end of this year.

The company won an Oracle upgrade project from one of the largest bank in the Middle East, a part of diversified group. As most of the group companies are in the process of implementing Oracle applications, this breakthrough has significant business potential going forward.

A developer of an e-commerce application for a handheld device has selected the company for developing the Digital Rights Management software using .Net platform.

Focus on Select Verticals

Zensar continues to move from low cost services to value added solutions by focusing on select, large and growing verticals such as manufacturing, telecom, utilities, finance and retail.

Manufacturing & Logistics - Zensar has developed deep insight into the manufacturing systems and processes across a number of industries. Its functional and technical consultants have long experience in offering end-to-end solutions, providing a distinctive value add to its customers. Some of the customers include Fluke, Sanmina and PONL. This vertical contributes significantly to the company's revenue.

Telecom & Utilities - The company provides a compelling outsourcing value proposition to telecom OEMs and service providers through the seamless integration of consulting solutions, IT services and domain knowledge. Clients include Sprint, SingTel and Atlantic Telecom. Two new telecom customers were added in the course of the last quarter. Market deregulation, new infrastructure and capacity challenges are having a profound impact on the global utilities sector, forcing them to reframe their business strategies. Zensar has capability to add tremendous value and help transform operations of various utilities like power, gas and electricity. The Utilities vertical is one of the most under penetrated with significant offshore potential. National Grid Transco (NGT) is a major client.

Financial Services - Through its domain knowledge and technological expertise, the company helps financial sector define and execute business strategies. Its cost-effective solutions enable banks, insurance companies, financial intermediaries and asset management companies keep up with rapid advancements in global financial environment. Clients include Trema (supplier of Treasury Management solutions), Fidelity Investments, AIG and Mutual & Federal. Two new customers were added during the quarter.

Retail - The company has executed various projects in retail over past decade and in the process developed domain knowledge and IPRs for retail solutions. It has several active clients including Somerfield, Giant, FoodWorld and one of the leading retailers in Europe.

Business Outlook

Global economy is on a recovery path and corporations are clearly focusing on ROI on technology investments. Offshore outsourcing has become mainstream, presenting a major opportunity for Indian IT companies. Zensar's major strengths are global delivery model, improving operating efficiencies, strong customer relationships and end-to-end solutions capability, driven by deep domain and technical skills.

The company's Enterprise Applications Group (EAG) currently employs over 350 people and contributes significantly to the overall revenues. The company is in the process of recruiting a large number of people in this group for new projects won in US, UK and Middle East in the recent past.

Zensar is one of the few Indian companies providing comprehensive ERP migration and implementation solutions mainly from its offshore centers. The company has successfully completed Oracle Applications projects for leading customers across the globe including Cisco, Honeywell, NCR, Sony, Abbott Labs, Logitech, Hungarian Railways, Fluke and a large bank in the Middle East. Customers like Sanmina-SCI Corporation, Videojet and one of the largest gaming software companies in the world, have outsourced development work on Oracle to Zensar.

To kick start operations, Zensar acquired assets, know-how and prospect base of a BPO company. It has recently set up a BPO centre in Pune with focus on finance and retail verticals. The company has signed a large contract to do accounting back office work for a US company.

The company has successfully transitioned a lot of the work offshore. Further, it is encouraged by the new offshore deals won in the recent past. This has resulted in offshore business growing by 33% in the first half of the current year. The trend is likely to continue going forward with significant employee ramp.

To sum up, Zensar is progressing steadily in terms of business, technology and financial parameters to achieve its goal.

About Zensar

Zensar is a global software solutions provider with more than 11 years of experience in supporting Fortune 500 companies and other corporations, with business expertise and services. Listed among the top Indian software exporters, Zensar has an annual turnover of US \$ 52 million. Zensar is an ISO 9001 Version 2000 and a SEI-CMM Level 5 company, with over 5000 person-years of software development expertise and 900 projects under its belt.

The Company is a Joint Venture between RPG Enterprises, the 4th largest Indian business conglomerate and Fujitsu Services. Electra Partners Mauritius Limited is the largest financial investor in Zensar.

With its Headquarters in Pune, Western India, Zensar's international operations and customer base are spread across 18 locations around the world. The Company has a marketing network in the United States, United Kingdom, Western Europe, Japan, Australia, Singapore, Hong Kong, and South Africa, Middle East, Scandinavia and Germany. Together with its state-of-the-art software development centre in Pune, these offices ensure timely and prompt service to Zensar's multinational clientele. Besides the development centers in Pune in India, the company has also set up a state-of-the-art development center at Singapore and at Shenzhen in China.

Zensar has over 1500 highly qualified and skilled software professionals who provide world-class services to global customers across selected vertical markets such as Manufacturing & Logistics, Telecom & Utilities, Financial Services and Retail & Distribution.

Zensar develops and supports mission-critical applications on a 24x7 basis through dedicated teams working out of high-tech offshore delivery centres. This enables the customers to focus on their core businesses and concentrate on other strategic business issues. The company's business offerings range from Consulting services to Package implementation, custom solutions development, creation and running of Offshore dedicated centers and Business Process Outsourcing services.

Investor Relations

Zensar Technologies Ltd is committed to create long-term sustainable shareholder value through successful implementation of its growth plans. The company's investor relations mission is to maintain an ongoing awareness of its performance among shareholders and financial community.

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Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.