

Investor Update

Zensar Technologies Net Profit in IT Services Up 61%

April 27, 2004

Zensar Technologies Ltd, a joint venture of RPG Group and Fujitsu Services, UK has recorded 17% growth in consolidated revenue to Rs. 267.07 cr. and 27% growth in consolidated net profit to Rs. 12.57 cr. for the year ended March 31, 2004 as compared to the previous year.

Without considering the loss in recently set up Business Process Outsourcing (BPO) business, the company has recorded 61% growth in net profit to Rs. 15.87 cr in IT services for the year.

Earnings per share for the year amounted to Rs. 5.4. The company has increased the dividend from 15% to 17%.

The company recorded 25% growth in consolidated revenue to Rs. 74.19 cr. for the quarter ended March 31, 2004 as compared to the corresponding quarter of the previous year. Consolidated net profit was Rs. 4.45 cr. Without considering the loss in BPO business, net profit was Rs. 5.83 cr in IT services.

Sequentially, consolidated net profit increased by 52%.

Commenting on the performance, Mr. Ganesh Natarajan, Deputy Chairman and Managing Director said, "We have done well despite significant investments in BPO business and delivery capability. With signing of many large offshore deals, we are confident of recording substantially higher growth in revenue and net profit during the current year."

Operational Highlights for the Quarter ended March 31, 2004

- Offshore business increased to 39% of revenue from 34% in the corresponding quarter of the previous year.
- Americas grew by 32% over the corresponding quarter of the previous year and contributed 54% to revenue. Europe grew by 50% and contributed 36% and Rest of World contributed 10%.
- 6 new customers added during the quarter.
- Top 5 customers accounted for 47% of revenue.
- Employee strength was 1714 people. Manpower utilisation rate was 75%.
- Solution BluePrint was selected by Microsoft, Sun and Hitachi Soft as a migration solution in Japan.
- Appointed Aamod Wagh as Chief Operating Officer of BPO business.
- Started construction of a new campus with 2000 seats at Kharadi, Pune.

Existing Customer Relationships

Zensar witnessed good growth with most of its existing customers. Customers with dedicated offshore development centers contributed more than 55% of total revenue.

The company sees significant growth potential in Cisco relationship. The machine-translated Japanese website of Cisco saw a successful launch. This new capability will allow the customer to implement a cost-effective, multi-language strategy to increase customer penetration and satisfaction in some non-English speaking markets. Zensar developed customer validation tests to assess the quality of translation.

The merger of Transco and National Grid together with major business initiatives is providing a number of key business opportunities for Zensar. The company has already made excellent headway in the areas of knowledge management, SAP, applications development and support activities.

Fujitsu relationship involving testing of their products is expected to grow at a healthy rate.

The ODC for a large telecom company based in US is set to expand in a big way during the current year.

Based on high quality delivery of the proof of concept and some excellent account management, a leading beverages company based in US awarded Zensar the work of developing several additional interfaces for its global SAP "Pinnacle" implementation.

Zensar won accolades from a large retailer in UK for its contribution in successful completion of key business projects. This relationship is expected to deepen further.

New Customers

Zensar added 6 new customers in the fourth quarter and 27 during the year. Many new customer accounts are witnessing a healthy ramp-up.

A niche solution provider to the unitised investment services industry in South Africa selected Zensar as the technology partner for maintenance, support and enhancement of its fund administration system. This product, which is the market leader in South Africa, is making rapid inroads into other markets.

The second largest securities and equity research organisation in Japan awarded a prestigious migration assignment to Zensar. This is one of largest opportunities for Zensar using Solution BluePrint and is expected to bring more wins in Japan.

Zensar, along with its partner, was awarded a three year support contract for electronic supply chain of a leading telecom company in UK. The customer operates a just-in-time stores system offering next day delivery. This is a noteworthy win and marks the start of a long-term partnership.

A leading bank in South Africa outsourced maintenance contracts for its online banking system and client relationship system to Zensar. This will enable it to improve efficiencies and reduce maintenance costs.

Partnership with Fujitsu Consulting

Zensar is using a strategic partnership with Fujitsu Consulting and Fujitsu Services in USA and UK arms of the \$ 38 billion Fujitsu Group, to penetrate into new customers and geographies. Since the beginning of 2003, Zensar and Fujitsu Consulting decided to dedicate more resources to the partnership. A conscious decision was made to put forward a one company image. The effort has resulted in several new business bookings. The partnership is well poised to build upon its success and become stronger in the years to come.

Solution BluePrint with Microsoft, Sun and Hitachi Soft

Microsoft has an annual gathering of their top 40 global accounts in Japan, with the objective to brief them about the new initiatives within the organization, new product rollouts as well as innovative solutions that it believes can be a value proposition to these clients. This year Microsoft chose Zensar to share the approach to migration of the legacy using Solution BluePrint. This event has strengthened the company's relations with Microsoft and will open new doors in the multinational organisations in Japan.

Microsoft has allocated Zensar's SBP solution as de facto of their migration solution. Sun, Japan has allocated SBP as one of the three key migration solutions. Hitachi Soft, Japan has allocated SBP as one of the two key migration solutions. As SBP is undergoing a transition from mindshare to market share, the revenue from services associated with it is expected to grow substantially during the current year.

Geographical Thrust

US is the largest market for Indian software services companies including Zensar. The company plans to maintain its growth momentum in US through larger annuity business, sharp focus on manufacturing and distribution verticals and higher contribution from enterprise applications group. New initiatives have been planned for retail vertical and PeopleSoft practice.

Europe is the second largest market. The company's strategy for the region encompasses growth of captive accounts and entry into new prospects, specifically in retail and energy / utilities sector.

Japan is one of the most promising markets especially for migration solutions. The company has established new promotion and system integration partners in the recent past.

The company plans to leverage the success of existing projects to penetrate the banking and ERP market in China.

BPO Business

The company has appointed Aamod Wagh as Chief Operating Officer based in USA for its BPO business. It has also set up dedicated sales team distinct from the software services business. It plans to tap existing customers of software services as well as target new verticals with new skill sets. The company already has a client each from US and UK. It has also entered into a shared services pact with PeopleSoft to offer HR applications on a hosted basis, which is a first in India.

The company offers several outsourcing services like Remote Infrastructure Management, Technical Help Desks and Back office processing for Accounts, HR and Insurance based on its domain expertise, long ODC experience and quality processes. Build up of BPO business is continuing with addition of space and people. It is likely to break even in the fourth quarter of the current year.

Infrastructure

In line with its growth plans, the company is investing significantly in expanding its delivery capability. It recently inaugurated the first phase of its new campus at Kharadi, which is the fourth development facility in Pune and sixth worldwide. The company will have both IT and BPO activities for some of its international clients housed in the IT Tower. Adjacent to the IT Tower, the company is setting up a new campus of 2000 seats with an outlay of Rs. 60 cr. The campus will also house an 800 seats outdoor amphitheatre.

Human Resources

To service the growth in business, the company has increased its employee strength by 406 people (31%) taking total strength to 1714 people during the year. The company significantly strengthened its senior management team specifically in the areas of sales and delivery.

Considering the plans, Zensar would be a 2500 people organization by March 2005.

Business Outlook

Global spending on technology is expected to grow at a healthy rate in the current year. Software services companies having domain expertise and an ability to provide real solutions to business problems will naturally benefit. Importantly, greater use of automated tools, design automation and code generation frameworks would enable faster development and deployment of solutions. Software services companies are graduating from low cost maintenance and applications development to a higher level of value addition through end-to-end solutions.

Zensar's key strategic thrust areas include focus on key verticals, providing total solutions right from consulting to software services to BPO, leveraging innovations like SBP and 80:20 offshore ERP implementation and fortifying marketing strategy with recruitment of senior people while forging new partnerships.

Zensar has won several multi-million dollar contracts in all its chosen practice areas. The order book is strong with robust pipeline. The offshore revenue increased by 39% in FY04 and the momentum is likely to continue going forward. With internal transformation, improving operating efficiencies and better business environment, the company is confident of sustained growth in performance.

About Zensar Technologies

Zensar is a global software solutions provider with more than 12 years of experience in supporting Fortune 500 companies and other corporations. Listed among the top Indian software exporters, Zensar has an annual turnover of over US \$ 55 million and more than 120 customers. Zensar is an ISO 9001 and a SEI-CMM Level 5 company.

The company is a joint venture between RPG Enterprises, the 4th largest Indian business conglomerate and Fujitsu Services. Electra Partners Mauritius 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. Besides the state-of-the-art development centers in Pune, the company has also set up development centers at Singapore and Shenzhen, China.

Zensar has over 1700 highly qualified and skilled software professionals who provide world-class services on a 24X7 basis to global customers across select verticals such as Manufacturing & Logistics, Telecom & Utilities, Financial Services and Retail & Distribution. 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

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