

Investor Update

Zensar Technologies Revenue Up 33% and Net Profit Up 74%

July 16, 2004

Zensar Technologies Ltd, a joint venture of RPG Group and Fujitsu Services, UK has recorded 33% growth in consolidated revenue to Rs. 76.10 cr. and 74% growth in consolidated net profit to Rs. 5.53 cr. for the quarter ended June 30, 2004 as compared to the corresponding quarter of the previous year.

Without considering the loss in recently set up Business Process Outsourcing (BPO) business, the company has recorded 129% growth in net profit to Rs. 7.28 cr. in IT services.

Sequentially, consolidated net profit increased by 24%.

Commenting on the performance, Mr. Ganesh Natarajan, Deputy Chairman, CEO & MD said, "Our IT services business has performed well with growth in revenue as well as margins. The company is firmly progressing on its path to build a very profitable, sustainable and scalable business."

Operational Highlights for the Quarter ended June 30, 2004

- Offshore business increased to 45% of revenue from 36% in the corresponding quarter of the previous year.
- Higher average offshore billing rate.
- Europe grew by 51% over the corresponding quarter of the previous year and contributed 34% to revenue. Americas grew by 28% and contributed 53% and Rest of World contributed 13%.
- 8 new customers added for IT services during the quarter.
- 10 customers signed for BPO during the quarter.
- Top 5 customers accounted for 49% of revenue.
- 121 employees added during the quarter, taking total strength to 1835 people.
- Manpower utilisation rate increased to 81% from 73% in the corresponding quarter of the previous year.
- Achieved CMMI Level 5, making Zensar one of the select companies to achieve this quality benchmark.
- Retained the status as one of the Top 100 Companies in Knowledge Management along with leading global consulting firms, as per KM World.

Existing Customer Relationships

Zensar continuously endeavours to grow recurring revenues from long-term customer relationships. The company successfully organized a meeting of its global partners during the quarter. Around 25 customers attended the meet and elaborated on how Zensar is helping them achieve business objectives through intelligent use of IT. Such accolades from a wide range of customers have further strengthened the relationships.

Cisco awarded a large and strategic business process optimisation and legacy application upgradation assignment to Zensar. The project would integrate and enhance the client's ERP system to create a robust business structure, decrease total cost of ownership and improve customer satisfaction.

The ODC for National Grid Transco (NGT) is performing well with business flowing not only from UK but also from US. Additionally, the company won significant contracts from a leading technology company, a vendor to NGT. The growth potential for business with new customer is bright.

The company completed a large and complex project involving migration for EA Oracle 11i upgrade for the world's leading developer of interactive entertainment software. It was the first cross-platform migration project from Unix to Linux with a multilingual environment.

The relationship with a leading retailer in UK has expanded into various new initiatives including sourcing, logistics and international franchising. The ODC for this customer is set for better times going forward.

The work done for a leading product OEM company has enabled the customer to release a new version of its product. The customer is now well positioned to support complex websphere environment and thereby expand across North America.

Enterprise Application Group (EAG) has been involved in Oracle application initiatives at UK's primary educational examination board.

New Customers

The company's new retail initiative in US has started yielding results. It has won two major accounts – the world's largest chain of convenience stores with 26,000 locations in 18 countries and a leading player in branded clothes and accessories.

A leading educational institution in Japan has engaged the company to develop a web-based application for managing online tests for students.

EAG had another major success with winning of a large telecom customer in UK. Other customers acquired include one of the largest handset manufacturer and a US-based technology and manufacturing leader.

Customers signed for Business Process Optimisation and Outsourcing include a leading provider of instrument systems, a world leader in electronic test tools and a broadband unit of a large utility company.

Business Outlook

Indian IT service providers are witnessing enhanced opportunity in the global marketplace coupled with stable price environment. Large corporations are looking at credible mid-size vendors to de-risk their offshore outsourcing. Companies integrating IT services with business process management would stand to gain more from current market trends.

Zensar has been a transformation partner to global corporations for over a decade. It delivers value-enhancing business solutions to customers through combination of domain knowledge, technology expertise and consulting. The company's growth strategy includes increasing revenue from existing customers as well as new customers by providing new services and improving profitability through higher productivity as well as lower costs.

The company has built key differentiators such as Solution BluePrint (SBP), 80:20 offshore ERP implementation, knowledge management and other innovations. SBP is delivering significant benefits to customers worldwide in their quest for better, cheaper and faster solutions. This is leading to a remarkable increase in business. Global software majors such as Microsoft, Sun and Hitachi Soft are using SBP as their preferred migration solution in Japan.

The company has been focusing on select, large and growing verticals, retail being one of them. US retailers, yet to see major benefits of offshoring, are expected to spend around a billion dollar for IT initiatives in the current year. The company is leveraging its domain knowledge and SBP to capitalise on this opportunity. The new practice based organization is shaping up well. EAG is delivering strong performance especially in UK.

Zensar is growing in terms of customers, infrastructure and people. New accounts are being added in every chosen vertical, practice and geography. Some of the recent wins have the potential to become marquee ODC customers. The company is using the strategic partnership with Fujitsu Consulting to build upon its success. It is significantly expanding delivery capability by setting up a new campus of 2000 seats. The organization has been strengthened at the corporate as well as sales levels. Senior people inducted from leading companies have brought in new competencies and ideas, thereby enhancing type and quality of service offerings.

Business Process Optimisation and Outsourcing provides the largest new opportunity for the company. The strategy of offering integrated solutions by combining BPO with IT services is witnessing early success. Joint marketing with an Ireland-based contact centre for offshoring is expected to bring significant business. The existing capacity of 300 seats for BPO would be ramped up during the year. BPO business is likely to break even in the fourth quarter of the current year.

The company is set for sustained growth due to better business environment and internal transformation. It is confident of recording high growth in revenue during the current year. The profit growth would be significantly higher than sales growth due to rising offshore revenue and lower percentage of operating costs. The goal is to reach industry level profitability.

About Zensar Technologies

Zensar is a leading global software solutions provider. The company operates dedicated offshore development centers for many clients including Fortune 500 corporations. With state-of-the-art development centers in India, Singapore and China, its operations and customer base are spread across 18 locations around the world. It is accredited with SEI-CMMI Level 5 certification.

The company is a joint venture of RPG Group, one of the leading industrial houses and Fujitsu Services of UK, a \$ 4 billion IT services company. Electra Partners Mauritius is the largest financial investor in Zensar.

The company's practices include consulting, application development & maintenance, package solutions, infrastructure management, embedded & systems software, solutions for product original equipment manufacturers, business intelligence & data warehousing and enterprise application integration. It also provides business process optimisation and outsourcing.

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.