

Investor Update

Zensar Technologies Revenue Up 34% and Net Profit Up 208%

October 22, 2004

Zensar Technologies Ltd, a joint venture of RPG Group and Fujitsu Services, UK has recorded 34% growth in consolidated revenue to Rs. 85.97 cr. and 208% growth in consolidated net profit to Rs. 6.23 cr. for the quarter ended September 30, 2004 as compared to the corresponding quarter of the previous year.

The above performance has been achieved in spite of a loss of Rs. 2.03 cr. in the recently set up Business Process Outsourcing (BPO) business.

Sequentially, both consolidated revenue and net profit increased by 13%.

For the first half ended September 30, 2004, the company recorded 34% growth in consolidated revenue to Rs. 162.07 cr. and 126% growth in consolidated net profit to Rs. 11.76 cr. as compared to the corresponding half of the previous year in spite of a loss of Rs. 3.78 cr. in BPO business.

Commenting on the performance, Mr. Ganesh Natarajan, Deputy Chairman, CEO & MD said, "Our reengineering exercise has started paying off. Focus on innovation led differentiators would ensure significant value proposition to customers and thereby sustain our growth momentum."

Operational Highlights for the Quarter ended September 30, 2004

- Offshore business increased to 43.5% of revenue from 38% in the corresponding quarter of the previous year.
- Higher offshore as well as onsite billing rates.
- Europe grew by 39% over the corresponding quarter of the previous year and contributed 33% to revenue. Americas grew by 29% and contributed 51% and Rest of World contributed 16%.
- 6 new customers added during the quarter.
- Top 5 customers accounted for 50% of revenue.
- 150 employees added during the quarter, taking total strength to 1985 people.
- Manpower utilisation rate increased to 81% from 74% in the corresponding quarter of the previous year.
- Formed a 51:49 joint venture with Broadengate, one of the leading IT services companies in China.
- Launched a comprehensive Basel II Solution Framework. Also entered into a strategic alliance with Capital & Risk Consulting Group.
- Completes first phase of a new 2000 seats campus at Kharadi, Pune in October 2004.

Existing Customer Relationships

Cisco ODC continues to grow with further strengthening of the relationship.

Fujitsu ODC is ramping up at a healthy pace with winning of new projects for next generation telecommunication hardware and uninterrupted online maintenance support for better customer service. Further, Fujitsu UK has started outsourcing technical and functional support of its Oracle Applications.

In addition to projects from UK, National Grid Transco assigned a project for property records data conversion for a major city in US.

A leading developer of interactive entertainment software awarded a re-engineering project to bring uniformity in its financial reporting structure across the world. The solution will be first out in Asia, followed by US and Europe.

A leading food chain engaged the company for IT strategic consulting to centralise merchandising operations in line with its new business model. Zensar has already deployed Merchandise Management System for a hypermarket customer.

The company received accolades from various customers including SBC, P&O Nedlloyd, mValent and Invetec for timely and efficient execution of projects.

New Customers

A provider of unique products and services in the healthcare and insurance segments in US selected Zensar as one of the three offshore partners, the other two being Tier I companies. Solution Blueprint (SBP) was the key differentiator offered by Zensar. The relationship presents significant opportunity.

A leading retailer chose Zensar for Oracle e-business suite implementation. The customer is expanding from 280 to 350 stores in the Gulf, India and UK.

On the strength of its SBP, the company won an assignment in product OEM segment in the Middle East Region for the first time.

The company won a quality consulting assignment from a technology company in China for the first time.

The company implemented HRMS for a mega store chain across America and Canada.

Business Outlook

Offshoring is growing at a rapid pace and spreading across all industries to improve global competitiveness. Robust volume growth coupled with stable pricing augurs well for the Indian IT services industry. Currency too is showing sign of stability.

Zensar delivers value-enhancing business solutions to customers through combination of domain knowledge, technology expertise and consulting. It has built key differentiators such as Solution Blueprint, 80:20 offshore ERP implementation, knowledge management and other innovations. The company is focusing on new initiatives to strengthen its existing relationships

and foster new relationships on three dimensions namely – customers, business partners and technology alliances. Success of partnerships has helped the company to grow in verticals and geographies of strategic importance.

The company has implemented practice-based model to effectively use intellectual capital for business growth. While the existing practices would mature, emerging practices like application modernisation and product engineering have witnessed early success and would find their way into key business units.

Zensar formed a 51:49 joint venture with Broadengate, one of the leading IT services companies in China during the quarter. The joint venture is expected to grow significantly over next few years using key differentiators such as SBP.

Zensar recently launched a comprehensive Basel II Solution Framework, designed to help financial institutions worldwide achieve Basel II certification. Also, the company entered into a strategic alliance with Capital & Risk Consulting (CRC) Group, a subsidiary of Key Bank which is the 15th largest bank in US. Zensar and CRC Group will provide risk management advisory services, analytic tools, models and methodologies and technology implementation services.

Business Process Optimisation and Outsourcing division has made significant investments in creating world-class infrastructure and is shaping up well. It is currently providing services to various customers including a leading provider of instrument systems, a world leader in electronic test tools and a broadband unit of a large utility company.

The company is growing in terms of customers, people and infrastructure. The recent wins underline growing success in competing against international IT majors. It added 14 customers and 271 people in the first half of the current financial year. It completed the first phase of a new 2000 seats campus at Kharadi, Pune in October 2004.

Zensar is confident about robust growth due to alignment of internal initiatives targeted at major opportunities in the market place. The organic growth would be buoyed by acquisitions. The operating margins will improve due to rising offshore revenue and lower percentage of operating costs. The company is firmly progressing on its path to build a very profitable, sustainable and scalable business.

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.