

## Investor Update



### **Zensar's SBU strategy drives new business** *Growth of 16% in YOY revenues for Q2 2005-06*

**Pune, Oct 18, 2005:**

Zensar Technologies, the leading software and BPO services provider has announced good working results for the second quarter of the fiscal year 2005-06. The company reported a 16% rise in revenues with consolidated revenues of Rs 99 cr for the quarter ended September 30, 2005 as compared to the consolidated revenues of Rs 86 cr for the corresponding quarter of 2004-05. The company has increased its profits in the sequential quarter in spite of new investments and salary increases effective July 05 and has reported a consolidated profit before taxes of Rs 6.4 cr for this quarter and a profit after taxes of Rs 4.4 cr for the same quarter.

Ganesh Natarajan, Deputy Chairman and MD said, "Our continuous investment in future technology and new services such as Testing Services, Infrastructure Management, Knowledge Process Outsourcing and Embedded Systems has been driving our growth with 8 of our 20 new customer accounts added this quarter being in this space. Our core services of Application Portfolio Management and Enterprise Resource Planning, based on mature processes and models continue to show steady revenue and profit growth while both the new business units, Innovative Technology Solutions and Business Process Outsourcing will be profitable by end of the year as planned."

The Solution BluePrint (SBP) led technology innovation continues to provide new revenue streams for the Innovative Technology Solutions (ITS) Business Unit which has added 12 new customers in H1, key ones among them being large retail companies based in US and Japan, a government organization in Thailand and a healthcare services company in the US. Its largest customer account, one of Japan's leading systems integration firm, is now set to scale to become a multimillion dollar account over the next 6 months. The SBU has a strong order book of over USD 15mm.

The quarter has also been significant for Zensar's BPO, its youngest Business Unit; with 7 new customers being added in this quarter which includes two large retail groups in the US and UK and customers in the non-voice space of HR shared services and the specialized KPO services. The SBU has established a strategic alliance with SMT Direct of Canada as its North America Delivery Alliance Partner and the alliance has grown to 110 resources by end of Sep. The SBU has now crossed the 250 mark and has an order book in excess of 10 million USD and will turn profitable as projected in end Q3 05-06.

The APM SBU continues on its projected growth plans having added significant customers in this quarter including a large European firm for testing services, one of the world's largest Automobile companies and a Utilities company in UK. The SBU has significantly strengthened its testing practice with over 55 practitioners having acquired testing certifications. Its Infrastructure Management capabilities are now complimented by the IM capabilities of Microland through a business alliance.

The Enterprise Solutions SBU has further consolidated its Oracle practice with the addition of 12 new customers in H1, which includes several marquee customers like a large US retail chain, a major gaming company in US, a medical equipment manufacturing firm in the US and a telecom equipment manufacturing company in the US. The SBU has also seen good growth in its existing customer accounts of Danaher, a large business group of US into diverse businesses and Electronic Arts, one of the world's largest gaming companies, having significantly expanded its services portfolio for these customers. The SBU's new services in Business Intelligence and SAP have taken off to a good start with the acquisition of new customers.

The Rest of the World (ROW) territory which includes geographies outside of the US and UK continues to see significant growth having grown 80% over the same period last year with a 17% quarter on quarter growth. The territory has consolidated its customer base with the addition of several new customers especially in the non-English speaking territories of Europe.

The new services that Zensar has invested in over the last two quarters are now generating alternate revenue streams with a number of new customer acquisitions this quarter in Testing, Business Intelligence and Datawarehousing, Knowledge Process Outsourcing and HR Shared Services. The practice groups have grown in size by 20% on an average to service the new business opportunities. The new practices have built strong technical and domain capabilities with the testing practice having 55 internationally certified testers and the Retail practice group having 45 certified domain consultants.

The following is a summary of the new practices and their contribution to new customer acquisition in H1.

SBU	New Practice	Customers Acquired		Size of the Practice
		Q1 05-06	Q II 05-06	
Application Portfolio Management	Testing Services	3	4	115
	IM Services	2	2	75
Enterprise Application Services	ECCM		2	60
	BIDW	1	4	60
Innovative Technology Solutions	Application Modernization	3	4	210
Business Process Outsourcing	HRSS	3	1	15
	KPO	3	3	10

Zensar is consolidating its moves in a challenging market through strong technology innovation guided by its Solution BluePrint (SBP), which has led to a dominant part of the 20 new customer wins this Quarter.

The quarter has also seen some significant project based customer accounts transition into annuity ODC accounts, further strengthening Zensar's focus on offshore business.

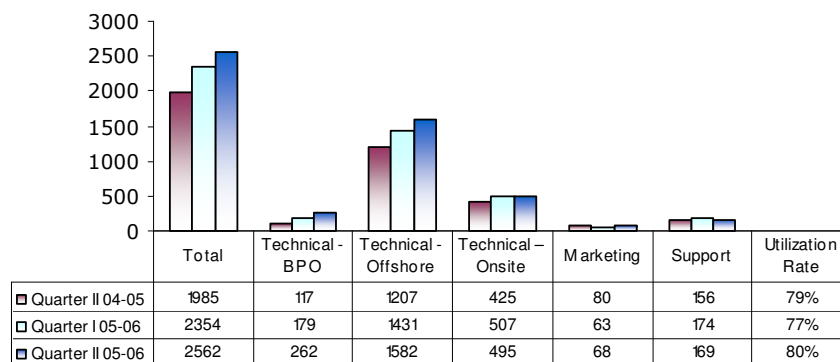
Customer Profile	Q I 05-06	Q II 05-06
Number of \$ 1 Million above Customers	17	18
Number of \$ 5 Million above Customers	4	5
Number of Customers with Dedicated ODC	10	13

Geography Wise Revenue	Q II 04-05	Q I 05-06	Q II 05-06
Americas	51%	48%	50%
Europe	33%	28%	24%
Rest of World	16%	24%	26%

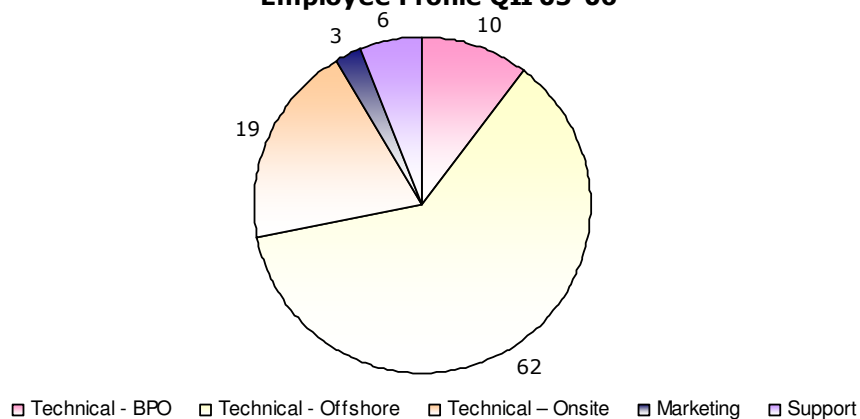
And continuing its expansion and growth strategy Zensar has now identified Hyderabad as its next delivery center after Shenzhen, China. The Hyderabad Center is set to commence operations by the end of the current financial year and will focus on execution of projects under Zensar’s innovative virtual delivery model as well as building its financial services practice.

On the people front, the employee strength increased from 1985 during the same period last year to 2562 in QII 05-06. There has been a significant increase in the technical offshore employee count and a decrease in the support staff.

### Employee Strength



### Employee Profile QII 05-06



About Zensar Technologies Limited ([www.zensar.com](http://www.zensar.com))

Zensar Technologies is among the top 25 software services provider from India. It is a joint venture of RPG Group, one of the leading industrial houses and Fujitsu Services of UK, a US\$4 billion IT services company. Zensar is the world's first enterprise-wide SEI CMM Level 5 Company and now a CMMI Level 5 Company with industry expertise that spans Banking, Finance, Insurance, Telecommunications, Utilities and Manufacturing. Zensar has more than

2550 employees with sales and operations presence across USA, UK, Germany, Sweden, Finland, Middle East, South Africa, Hong Kong, Singapore, Australia, Japan and China. The company delivers comprehensive services in mission critical applications, enterprise applications, e-business, call centers, BPO and Knowledge Services. The company has developed tools and methodologies, including the proprietary Solution BluePrint (SBP), that enable its clients with high-quality IT solutions and a rapid 'go-to-market' capability. The company supports Fortune 500 clients with software business solutions that help them compete in the digital economy.

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**Safe Harbor**

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