

Investor Update Q1 FY 06-07

Zensar's Growth Story Continues

Revenue jumps by 45% y-o-y and Profit up 274%

Pune, India – 28 July, 2006:

Zensar Technologies, the leading global software and BPO services provider has announced excellent results for the first Quarter of fiscal year 2006-07.

Financial Highlights

Consolidated Results for the quarter ended 30th June, 2006

- Revenue was Rs 137.78 Cr for the quarter ended 30th June, 2006; the Y-0-Y growth was 45% (Rs 94.93 Cr)
- Net profit after tax was Rs 14.68 Cr for the Quarter ended 30th June, 2006; vis-à-vis profit of Rs 3.93 Cr in the corresponding quarter last year
- Basic earnings per share has increased to Rs 6.25 from Rs 1.68 in the same quarter previous year

On the performance this Quarter Ganesh Natarajan, Dy Chairman and Managing Director, Zensar Technologies Ltd, said, "It is a year well begun as Zensar's growth story continues with intended profits achieved yet again this Quarter. The Quarter has seen us embark on new strategic engagements and make beginnings on significant alliances consolidating our capabilities in key services and verticals."

New services have been showing good traction with customer acquisition particularly in the space of Application Migration, Testing, Package Implementation and Domain led BPO. The Quarter saw the acquisition of 12 new customers, key wins among them being Application Support and Infrastructure Management for a healthcare and assistance services company in the UK; Application Modernization for a large UK retailer; Oracle implementation for a manufacturing company into electromagnetic, mechanical and control technologies in the US, and a number of other wins in the package implementation and application modernization space.

The only setback this quarter has been weak billing from the ITS SBU. Due to the accelerated completion of three large NRI projects to meet the client's own project pressures in March, a large team of over 150 resources deployed on the project have not been utilized for a major part of this quarter resulting in low billings and losses for the unit. However with new projects now commencing for Assurant and Fujitsu – ONCB and the shortage of trained people in the market, Zensar has found it prudent to carry these costs as an investment for the future.

Key business highlights of the Quarter for Zensar have been:

- Recent launch of Zensar's Business Intelligence and Data Warehousing practice to strengthen its Enterprise Application Services
- The Fujitsu Global Delivery Centre deal signed in March this year, has started on a solid note and has already scaled to a 100 resources
- Enhancing its vertical expertise Zensar also announced its strategic alliance with Enzen Global Solutions, a Bangalore based consultancy with expertise in the Energy and Utilities sectors, to help customers transform their business processes and focus on their core competencies
- 12 new customers added to Zensar's fold
- Employee Count for the Quarter ended 30th June, 2006 stands at 3100

"The Company maintains its guidance of Rs. 550 Cr Revenue and Rs. 50 Cr PAT for the year", said S Balasubramaniam, Chief Financial Officer of Zensar.

Operating Matrix pertaining to Global IT business			
Practices	% of	% Growth	% Growth
	Revenue	Y-o-Y	Q-o-Q
APM	56%	31%	12%
BPO	4%	312%	55%
EAS	28%	113%	17%
ITS	7%	-28%	-44%
Others	6%	78%	90%

Vertical Composition			
IT Services	% of	% Growth	% Growth
	Revenue	Y-o-Y	Q-o-Q
BFI	8.54%	46%	-3%
Retail	9.68%	85%	29%
Others	81.78%	41%	10%

Particulars	Q1FY07	Q1FY06	Y-o-Y	Q4FY06	Q-o-Q
(Rs. In lakhs)	Jun-06	Jun-05	Growth	Mar-06	Growth
Income	13778	9493	45%	12523	10%
Direct Cost	9160	6629	38%	8489	8%
Gross Profit	4618	2864	61%	4034	14%
<i>GPM</i>	34%	30%		32%	
Selling, General & Administrative Expenses (Opex)	2623	1946	35%	1915	37%
Operating Profit	1995	918	117%	2119	-6%
<i>OPM</i>	14%	10%		17%	
Finance Expenses	43	33	30%	42	2%
Depreciation	348	372	-6%	404	-14%
Other Income (net)	254	(12)		160	59%
Net Profit Before Tax	1858	501	271%	1833	1%
<i>PBTM</i>	13%	5%		15%	
Prior Period Expenses	-	-		166	
Provision for Taxation incl. FBT	389	118	230%	(44)	
PAT	1469	383	284%	1711	-14%
<i>PATM</i>	11%	4%		14%	
Exceptional Items				32	
Minority Interest	(1)	10		41	
Net Profit	1468	393	274%	1720	-15%
<i>NPM</i>	11%	4%		14%	
EPS (Rs.)	6.45	1.68		7.34	
Equity	2351	2338		2344	

About Zensar Technologies (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 3100 employees with sales and operations presence across US, 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, BPO and Knowledge Services. The company has developed tools and methodologies, including the proprietary Solution BluePrint (SBP), which enables its clients with innovative business 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

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.
