

## Zensar Continues Profitable Growth in Second Quarter

### **Revenue jumps by 50% y-o-y and Profits up 175%**

**Pune, India – 16<sup>th</sup> October, 2006:**

Zensar Technologies Ltd, the leading global software and BPO services provider has reported strong year on year growth in its working results for the second quarter of 2006-07, with its integrated IT-BPO strategy continuing to provide good customer traction in all markets.

#### **Financial Highlights**

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Consolidated Results for the quarter ended 30<sup>th</sup> September, 2006

- Revenue was Rs 148.72 for the quarter ended 30<sup>th</sup> September, 2006; the Y-0-Y growth was 50% (Rs 99.35 Cr)
- Net profit after tax was Rs 12.09 Cr for the Quarter ended 30<sup>th</sup> September, 2006; vis-à-vis profit of Rs 4.40 Cr in the corresponding quarter last year

Zensar this Quarter has made an addition of 14 significant customers to its portfolio. New services continue to bring in new business, especially in the areas of Package Implementation and Testing this Quarter. Key wins from the 14 new customers, include testing wins for a large German automotive manufacturer, and a British Executive Agency managing most of the prisons within England and Wales. The Retail client list increases with another British retailer, specializing in products for expectant mothers and in general merchandise for children.

#### **Key business highlights of the Quarter for Zensar have been:**

- Expanding its southern India footprint, Zensar has launched its alternate delivery center in Hyderabad, which is fully operational now. The Hyderabad center would ramp up the Financial Services vertical, Business Intelligence and Datawarehousing and Oracle Apps practice teams. It would also serve as the Innovation Hub for the Global Delivery Platform.
- Zensar has expanded its commitment to the UK and Europe with the opening of its European headquarters in Slough, Berkshire. This latest expansion in the UK emphasizes our commitment to the market and to growing what is already an impressive blue-chip customer base
- Formally announced the launch of its Pharma Consulting Practice, focusing on efficient and cost-effective solutions for the Pharmaceutical Industry, offering customers best practices in Compliance, Enterprise Solutions and Technology Advisory Services.
- Zensar named in KM World's Prestigious List of '100 Companies that Matter' for 2006
- 14 new customers added to Zensar's business landscape
- Employee Count for the Quarter ended 30<sup>th</sup> September, 2006 stands at more than 3230

The Management has reiterated its guidance of Rs 550 crore plus revenue and Rs 50 crore plus PAT for the full year.

As part of its risk mitigation strategy, the Company enters into forward contracts and options to hedge the foreign currency risk. In the current year the Company has also entered into contracts to hedge highly probable forecasted transactions. As of 30<sup>th</sup> September 2006, the Company had entered into option contracts to sell US \$ 19.15 mn and GBP 1.65 mn relating to its future forex receivables. Pending issuance of a standard by ICAI, the Company has decided to follow the principles laid down in International Accounting Standard 39 and accounted for a loss of Rs 2.76 cr being the effect of mark-to-market of these option contracts.

Particulars	Quarter ended Sep 30		Growth (%)
	2006	2005	
<b>INCOME</b>			
Software services, products and business process management	14872	9,935	
<b>TOTAL INCOME</b>	<b>14872</b>	<b>9,935</b>	<b>50%</b>
Software development and business process management expenses	9789	7,008	<b>40%</b>
<b>GROSS PROFIT</b>	<b>5083</b>	<b>2927</b>	<b>74%</b>
Opex	3275	1,963	<b>67%</b>
<b>OPERATING PROFIT BEFORE INTEREST, DEPRECIATION &amp; AMORTISATION AND BEFORE MINORITY INTERESTS</b>	<b>1808</b>	<b>964</b>	<b>88%</b>
Interest	43	39	<b>10%</b>
Depreciation and amortisation	385	376	<b>2%</b>
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION &amp; AMORTISATION AND BEFORE MINORITY INTERESTS</b>	<b>1380</b>	<b>549</b>	<b>151%</b>
Other Income	245	93	<b>163%</b>
Non Operating Expenses	-	-	-
<b>NET PROFIT BEFORE TAX AND MINORITY INTERESTS</b>	<b>1625</b>	<b>642</b>	<b>153%</b>
Provision for Taxation	418	157	<b>166%</b>
<b>NET PROFIT AFTER TAX AND BEFORE MINORITY INTERESTS</b>	<b>1207</b>	<b>485</b>	<b>149%</b>
Exceptional Items	-	-	-
Prior Period Item	-	52	-
Minority Interests	2	7	<b>-71%</b>
<b>NET PROFIT AFTER TAX AND MINORITY INTERESTS</b>	<b>1209</b>	<b>440</b>	<b>175%</b>
<b>EARNING PER SHARE*</b> (Equity shares,per share Rs10/- each )			
Basic	5.13	1.88	<b>173%</b>
Diluted	5.07	1.85	<b>174%</b>

<b>REVENUE BY GEOGRAPHICAL SEGMENT</b>		
	<b>Quarter ended</b>	
<b>Particulars</b>	<b>30-Sep-06</b>	<b>30-Sep-05</b>
	<b>%</b>	<b>%</b>
USA	51%	50%
Europe	28%	24%
Rest of the World	21%	26%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>REVENUE BY SERVICE OFFERING</b>		
	<b>Quarter ended</b>	
<b>Particulars</b>	<b>30-Sep-06</b>	<b>30-Sep-05</b>
	<b>%</b>	<b>%</b>
APM	54%	61%
BPO	4%	2%
<b>GOS</b>	<b>59%</b>	<b>63%</b>
<b>EAS</b>	<b>28%</b>	<b>19%</b>
<b>ITS</b>	<b>7%</b>	<b>14%</b>
<b>Others</b>	<b>7%</b>	<b>4%</b>
<b>Total Services</b>	<b>100%</b>	<b>100%</b>
<b>REVENUE BY PROJECT TYPE</b>		
	<b>Quarter ended</b>	
<b>Particulars</b>	<b>30-Sep-06</b>	<b>30-Sep-05</b>
	<b>%</b>	<b>%</b>
Fixed Price	38%	43%
Time & Materials	62%	57%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>REVENUE BY INDUSTRY</b>		
	<b>Quarter ended</b>	
<b>Particulars</b>	<b>30-Sep-06</b>	<b>30-Sep-05</b>
	<b>%</b>	<b>%</b>
Telecom	28%	30%
Manufacturing	20%	17%
Retail	11%	6%
Insurance, Banking & Financial services	10%	18%
Utilities	7%	5%
Others	24%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>CLIENT DATA</b>		
	<b>Quarter ended</b>	
	<b>30-Sep-06</b>	<b>30-Sep-05</b>
Active Clients	174	104
Added during the quarter	14	20
Number of Customers		
Upto U\$ 0.5 MN	141	79
U\$ 0.5 MN to U\$ 1 MN	12	7
U\$ 1 MN to U\$ 5 MN	15	15
U\$ 5 MN to U\$ 10 MN	3	1
U\$ 10 MN to U\$ 30 MN	3	2
Revenue- top client	27%	27%
Revenue- top 5 clients	57%	50%
Revenue- top 10 clients	70%	66%
Repeat business		
Account receivables (in days)	69	70
<b>EFFORT AND UTILIZATION</b>		
	<b>Quarter ended</b>	
	<b>30-Sep-06</b>	<b>30-Sep-05</b>
<b>Revenue</b>		
Onsite	58%	55%
Offshore	42%	45%
<b>Utilization</b>		
Including trainees	75%	80%
<b>PERSON DATA</b>		
	<b>Quarter ended</b>	
	<b>30-Sep-06</b>	<b>30-Sep-05</b>
Technical - Onsite	686	495
Technical - Offshore	1887	1623
Technical - BPO	377	262
Marketing	80	49
Support	207	133
<b>TOTAL</b>	<b>3237</b>	<b>2562</b>

INFRASTRUCTURE (as on Sep 30, 2006)					
	Completed		Work in Progress		Land acquired during the Qtr (acres)
	Built-Up Area (Sq Ft)	No. of Seats	Built-Up Area (Sq Ft)	No. of Seats	
<b>Zensar Pune</b>	<b>343657</b>	<b>2995</b>	<b>0</b>	<b>0</b>	<b>0</b>
Campus A : Kharadi					
<i>i} Development Centre</i>	171200	1311	0	0	0
<i>ii} Corporate Block</i>	41772	153	0	0	0
Campus B: IT Tower	93085	1041	0	0	0
Campus C: Orion	37600	490	0	0	0
<b>Zensar Hyderabad</b>	<b>19800</b>	<b>200</b>	<b>19800</b>	<b>250</b>	<b>0</b>
<b>INDIA TOTAL</b>	<b>363457</b>	<b>3195</b>	<b>19800</b>	<b>250</b>	<b>0</b>

About Zensar Technologies ([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 Retail, Manufacturing, Banking, Finance, Insurance, Telecommunications, Utilities and Pharma. Zensar has more than 3200 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.