



“Zensar Technologies Limited Q1 FY-15 Earnings Conference Call”

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Moderator

Ladies and gentlemen good day and welcome to the Q1 FY15 Earnings Conference call of Zensar Technologies Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing ‘*’ then ‘0’ on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Ganesh Natarajan – Vice Chairman & CEO of Zensar Technologies. Thank you and over to you, sir.

Ganesh Natarajan

Thank you very much and good morning to all of you. I have with me on this call Bala who is our CFO; Nitin Parab who is the Chief Executive of our Enterprise Applications Business and he is based out of California, USA. Ajay Bhandari who is our Head of Strategy & Corporate Development and Sanjay Rawa who is our Financial Controller.

So what I propose to do is to make a brief opening statement talking about the numbers and the growth areas and we will then open the call to questions after asking Nitin and Bala to make their comments.

To begin with all of you would have seen the numbers. We have had a good quarter in terms of revenue growth not only have our US Dollar revenues grown overall by 3.8% quarter-on-quarter and 6.6% year-on-year but we have also seen good growth in all businesses. In fact the applications business grew by 4.6%; the Infrastructure Services business grew by 2.5% and the Products and licenses business which is something we want to keep at a subdued level grew by 1.5% which is completely in line with the kind of growth we are looking at and of course going forward and I will talk about that we expect the IM services business to grow positive in the quarters to come.

The Indian Rupee growth while being positive has obviously been impacted by the Rupee appreciation in this quarter. So just to comment briefly on the two segments the enterprise applications business continues to demonstrate very good growth across all the regions. In fact Nitin has got a very successful quarter with his team and has clocked 6.3% quarter-on-quarter growth in dollar terms. In particular our largest market, in US has witnessed a growth of double digits year-on-year. I had mentioned in my last analyst call that we are witnessing strong order book in all territories and if you go around the world right from US to Europe to UK to Africa to India we have seen good materialization of the order book in to revenues, even India has demonstrated an impressive growth rate of 11.4% in Rupee terms over the last quarter. So clearly many of the initiatives we had taken last year to build a very strong capability in some areas have begun to bear fruit.

Our focus vertical continues to be manufacturing, retail and distribution and within that I think we have a very good story in both Oracle and SAP. Oracle of course is a main stay for Zensar and we have been a platinum partner of Oracle worldwide for quite some time and today with Oracle E-Commerce, Fusion Middleware and multiple R12 implementations which are the core

of the Oracle business, this is helping us to penetrate both new accounts and win additional business in existing accounts. Our domain expertise is further being strengthened in manufacturing and retail and also in insurance and we continue to invest in deepening these capabilities.

The objective being of course the customers view us as a solutioning company and in fact we are now embarking on multiple intellectual property creation projects also supplementing that with the Digital Transformation initiative which has begun to show good results for us. So we are now seen as more of a solutioning company focusing on business outcomes for our customers rather than what used to be a pure play services company. We have very recently hired a very senior person called Stacey Shulman, CIO of one of the large retailers in the US. So she now heads our Retail practice in America and we will continue bolster our existing capacities in other verticals through similar people investments.

As regards to profitability the PAT has shown a positive growth of 1.3% quarter-on-quarter. Our gross margins were down quarter-on-quarter to 27.2% from 30.6% and we were impacted negatively due to three reasons. One of course is the rupee appreciation which was the primary reason. Secondly, we had large projects starting in South Africa for which we had done a lot of hiring in April and unfortunately because of visa delays these people stayed on the bench for almost three months. They have now started moving with the visas being cleared. So that had an impact. Thirdly, in case of one of our very large client, we had a delay in project commencement again where the team had been ramped up but the project was started only after seven weeks so that again had an impact on profit.

So both the delay in a large client project and the South Africa delay in sending people have had a onetime impact in this quarter which of course will not be repeated in the next quarter, the only thing that of course we cannot predict is currency fluctuations but apart from that the business looks good.

Moving to the Infrastructure Management front which we have discussed and as all of you know means we have had a slow period for four to six quarters where we were turning around the business but we continue to rebalance our portfolio in favor of the high margin areas. Dual shore services and Total Infrastructure Outsourcing including cloud services now contribute 33.3% of IM revenues which is up from 30.2% from the previous quarter and 29.97% in FY14. We are also greatly encouraged by the successful percolation of IM dual shore services in to our applications customer base leading to close to 22% quarter-on-quarter growth for IM services from the applications customers. So it is really being sold well on both sides of the spectrum.

The volatility in Product revenues of course will remain a concern because as in any other Products business most of buying happens probably in the last week of every quarter. However, our efforts are on to bring more Product creditability in Product revenues and we are on track to

achieve an average of \$8 million to \$9 million run rate per quarter in the Products business without trying to grow it too much.

In addition to the portfolio rebalancing efforts we have started cost optimization initiative across the IM business in the last quarter of FY15 and we are moving more and more support functions offshore in order to increase the profitability in this business. I am happy to state that we have seen success in these initiatives with every month of the first quarter clocking better profitability and I would expect to see that the next quarter we will see the full impact of that.

So today we have a lean cost structure in place not only in the applications business but also in the IM business and I think we will continue to see improved profitability in the IM business every quarter in the rest of financial year.

To summarize – it has been an excellent quarter, in fact very encouraging, because there is all round growth in every territory and in every area of Zensar. On the IM business we are pleased with the degree of success we have had in changing the mix and are on the path to improve profitability. We continue to be one of the few companies in our industry which has a very balanced portfolio between the ERP business; the Application Management business; the Infrastructure Management business and with a strong focus on Digital Transformation. We intend to maintain this balanced capability going forward while focusing on further strengthening our position in MRD and Oracle which are our chosen areas of strength.

As mentioned earlier we are further sharpening our vertical capabilities to be the business partners of choice with a robust pipeline and today with a very good pipeline across both Infrastructure and Enterprise businesses, I think we are extremely well positioned to have a good financial year 2014-15.

So this is really I think a note of optimism for this quarter and beyond and I will ask Nitin Parab as I said he is the Chief Executive of our Enterprise Businesses to comment on the excellent quarter for all his regions and verticals that we have and then ask Bala to comment with any financial numbers that he would like to have.

Nitin Parab

Thank you Ganesh. Good morning everybody. As Ganesh mentioned in the applications business we have had an excellent quarter. From my perspective there are four key reasons why we have been able to show this growth. The first one very clearly is you had heard me talk about the big deals focus that we have had over the past four quarters and many big deals got signed in the last two quarters and a lot of revenue flow which has come in Q1 has been the consequence of these large deals that we have signed, primarily in US and in Europe. The second main reason is the focus on doing more with our existing customers which is something which was under leveraged before, which is demonstrated by the fact that selling IM services to our existing customers has accelerated. The Oracle applications that we have been engaging with have been extended now to the EDGE applications. A lot of work is ongoing in fusion applications, fusion middleware and we are continuing the mining in the Oracle area.

Two other areas that we started about two quarters back have also started showing results. One is in the digital enterprise space so lot of work around the whole cloud, mobility with the existing set of customers and finally the Product engineering which is an adjacency that we wanted to start addressing with our manufacturing customers, even that has started bearing results.

The third reason is as in the last two quarters we have had challenges in the emerging markets. This quarter, we saw good growth for us in the emerging markets and for us this has been a big turnaround and finally what is something Ganesh also eluded to which is the focus not only on the service delivery excellence but also looking at domain led business outcomes which is really what creates a differentiation.

So I think these are the four key reasons because of which we have had a very good quarter. In terms of the new order book that we have had in Q1, even that has been good and therefore we feel that this growth will continue over the subsequent quarters. Thank you.

Ganesh Natarajan

Bala, would you like to add?

S. Balasubramaniam

Thanks Nitin. Good morning to all of you. I will give you some data points which I normally do at the beginning of the call for those of you who are interested. As of 30th June the loan outstanding in our books is \$18 million that is between March and June we paid off another \$6 million. So the outstanding in our books is \$18 million approximately translates to about Rs. 108 crores. The cash on hand is Rs. 309 crores so approximately we have Rs. 201 crores of free cash. The Forex cover is about \$28 million which is roughly about 38% of our dues just \$73 million at the rate of 64.44. Our CAPEX for the quarter is about Rs. 7 crores. If there are any other further questions, we will take them as we move along. Thank you.

Moderator

Thank you very much, sir. Ladies and gentleman, we will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on your Touchtone telephone.

The first question is from the line of Abdul Karim from Narnolia. Please go ahead.

Abdul Karim

How are you progressing on the metrics as you kind of roll out inside of your verticals and various businesses? Do you track it on a customer basis and how optimistic do you feel about being able to make robust business out of this?

Ganesh Natarajan

If you look at the metrics of roll out which we measure primarily across the vertical business units, i.e., across manufacturing, finance and insurance, they are equal. Of course the business profitability is always highest in the US, because US is our principle market. But again if you look at the profitability metrics in Europe, we are now scaling very fast, doing work both with government organizations and the private sector. In fact in the last few days we have signed good deals in continental Europe in the private sector.

So I think that is scaling. The weak profitability areas have always been India and Asia, and India and Asia today account for less than 2% of our business. In terms of the verticals I think they are all tracking at similar revenue growth and profit metrics and the territories as I mentioned and Nitin also mentioned are growing well and we have taken a conscious decision that any territory which cannot grow in double digits and which is not profitable we will exit during the year and I think at this point of time it looks like each one of them will meet that number. So I think overall it has been good across all verticals and regions.

Abdul Karim

And one thing more. What are the contributions from the emerging markets?

Ganesh Natarajan

If you look at Africa; Africa contributes nearly 8% of our revenues whereas US is 75% and Europe is 11% and the rest of it which is hardly 5% comes from a combination of what we do in Australia, Middle East which includes UAE and Saudi Arabia and India. So I think these are the emerging markets where we do other work. And those are small and as I mentioned less profitable but the profitability profile with the contribution of emerging markets is probably around 4% to 5% of this. We do not count Africa as an emerging market, for us it is a matured market.

Abdul Karim

And could you give us the total order pipeline in the various businesses of yours and any such large deals in the pipelines and now which you are expecting to close in the next one to two quarters and how its growth basically happen in the next year?

Ganesh Natarajan

If you look at significant orders in the pipeline is almost \$250 million plus, in fact the total order pipeline is close to \$400 million but large orders are roughly 55% in the IM area and 45% in the Enterprise Applications area. So this is probably the best order pipeline we have ever seen. It kind of reaffirms my confidence that the markets are there, and in fact for anybody who can offer good end-to-end solutions in chosen verticals, I think there is clearly a market. So it is an excellent pipeline to meet our own internal targets for the year we probably need to close if you look at new business probably another \$30 million to \$40 million of business, which is not a problem at all and the existing traction with the existing clients as well as the orders we have already signed and how they will convert in to revenue dollars is very much there.

Moderator

Thank you. The next question is from the line of Dipen Shah from Kotak Securities. Please go ahead.

Dipen Shah

Just wanted to confirm Ganesh, you said that the quarter was impacted because of delays in a couple of orders one is in South Africa whereas the other one was a large order. So just wanted to get a sense despite this you have grown at about 3.8% in dollar terms. So if these orders were actually signed and they were delivered on time or they are started off time how much would have been the growth in this quarter?

Ganesh Natarajan

See Dipen, it is difficult to speculate but as I said the delays were only for instance in the South Africa case we could not send people during the quarter so that was one reason for the cost

escalation and with an impact on margins. In the case of that one client it was not so much a delay in projects starting but it was just a question of I think six weeks delay and it is started in the middle of May so we really had impact in April. So it is difficult to speculate but I guess if you look at the 4.6% growth in the applications business that probably could have been 5.0% to 5.3% if everything had happened on time. But there will always be some delays. So I am just saying that those are not likely to repeat in this quarter or subsequent quarter.

Dipen Shah

And in terms of the profitability how much has been the one time impact anything in this quarter because the margins as you said are down but anything one-time which was there in this quarter which would not be repeated in the next quarter?

Ganesh Natarajan

I think both these had impact on margins obviously because the minute you have people available for a project and it does not translate in to revenues it impacts margins, thus both the Africa case and the client case had an impact on margins. So my expectation is that at least we are almost one month in to the new quarter we do not see that repeating in this quarter. Of course this quarter we will see some impact of salary hikes that we have to keep in mind but apart from that in terms of the business there is nothing likely to impact either in the IM business or in the enterprise business.

Dipen Shah

And how much is the salary hike which we are proposing?

Ganesh Natarajan

Roughly it will be about 7% to 7.5% in offshore and about 1.5% in onsite.

Dipen Shah

And that should have about 150 to 200 basis points impact on margins?

S. Balasubramaniam

It will be slightly less than that.

Moderator

Thank you. The next question is from the line of Kavita V from Nirmal Bang. Please go ahead.

Kavita V

Sir, I missed the IM growth number. What was the growth in IM in this quarter?

Ganesh Natarajan

See IM if you look at the true size of the business that is the Infrastructure Management services which is our focus area that grew by 2.5%.

Kavita V

This is QOQ?

Ganesh Natarajan

Yes QOQ absolutely. But remember the IM is sold by both the enterprise team and the IM team. So cumulatively the services has grown by 2.5% and the Products & licenses has grown by only 1.5% which is line with what we want because we want to keep the Products which is the low profit part of it at a lower level. So I think it is tracking as to what we were going to do and what I said in the early part of this call is clearly we want the IM business also to start growing above 3% per quarter and I think the pipeline gives us the confidence that those services growth will also happen as we go along.

- Kavita V** Sir, I just wanted your view on the margins for a longer time frame let us say for the next two, three years time frame how do you see margins coming up?
- Ganesh Natarajan** Margins in terms of our growth definitely I mean even if you look at the last 10 years our revenues have been tracking at 21% CAGR and profits at 20% CAGR. So margins will definitely grow in line with revenues and we are looking at significantly higher revenue growth not only this year but even for future years. The only thing we can never predict is the currency impact, but apart from that I think we have a lot of initiatives in place which are ensuring that there is higher utilization and better use of freshers. We are also focusing on lot on building intellectual property led solutions. So all these will have positive impact on margins and as I said earlier also last year we came back to a (+10%) in PAT terms this quarter has been lower because of the impact of gross margins. But clearly our goal is that we will continue to improve margins even inspite of cost increases, etc., over the next three years. Bala had something to add here.
- S. Balasubramaniam** See basically we are working towards a double digit PAT which we did last year and moving forward it is a combination of mix cost efficiencies and also which I had shared with the analysts on tax optimization. Now if you really look at the tax percentage this quarter it was 27.8% and if you compare it to the same period YOY first quarter was 34.3% and I had kind of indicated to the analysts that we are working towards tax optimization in a very phased manner and I am glad to say that some of those results have started showing up. So it is a combination of market mix, services mix, cost optimization, tax optimization and it is our own endeavor to move to 10% to about 12% to answer your question about two years' time from now.
- Kavita V** And sir, the final question. Sir, how comfortable are you like in as of today that you can beat NASSCOM guidance for the year?
- Ganesh Natarajan** See the NASSCOM guidance is not really what we are pressing on. We have a significant growth quarter and as you can see the Enterprise business has already grown 3.8% quarter-on-quarter in the first quarter and I am fully confident that the Infrastructure Management business will grow even faster in future quarters. So I think we are very confident of what we are setting out to achieve because we may cross NASSCOM guidance whatever the guidance is by the end of the year I do not want to comment on but definitely we will grow extremely well compared to last few years where we had problems with the IM business.
- Moderator** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth** On margin front just to take it forward how do we see improvement in IM service as well as EAS both, what are the major margin improvement drivers?
- Ganesh Natarajan** If you look at IM Mr. Bharat, what you will see is both as I mentioned we have taken some cost reduction measures. For instance we have what we call sales support executives in the US

which was the original model. We have now setup a team in India so that has been offshored. Similarly some of the support services business including IT as well as finance has been done from shared services center in India. So lot of these happened during this quarter which will have a further impact on reducing the cost.

In the maintenance business in IM we have a certain spare stocking plan, in fact we have a full warehouse for spares both in Northborough which is in US, and a place called Veenendaal which is in Holland. So with those we are reducing the stocking levels so that we can meet the service levels without having unnecessary extra stock. So that is another cost reduction method. In terms of revenue I think as I mentioned earlier we have focused on services. Services has the highest margins, so if you look at services both the dual shore Infrastructure outsourcing services as well as the what we call multivendor support which is for existing data centers and equipment installed have higher margins.

The lowest margin area is Products and as I mentioned earlier we are trying to make sure that Products stay within \$8 million to \$9 million per quarter. So given that I think you will see that the profitability of revenues that we book in the quarters to come will be better. The cost line would also be lower which is how the expansion of margins will happen.

As far as the enterprise business is concerned our focus as I mentioned is on reusable intellectual property which is the solutions part of the business as well as newer and higher margin areas like Digital Transformation.

So I think these high value drivers including e-commerce for retailers will drive the margins upwards. So we are fairly confident on the service mix and the Product mix we have chosen which will improve margins plus we will continue to push on costs to make sure that even the salary increases we give will be compensated by better utilization and better people productivity by the fourth quarter. So that is what we normally do and there has been a good track record in maintaining our profitability.

Bharat Sheth

So just taking it further the reusable and this new emerging technologies, so each of them is contributing how much to top line last year, where do you see this year and going ahead in couple of years?

Ganesh Natarajan

The Digital Transformation area which includes new areas like Social Media, Mobility, Cloud, etc., contributed close to \$20 million last year and we expected to contribute upwards of \$30 million this year so that is almost as you can see a (+50%) growth. So that will happen. And in terms of the intellectual property just to give you an example in each of our four verticals we have actually created three solutions in each verticals including things like what is called omnipresent retail, where a customer can do purchasing literally from the mobile phone, from the computer or from the store and similarly in each one of the areas like in Insurance, in Banking we have created solutions. These solutions are being taken to the market and that is the areas which we would expect and I had mentioned this before that IP led sales should

contribute by 2017, 15% of our business. Right now it will be about 5%. So I think the huge growth possibilities in intellectual property like sales as well as in the Digital Transformation area is what will drive the margins upwards in this business.

- Bharat Sheth** And Bala, for current year since in first quarter we have around 28% tax rates so full year where do you see I mean in this year and next year?
- S. Balasubramaniam** Bharat Bhai, my endeavor is to hover between 27% and 28% and it obviously will be based on combination of what are the new orders and how we execute offshore to onsite but I am reasonably confident it should be about 28%.
- Bharat Sheth** This year and next year where do you see?
- S. Balasubramaniam** Moving further down to 27%.
- Bharat Sheth** And on CAPEX side full year where do you expect?
- S. Balasubramaniam** Full year it will be around Rs. 40 crores.
- Bharat Sheth** And Ganesh, is there now anything we are moving closer for inorganic acquisition side?
- Ganesh Natarajan** No, as I said we are still open to good acquisitions in e-commerce because e-commerce is part of Digital Transformation area. We are currently looking for small acquisition opportunities particularly in the SAP area in Germany and Switzerland because we have as I mentioned in earlier in this call we have signed some good deals in Continental Europe. None of the growth projections that I mentioned include a necessary acquisition. But if we get a good company in the \$30 million to \$50 million range we will definitely look at acquisitions. So I think that is kind of watch list we can create and that is something that we will definitely look at but as I said it is not imperative but very much part of our growth strategy even going forward.
- Bharat Sheth** Is there anything close by on the acquisition side or we are still nothing in pipeline in one or two quarters?
- Ganesh Natarajan** No, there is definitely a pipeline but as you know the matching has to be correctly done and it will be difficult for me to say whether it is goes or not but we are talking to a few companies and as soon as something begins to look promising we will meet to our board and take it through. At this point of time there is nothing been closed imminently.
- Bharat Sheth** And so what is your view on domestic side I mean India story, so far I mean in last year was pathetic, now e-governance and all lot of talks are going on so are we seeing something on the hitting to the ground in near future and how we will we are prepared to use our leverage?
- Ganesh Natarajan** No, very much true but they have always had faith in the Indian market like every other company we were slow last year because nothing much was happening in terms of spending

either in the private sector or in government. Today we see good signs because with one of our very large assignments that we are doing in electricity distribution which is almost \$10 million contract we had signed two years back, there is a follow up deal of close to \$2.5 million that we are signing with them and that is in the public sector. Similarly private sector we continue to do well in SAP which is one of our focus areas for India.

So my belief is that the market is good. We have a new leader for our Indian operations who has already turned in a good revenue growth this quarter and it is profitable. So given that I think there is confidence that while the profitability may not be as high as the western markets it will still be a good market. So we will continue our focus on both India and Middle East and make sure that they are profitable and they grow double digit which is what I mentioned in the call. So definitely the focus is not lost on the Indian market.

Moderator

Thank you. The next question is from the line of Hitesh Zaveri from Birla Sun Life. Please go ahead.

Hitesh Zaveri

Ganesh, the question is most of my questions are answered both in the area of margin management as well as the acquisitions. Just may be a last point would be on focusing on many of the large ticket items. So for years together we have been seeing in a strong correlation in the North America corporate profitability growth and how the Indian IT services has been growing. And in that context obviously the US corporates are doing exceedingly well. I am just wondering whether many of the big ticket client acquisitions and also you did deal with the topic of acquisitions but may be the time is right for have some renewed vigor with regard to growth in the US. So your thoughts on that would be useful?

Ganesh Natarajan

Hitesh, you are absolutely right and we see a very strong signs in the US market. Well, these are especially in the Manufacturing and Retail space. I think there has been substantive spending beginning to happen. But fortunately I think I had mentioned earlier that we have hired this very senior person called Stacey Shulman who has joined us last quarter. We are looking for somebody who comes in with a very strong understanding of the new concepts of manufacturing and marketing. So I think we will continue to grow at organically. So in US we currently do not have any plans for a follow on acquisition. If at all as I mentioned earlier if we get something very significant in the e-commerce space which helps our MRD story, Manufacturing, Retail and Distribution. But I think we are doing right organic investments. The US region has grown by double digits sequentially in the Application space. So there is a lot of confidence that it will continue to grow in spite of the fact that one or two large clients we have may not grow at the same pace but the new business booking is very good; the traction with the existing customers were good. So I do not see a reason to be only focusing on acquisition but if the acquisition opportunity is there we will certainly do that.

Hitesh Zaveri

And actually I also had probably some thoughts about the client acquisition and that context more about because you do have many of the highly scalable opportunities but that is where you have invested for a long time now and your practice are matured or rest of the even many

of the SMAC capabilities that you have. I am just wondering whether adding largish client with bigger deals is so many of the midcap firms and the fact that Zensar has pretty good experience in dealing with large clients and engaging in \$(+10) million engagements. So I was just wondering how are those initiatives playing out?

Ganesh Natarajan

No, very much so. In fact both in our partnerships with some of the large ISVs there we see good opportunities of \$(+10) million deals plus in terms of pipeline with customers who are now looking at end-to-end whether it is total Infrastructure outsourcing or the combination of ERP solutions plus Digital Transformation. I think the opportunities are very much there you are absolutely right. Our ability to scale in terms of starting with a larger order book or orders that we got from our customers and we have experienced in the past is very much there. So I think that is definitely part of our plan. And Nitin, you want to add to this?

Nitin Parab

Certainly and as I had mentioned in my note that a lot of growth that one has seen in the US there is a double digit growth that Ganesh referred to has been a consequence of the large deals that did get signed in the last two quarters and what Ganesh also mentioned in terms of overall \$400 million of pipeline a large portion of that pipeline comes from the larger deal constructions which is where we are taking the integrated solutions both applications and IM put together with the Fortune 500 customers.

Hitesh Zaveri

So that is helpful. And Bala, actually most of the questions pertaining to the profitability management all that is I am sure we have discussed in great detail. Just I will put a question with regard to realization improvement or the pricing improvement. I am just wondering if there is over next six to twelve months is there a possibility of any uptake there?

S. Balasubramaniam

Absolutely I mean that has always been our focus as one of the many measures of cost effectiveness we are very clued in on to the renewals whether it is the old contract or in the newer contracts we are ensuring that we do have a clause of pricing linked to our cost of living indices. So at all the newer contracts which keep coming up we are always pushing for and that is always been our endeavor of not only the client selection but also the margin improvement and the quality of revenue. And this has always been a strong focus area for Zensar.

Moderator

Thank you. The next question is from the line of Abdul Karim from Narnolia. Please go ahead.

Abdul Karim

Ganesh, during the quarter business from alliance and other segments declined by almost 12% to 13%. Please put the close on the same and any ballpark number of or growth number can you suggest for next couple of quarters?

Ganesh Natarajan

See the alliances business is the kind of work we do in Infrastructure Management where we partner with let us say the likes of IBM and Fujitsu and we will work with them on multivendor support services. So that varies from quarter-to-quarter and that is one part of our business. So if it is alliances lead I think it will probably you expect there will be a 5% fluctuation in quarter-on-quarter in this. Ajay, you want to add to that?

- Ajay Bhandari** Yeah, just one point. So as part of the margin improvement in the Infrastructure business so we look at some of the contracts that were kinds of loss making so we had to terminate some of them that kind of explains partially the decline in the alliances business.
- Moderator** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.
- Ganesh Natarajan** Thank you very much and again thanks to all for your continued support. And again to summarize we have seen as I mentioned earlier for the few quarters of tough turnaround in the IM business. Today there is confidence that we are tracking well on all parameters. As I mentioned earlier the team is full of confidence that this year on all regions, all parameters, all services we can do well and that is slowly we will continue to work in the foreseeable future. So again thanks very much for being on this call. Thank you for your support and we look forward to better times ahead. Thank you.
- Moderator** Thank you very much members of the management. Ladies and gentleman, on behalf of Zensar Technologies that concludes this conference. Thank you for joining us and you may now disconnect your lines.