"Zensar Technologies Q2FY16 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Zensar Technologies Limited Q2FY16 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 and CEO of Zensar Technologies. Thank you and over to you sir.

Dr. Ganesh Natarajan: Thank you very much and good afternoon to all of you and thank you for coming onto this call. As a matter of coverage I would say that it has been an excellent quarter for us and I will walk you through some of the reasons and outcomes of this quarter, then request Bala to add some data that he normally does. Then Pinaki Kar who is the Chief Executive of Infrastructure Management will very briefly talk about his business. Nitin Parab, who is our Chief Executive for Enterprise applications, will talk about both what we are doing in digital and what is the future of his business and then of course we will open it up to any questions.

All of you would have noticed that this quarter has been excellent for Zensar, probably one of the best quarters we have had. In terms of sequential growth we had a 7.4% growth in revenues and a 20.1% growth in profits. Even on a year-on-year basis it has been 16.8% growth in revenues and 35.7% in profits.

On a constant currency basis our revenues have grown 5.6% sequential quarter and PAT for Q2 was 12.1%, so overall very good. If you look at the revenue mix of the quarter, this quarter our top five customers have contributed 37% to revenue, top 10 customers contributed 47%. Onsite offshore revenue mix is 63-37, so that is one area where clearly there is a scope for improvement as we do more and more offshore services. Client mix we still have over 64 clients who are into 1 million plus categories and that is again heading in the right direction. If you look at the revenue mix by geography obviously US continues to be the most significant geography for Zensar with almost 74% of our business coming from there.

By industry, largely the focus is still on MRD – Manufacturing, Retail and Distribution, though our Insurance business has done extremely well. In terms of services continues, it continues to be a combination of AMS, Infrastructure Management and some products. As I have mentioned many times we are trying to consciously downplay the products' impact on the business and we might even eliminate a large chunk of our products business for IM next year. By project type I think it is still largely a combination of fixed price and time and material – that combination has not changed much. If you look at the utilization and headcount parameters, at this point of time including trainees we have an 80% utilization, which is as good as we would like it to be – it has gone up 1% point from the first quarter.

Our headcount crossed 8000, so we are 8050 associates as of end of this quarter. If you look at the three key highlights of this quarter, one clearly has been Retail. As you know Retail has been one of our main focus areas and if you look at the entire end to end breadth of retailers, in fact we just signed a $12 million deal with one of the most significant retailers in the world which is to really build out their complete eCommerce capability. If you look at the commerce layer for all retailers apart from the traditional work they have done in Oracle, SAP, Microsoft in the application management, ERP, Infrastructure Management, BPM and SMAC; we are looking at this complete layer which starts with the Oracle Retail core and moves onto the new capabilities acquired through the acquisition of professional access, ATG and Endeca and it of course provides the full omni-channel for customers buying from any channel.

The two areas where I think we still need to strengthen are on one-side analytics - we do a fair amount of work in analytics but clearly it is an area where all of us in the industry are looking at scaling. The second is the whole area of design solutions which is user interface or UX. Both these are areas where potentially we will add more investment as well as may be if we get the right company we might go for an acquisition. So this is the breadth of Retail and it has been a good story because on a quarter-on-quarter basis revenues have gone up by 26% in the Retail business, year-on-year 31.8% and even PBTs have grown up very-very smartly and thanks also to a very good contribution by Professional Access - our acquired company- which had an absolutely outstanding quarter.

I mentioned Insurance earlier, it continues to be a good growth driver in spite of the fact that a lot of our Insurance business is in South Africa where there has been a 5% sequential devaluation of the ZAR which is the predominant currency. In spite of that we have had a revenue increase in rupees crores of 18.7% on a year-on-year basis and profits have gone up by 55%. So I would think that apart from Manufacturing and Retail, Insurance would continue to be one of our main stay.

The third highlight is the area of eCommerce and Oracle. I already mentioned that we have had a big win very recently- one of the largest retailers and the best known brands in the US. I am even more delighted by the fact that the IP or the intellectual property we had created called PARADE, which is rapid application and deployment platform for eCommerce, again on the Oracle platform, won its first win in Quarter 2 with a retailer in South Africa., We have also added large number of new logos in Oracle across all the territories.

So broadly if you look at these highlights; as I said the Professional Access success, the very strong growth in both Retail and Insurance, the strong success of Oracle where we are, I think, very confident of moving from what is today a platinum partnership with Oracle worldwide hopefully over the next couple of years to a diamond partnership; I think all businesses are scaling extremely well. Our digital and eCommerce strategy which we have been assiduously investing in for the last 18 months has proved to be absolute star and I think we are very well positioned vis-à-vis all our competition to be extremely good in this space. Close to 15% of our revenues in this quarter came from Digital and eCommerce. We are actually expecting it to scale to 20% by end of this year and that is going extremely well.

So let me ask Pinaki, who joined us this quarter after a very solid career with Wipro and now runs the Infrastructure Management business, I will ask him to talk a little bit about what he sees as what we are doing today and more important what is the future of the IM business.

Pinaki Kar: Thanks Ganesh. So what we are doing now is that we are building a next-generation Infrastructure Management Services organization. Taking cue from what Ganesh has told, in this digital and conversed age with the kind of movement we are seeing towards Cloud and mobility, we are building up an organization which actually is at the cutting edge of both system integration services for moving into the cloud – which is about handling the change in the business part of the client's portfolio – as well as running the operation in an effective, efficient and sort of a digital session for the tenure of the life cycle of those IPR sets, which is essentially the RUN part of the business. So it is a mix of CHANGE the business and RUN the business and that is getting enabled through an orchestration and an automation platform that we are building both in terms of creating our own IP as well as in partnership with the leaders in this space which will act as a differentiator for us going forward. And recently some credence that we have got for this approach is that we got included in the Gartner Magic Quadrant for North America in the Data Center and Infrastructure utilities services space and also there are various interesting engagements that we are taking both on the Cloud and the traditional IM Services area, which we think will become a steady growth driver for Zensar in the next four to six quarters.

Dr. Ganesh Natarajan: So for those of you who are aware of our IM business when we bought this company about 3.5 years ago it was primarily in three areas, it was in products, it was in what was called hardware maintenance, data center maintenance and a little bit of work in services. What we have done now is substantially scaled the services piece which is now 44% of our business and that is what Pinaki was mentioning that if you look at running new data centers it is going to be a combination of Multivendor Services and Remote Infrastructure Management. Over the last year and half we have actually also done a lot of work in transitioning to cloud, which is a changed part of the business. So the minute you have all three capabilities, the cloud part of it, Remote Infrastructure and Hardware Maintenance - which we will continue - we really do not need the products business. So probably next year, as I had said earlier, we will do very little in products but we will build this complete orchestration layer so that we provide a single pane of glass, you want Infrastructure Management right from whether it is hosted in the data center, it is co-allocated with somebody or it is from the Cloud. So I think we are completely in the right direction when it comes to Infrastructure.

Now I am going to request Nitin to talk a little bit about both the enterprise business and the big agenda we have for digital which is already scaling very well and how we expect that to continue to be the star of Zensar in the future.

Nitin Parab: Thanks Ganesh. So the fundamentals of our strategy that we embarked upon two years back continues to remain the focus. There are two parts to this business, first is the Legacy Applications business which focuses entirely on eliminating waste, driving productivity, increasing efficiency and the second part is the Digital which is completely focused on the growth areas, working with our customers and identifying ways and means by which we can drive growth. So as far as the first of the business is concerned, there are four key pillars that I had shared with you in the past also. I think we are doing very well on all the four parameters.

The first one is the focus on large deal for which we have made investments in large deal teams and in creating channels to go and engage with customers for larger deals. This first half of the year we did approximately $75 million worth of order book and the pipeline in this space continues to look good. Out of the $390 million pipeline that we have in ETS almost $150 million of that is from large deals. The second area which is our focus is Oracle and therefore the pursuit of Oracle Diamond partnership. As some of you may know that there are only 3-4 Indian IT services companies currently who are Oracle Diamond partners and all of them are Tier I and we have set a target for ourselves to become an Oracle Diamond partner which really means that we will be the first Tier-II company to get to that status and I think that is moving along quite well. So one of the key stringent requirements for Diamond partnership is to co-sell and resell $100 million worth of licenses and I think this year we will see a significant jump from the previous year in terms of how much we co-sell and resell.

One of our large customers which is Cisco, as some of you saw that last year we had almost flat growth in Cisco but we started some new initiatives engaged with portions of Cisco that we had not engaged with before and that has resulted in some very good returns both in terms of what we have done in Q1 as well as in Q2. As of first half of the year, we are tracking at about 5% growth in Cisco.

Last but not the least, the whole focus on innovation with investments on automation and dev-ops that also has started yielding results. We have a very strong pipeline both for dev-ops as well as for automation. Coming to digital, we are completely focused on engaging with our customers, enhancing their customer experience and driving growth etc. all based on the three verticals that we focus on Insurance, Retail and Manufacturing. Over there the entire eCommerce part, which Ganesh spoke about, is doing extremely well but apart from that we also have three segments that we have clearly defined. One is this whole area of CONVERSE which is really how we engage with our customers, which is through social. We have set up this whole social command center and the investment in that is starting to show results. We have gotten into several engagements where we are doing a lot of work in the social areas with our customers both in Retail as well as in Manufacturing.

The other area is this whole CONTEXT piece which is about bringing insights from the customers' behavior and sentiments, which is all anchored around the work that we do in analytics. You heard Ganesh say about the investments in Analytics and we will continue to focus on that whether it is organically or inorganically to strengthen that. And last but not the least, the whole area of CONVENIENCE which is how we engage with our customers which is primarily driven by eCommerce, user experience and mobility. So all these three areas continue to grow. At the first half year mark almost 15% of our revenue have come from digital and we are fairly confident that by the end of the year we will have at least 20% of our revenues from Digital.

Dr. Ganesh Natarajan: Thanks Nitin. Bala, any other data you want to provide.

S. Balasubramaniam: Thanks Ganesh. Good evening to all of you. I will give you some data points so you can just note down and the questions later on can be avoided. We have, as of 30th September, cash in the balance sheet of Rs. 372 crores and in terms of outstanding loans our balance sheet is $ 24 million, Rs. 156 crores. So free cash is approximately about Rs. 216 crores. In terms of the FOREX hedge we have covered 50% which is at $46 million at an average rate of 67.98. In terms of CAPEX, CAPEX as of the second quarter was Rs. 12 crores and in terms of the days cover, days cover is pretty healthy at 63 days. So these are the data points I wanted to share. Over to you Ganesh.

Dr. Ganesh Natarajan: So just to conclude, I think as many of you know we embarked on a 3x3x3 strategy sometime back – Manufacturing, Retail, Insurance as I mentioned earlier continues to be the main stay and will continue to be what we do primarily. In the services area as all of you know our weakest area was Infrastructure Management. I am very confident that by next year, which is FY17, we will be back on double digit profitability even on the Infrastructure space. So applications, Infrastructure and digital are continuing to be a stars. Digital today we are really doing well because some of these new deals we are talking about onsite rates in the range of $150-200 per hour and offshore in upwards of $40-45 and that is great for our business. And the regions will continue to be USA, Europe, and Africa. We are doing some marginal work in India and Middle East. But I think this 3x3x3 will be the dominant strategy. So just to conclude I think it has been a great quarter for us. We are very confident if you look at the future it is going to be good because we have all our investments in all the right places and with that I am going to stop. Any questions or anything that all of you would like to know from any one of us, Ajay who is our Chief of Corporate Development is also in the room, so any of us is very happy to answer any question. So thank you very much.

Moderator: Thank you very much sir. Audio participants we will begin the question and answer session now. The first question is from the line of Agastya Dave from CAO Capital, please proceed.

Agastya Dave: Great couple of quarters. Actually last two quarters have been pretty nice. Sir my question was on this digital part of the business which is now growing. I just wanted to understand what level have your clients reached in terms of increasing their digital spend. So let us say if they are spending $100 million on the digital side of IT spend, how much do you guys capture? I mean part of it will go to Microsoft, part of it will go to Amazon, a bit of it will be kept for down the line maintenance and some of it will come to you. So I am just wondering of that $100, how much have you captured as of now with your offers?

Dr. Ganesh Natarajan: It is a good question and it depends on what we do, for instance Nitin explained some of the areas. So if it is areas like mobility and social media for that matter.

Agastya Dave: Let me interrupt you and let me give you the assumption there, let us assume that you are doing the entire SMAC for this.

Dr. Ganesh Natarajan: So I think just to explain if you have an entire SMAC project which is let us say $100 you would expect that about $30 we would spend on Infrastructure what you exactly said in terms of finding the cloud hosting partner etc. Out of the balance $70 you would probably expect that if it is eCommerce almost 40 out of the balance 70 will go into the eCommerce solution. If it is not eCommerce digital transformation then the whole cloud migration using software as a service or platform as a service that will be the majority chunk may be 50 out of the 70 and then in terms of access, that is where you use mobility and of course a lot of analytics. Tomorrow if it is a Manufacturing client because of IOT i.e. Internet of Things you would expect that they will also do a lot of the sensors or the beacon Infrastructure. But if we broadly assume that we have access to may be 60-70% of their budgets and then it is a question of how you distribute it amongst this SMAC stack and eCommerce. And that is the expectation. Now even if you look at the McKinsey projection by 2020 they are expecting that almost 35% of a company's budget will be on digital and if we can manage to capture 60% of that 35% it is a large addressable opportunity in the digital eCommerce space.

Agastya Dave: How is the pricing now? In your base business on the IM side you are seeing some pressure, I mean if we are not seeing in some specific verticals in IM then I am pretty sure that sooner or later that will be coming and on the digital if we look at the pricing the 30% part which is in the hands of Amazon and Microsoft and all these guys, that is facing quite a bit of pricing pressure. So what is happening to your digital piece that you are able to capture and what is happening on your base business in IM side, how is the pricing happening because my understanding is that at least a small portion of the entire pie is facing massive pricing pressure. So is it spreading across different businesses or is it restricted to very few commodity offerings as of now?

Dr. Ganesh Natarajan: So what is happening today is if you look at the core AMS business, the application management services, there unless as a provider you invest in automation, invest in automated platforms like dev-ops I think obviously the traditional method of hiring 100,000 programmers and expecting them to do every program from start that is going away. There is a fair amount of automation that you have to do. If you have done the automation then you use less number of people, which means the productivity will go up by almost 100-150%, then pricing is not an issue. We will get less volume of work but it will be addressed with lesser number of people because of automation. If you look at digital it all depends on where you are. As I said if you are just an Infrastructure provider for a public cloud then it is obviously commoditized because there is Amazon, there is Microsoft Azure and there is Google etc. but people like us who are actually providing the consulting legal design, for instance if there is a supply chain solution or a customer engagement solution and you are doing right from design to search optimization to something like an ATG or a hybrid all the way down to bringing it to their core platforms, I think that is relatively priced. There is no great price problem there. And if that leaves your supports business I think we can come in. So my own expectation is if you are in the right spaces, if you lead with digital eCommerce, I do not think pricing will be an issue. But if we allow ourselves to get commoditized then of course there is pricing pressure because of automation and all the other things

Agastya Dave: So you mentioned that there is a piece in this SMAC chain which is missing the way you are slightly behind where you want to be which is Analytics. So how are you trying to address that? The most logical thing would be to go for some sort of an acquisition. If that is the case then what kind of valuations are available in the market and what will you be comfortable paying? That is it from my side.

Dr. Ganesh Natarajan: A very quick and simple answer to what you are saying is that analytics companies, pure play analytics will be going for anywhere between 3 to 5.5x revenue which is not really what we would like to do. So which is why while we are looking at a possible small acquisition there we are at the same time organically building our analytics capability. In fact we have four large engagements in progress including one with the Pune Municipal Corporation where the entire analytics for their Smart City Customer Engagement Platform has been built by us and in fact everybody is in praise for the amount of granularity for the data that comes. Similarly for retailers, for an Insurance company in South Africa, we are doing all that. The second area which I mentioned is user experience. So I mean the UX is more of interactive marketing, interactive design. Lot of companies are investing in design studios where somebody can actually experience complete digital experience. So that is an area where we are currently partnering. At some point of time if we find either the right investment strategy or find the right company to buy we can still do that but we are not suffering because we are investing already in that area but it is potentially an acquisition area if the pricing is right and we find value within our verticals to do that.

Moderator: The next question is from the line of Bharat Seth from Quest Investments, please proceed.

Bharat Seth: On IMS side can you say on service component I mean when we like to see a ramp up in the revenue and the improvement, you said that next year we will reach a double digit margin. For service we are talking since several quarters but it is really not reflecting in the numbers. So when you would like to see?

Dr. Ganesh Natarajan: I think Bharat Bhai the order book both for the multi-vendor services as well as the Remote Infrastructure Services is getting better every quarter. I would expect that you would see better services growth even in this current quarter and definitely given the order book and the pipeline we have I would think the services component has gone all the way from 5% to 45% and we expect that to continue to grow. By next year if we almost eliminate the products business we will find as I said good profitability, so both in terms of services revenue growth as well as profitability we can expect to see improvements not only in this quarter but every quarter for the next six quarters.

Bharat Seth: But so far even on profitability side also in this quarter was a little low on service side.

Dr. Ganesh Natarajan: Actually we have been investing Bharat bhai in hiring new sales people because some of the old sales people we had were either very focused on products or just on data center maintenance. So we have added a very senior person to lead the services growth. In fact we are hiring another three people. So what you are seeing is a combination of cost or investments that we are making in manpower but I think all that will play out extremely well. And Pinaki as you know is a very-very experienced leader in Infrastructure Management and he has taken a stock of what is happening, he made a presentation to our board yesterday. So I think we are all aligned on what needs to be done and what will be done over the next six quarters. So I am sure you will see a lot of pleasant surprises not only in the remainder of this year but even into next year definitely.

Bharat Seth: Ganesh, second thing I mean the kind of payment off late competitive scenario we are seeing in IMS is increasing, everybody is moving because software side is not growing that much. So what kind of differentiator is in this industry we are there? What is our differentiation?

Dr. Ganesh Natarajan: I think our biggest differentiation continues to be digital Bharat bhai.

Bharat Seth: And on the IMS side?

Dr. Ganesh Natarajan: It just drives everything because when you say digital, as far as IMS is concerned platforms, business processes service, migration to cloud in the public cloud providers where there is Microsoft Azure or Google or Amazon, many companies are still not comfortable. So there are a lot of companies which will say that look we want a private cloud. So we have a very strong partnership with this company called NaviSite, so we are probably among the leaders in providing private cloud solutions. So I think what drives everything is these new investments people are making and both on the IMS side and on the ERP side or on the Application side I think if we continue to provide good solutions, I am confident that in all the markets there is opportunity. I mean both my colleagues and I have been doing seminars in even Africa, Continental Europe and there is tremendous interest. So I do not see any reason why both the IM business and AMS business cannot continue to grow and grow well because of the focus on digital.

Bharat Seth: Is it possible to share some kind of, how much revenue we expect to grow in this year AMS and IMS service side, I mean any outlook on that?

Dr. Ganesh Natarajan: As you know we are targeting 15% thereabouts kind of growth and that has been what we have said right at the beginning and at this point of time it is very difficult to give a guidance because obviously this quarter will be a seasonally weak quarter for everybody because there are more holidays. There will be furloughs by customers where they say 7 days off or 10 days off. But if you take that out I think you will find given the order pipeline we have, definitely the AMS business, traditional business can go probably 20%+. The AMS business we are looking at in the region of 15%. IM as I said is more of a building year. We have been profitable for the last four quarters. I am sure you will see better profits in the second half of the year. And revenue growth, I mean I would definitely expect that next year we will see IM growing at about may be

10-12% revenue growth and better profitability. But I think that is actually what we are looking at. So if you take the Products business out which we are kind of cutting it down, IM services is going at the same rate. So I think overall we are looking at not only this year but into the next year so, better than industry growth and that is really what we are aiming at.

Moderator: Next question is a follow-up question from the line of Agastya Dave from CAO Capital, please proceed.

Agastya Dave: I was trying to understand how traditional IT business, the nature of the business, not the offerings – I am not talking about the offerings here but the nature of the terms of engagement with the client will change as more and more spend move towards digital. So I am wondering what happens to the retention rate. You have mentioned several times that after delivering on the digital project for a particular company you will have opportunity in maintenance, etc. So I was just wondering how do terms of engagement with the clients change and through that period does the ROE of the business somehow change? Is the nature of the business changing as you move towards more digital? I mean what I mean is that will you get more upfront revenue? Will the recurring portion of the revenue increase? How is that changing purely in terms of numbers?

Ajay Bhandari: If you look at the whole digital phenomenon right now there is an extraordinary amount of spending happening on the consulting side because most people have to think through their digital strategies, evaluate digital technologies, and look at where and how they need to spend on digital. So there is extraordinary amount of dollars getting spent on the digital side and those are resulting in projects. Now those projects are once again of two kinds. So there are projects which are few development projects which are in the nature of implementations, it could be deployment, migrations to cloud or some of them are experimentation where the commercial models are different because a lot of the experimentation projects are done on the basis of success rather than on the basis of effort. But if you just take a look at overall commercial model there is not a big change. So whatever is legacy that continues to remain on our old pricing models of either the managed services which are like fixed cost or, in rare cases these days, time and material as well. The consulting is high priced consulting service. And in some of the cases where you deploy platforms as cloud platforms, those will be on a pay-per use basis. But by and large the commercial models do not change drastically. They more or less remain the same.

Agastya Dave: See why I am asking this question is that a number of news channels today ran an interview in the morning and there I caught half of the interviews so I am not very sure how precisely I have understood the entire thing. Pricing, there was a number given by the company on pricing on a per hour basis. And that was drastically above what you get in a traditional IT business. So that is why I am wondering that if you are getting more pricing is the duration of entire contract significantly lower, so that is where I am coming from.

Dr. Ganesh Natarajan: You are absolutely right. What I mentioned to CNBC this morning was that if you look at some of these contracts we are getting in digital especially in the eCommerce that is what I mentioned earlier in this call also. I mean there you are talking about a consulting-led solution, so people are looking at architectures, design, how to engage with customers better, even what is called predictive analytics to look at customer behavior for customer cycles. So those we are talking about and this could be as high as $200 per hour and even the work that is done to implement this from offshore could be as high as $45 per hour.

Agastya Dave: And you use the same talent pool to address this project?

Dr. Ganesh Natarajan: No, no that is the icing on the cake in the sense that there is a core set of team primarily from our digital group as well as from the Professional Access company which does that. The good part is that that can lead to annuity revenues. So there was a time when this company Professional Access was just doing a project and leaving the maintenance for some of the other Indian companies to do. Today they are able to take that on, do the enhancements, etc., which is obviously the lower price point. But the point I am making is, this is not like starting with the bidding war against various people and getting a contract of $20 per hour offshore. It is starting with a consulting service at $40 an hour and then saying we will also do the maintenance which is where price points will also be higher because the customer is used to paying more.

Agastya Dave: Would that automatically lead to higher margins or is it like, I mean cost will also obviously go up proportionately?

Dr. Ganesh Natarajan: No, it can lead to higher margins because even the traditional work you are doing in maintenance is coming in because you also implement, I mean our experience even in Oracle has been that if we have done a big Auto Management System implementation and then you do support you are getting probably at 10% or 15% higher pricing than if you were just called in to do a support engagement. So full life cycle projects always have the benefit of doing overall higher margin as well and that is their aspiration because if you look at Zensar mission it is customer centricity. So if we can start with the customer and the thinking process of what they want to do in eCommerce and Digital then you will find that the overall pricing for the entire engagement even if 70% of traditional services will tend to be better. So that is really our goal as we go forward in digital.

Agastya Dave: And sir I have two last questions, one is that you mentioned that by the end of the year you would be doing somewhere close to 20% from digital, your total revenue. Are you giving some sort of guidance for next year as of now? Have you put that in public or should we wait for H2 results probably?

Dr. Ganesh Natarajan: Well the reality is that we have gone from 5% with digital 2 years back to currently hopefully by end of the year 20%. And I would expect that, I mean as you go along over the next two years we should be looking at may be 30-35% of our business coming from digital eCommerce which is completely parallel to what McKinsey is recommending for traditional companies that even their investments in technology should be 65% traditional and 35% digital.

Agastya Dave: So you will be doing that by end of next year you are saying?

Dr. Ganesh Natarajan: I am presuming that. I mean 35% may not happen in FY17 but definitely by FY18 it will be 35-40% coming from digital.

Agastya Dave: And sir finally last question, you mentioned that analytics side a normal small company would be available between 3.5 to 5x revenue. If you were to just acquire a guy who is present across SMAC, a much smaller company, I am just trying to understand what kind of acquisition M&A action will see in this industry outright. So what kind of multiples you will be willing to pay such a business, present throughout SMAC. And in fact how do you value your own SMAC business, your own digital business just as an extension to that question.

Dr. Ganesh Natarajan: Logically if you look at our eCommerce business the way it is tracking this year we should do about $50 million on eCommerce, I am sure if we wanted to sell the business anybody would be willing to pay $150 million for it, so take it at 3x of current revenue. But in our own case since we have an existing story, we are not interested in buying companies and paying 3x revenue. I think this time we can build it ourselves but certainly if it is a profitable company, if it has a scalable platform for instance, I mentioned earlier about predictive analysis. Predictive analysis is all about having an invested platform through which you can predict customer behavior. So if they have good IP then it is worth paying 2-2.5x revenue but if it is just the plain vanilla analytics company then I think a max for us would be 2x revenue, which is why I am saying we are not fussed about acquiring companies. We will acquire a company if the price is right but in the meantime we are working on building our own organic capability and that is already playing out. We have 4 or 5 significant projects, so that will be considered. So I think it is a good story that we have because we are not dependent on acquisitions, we are open to acquisitions, but the capability exists already to satisfy all our clients with the work that we are currently doing and are capable of doing in future.

Agastya Dave: Yes, if you reach that 30-35% mark by FY17 you would probably be the first Indian company to do that if I am not mistaken.

Dr. Ganesh Natarajan: We will probably be the leading Indian company in digital and eCommerce. I am very sure about that.

Moderator: The next question is from the line of Abdul Kareem from HDFC Securities, please proceed.

Abdul Kareem: Just I want to know what was the performance and sense of growth for Professional Access.

Dr. Ganesh Natarajan: It is almost at 29.6% revenue growth year-on-year, so that is why I said they are growing extremely well, which is why I said definitely in the region of 25-30% growth is what we expect and profits have also jumped up very smartly in Professional Access. So I think both revenue and profits are doing extremely well. And as I said there are some very good order wins which is what is most encouraging because there is still lots of capability available both in the traditional eCommerce which is the normal ATG and Endeca story plus our own intellectual property PARADE which has got its first win. So I think this combination is going to be very successful.

Abdul Kareem: What was the attrition rate in this quarter?

Dr. Ganesh Natarajan: Attrition overall rate has gone up like everybody else, so I think it is running at about 16% but as I have mentioned many times we measure attrition at two levels – one is what we call critical talent, top talent attrition that is still as low as 3% but the overall attrition has gone up from 12% to 16% because that is an aberration that always happens in an increment quarter. So my expectation is that it will again stabilize at about 13-14% which will be the overall attrition.

Abdul Kareem: Can you give any hiring guidance for FY16 or FY17?

Dr. Ganesh Natarajan: FY16 overall we expect to hire about 500 people net, so that is very much on track. And probably it might even exceed that a little bit. FY17 difficult to say. I think like all other companies as you know the very famous statistics that is always quoted, for first $100 billion of revenue the industry added 3 million jobs but for the next $100 billion it is probably going to be only 1 million. And even for us we have a lot of investments in automation, lot of investments in productivity improvement. So I think as we go along the linearity of revenues the manpower addition will come down. But even so I would think that next year we will probably be adding 300 to 400 people as well.

Moderator: Next question is from the line of Nupun Gupta from Kotak Securities, please proceed.

Nupun Gupta: Just a couple of questions Ganesh. Firstly, can we just talk a bit about Cisco, like how is it grown during the quarter and any further pressure on pricing are you experiencing on that?

Dr. Ganesh Natarajan: Well Nupun, in fact Nitin just mentioned about Cisco, I assume it was flat last year. This year we have already seen 5% growth. So my expectation is that is roughly what we will expect because we do not expect that much growth in the top client but otherwise overall there is no pricing pressure. In fact Nitin had mentioned earlier that we are working on some fairly new engagements with Cisco which is why there is growth and there is no pricing pressure. So I think overall the pricing environment is very stable. And as I was mentioning earlier there are also opportunities for us to scale because of digital and eCommerce-led businesses that we are currently focusing on.

Nupun Gupta: I am sorry but was there any QoQ growth in Cisco, second quarter to first quarter?

Dr. Ganesh Natarajan: QoQ is just over 1%. First half over last year first half is 5%.

Nupun Gupta: And can you just throw some light on order book and may be the order pipeline?

Dr. Ganesh Natarajan: Order pipeline currently is $390 million out of which roughly $160 million is in Infrastructure Management and the balance $230 million is largely regular Enterprise business and of course some specific deals we are chasing in digital and eCommerce. $160 million is actually large deal i.e. deals over $10 million and we are expecting to sign a couple of deals. So I think these are all good news in terms of the quality of business. Order book is very difficult to measure because many of our clients are multi-year engagements and then there are quarterly or annual SOWs. Order book for us always covers a fairly significant part of the next three years. And I would expect that whatever we need to execute for this year is more or less already covered by the order book and pipeline to be closed in the next month or so.

Nupun Gupta: And lastly sorry once again if it is a repetition but what was the QoQ growth in Professional Access?

Dr. Ganesh Natarajan: 22.4% in Indian Rupees and there are projects from both South Africa and US and it is 25% growth in INR and 22% in Dollar group.

Nupun Gupta: This is quarter-on-quarter?

Dr. Ganesh Natarajan: This has been an exceptional quarter Nupun, so do not hold it against us.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Dr. Ganesh Natarajan for closing remarks. Over to you sir.

Dr. Ganesh Natarajan: Thank you all as always for being on the call and as I mentioned it has been an exception quarter for Zensar. It has easily been one of the top two quarters for the company in the last 10 to 15 years. And I think it is not a fluke in the sense that we really believe that the investments we have made firstly in Oracle, secondly in strengthening our overall Retail capability and of course in digital & eCommerce are really paying dividend and I am glad that I think both the customers and the markets are recognizing the transformation of the company and going forward I am fully confident that you will see this kind of good performance being sustained and we look forward to your support. Thank you very much.

Moderator: Thank you very much members of management. Ladies and gentlemen on behalf of Zensar Technologies that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.