

## **Zensar reports strong margins, Revenue grew by 0.6% QoQ**

**Pune, India, October 29, 2020:** [Zensar](https://www.zensar.com), a digital solutions and technology services company that specialises in partnering with global organisations on their digital transformation journey, announced its consolidated financial results for Quarter ending September 30, 2020, of the fiscal year 2020-2021.

### **Financial Highlights:**

- In Q2FY21, the Company reported revenue of \$131.6 Mn, an increase of 0.6% QoQ in USD terms
- In Q2FY21, the PAT, excluding the one-time charge on TPM business held for sale, is at \$12 Mn in USD terms and it was 9.1% of revenue
- EBITDA increased from 14.4% in Q1FY21 to 18.8 % in Q2FY21. In absolute USD terms, this is an increase of 31.1% QoQ and 16.2% YoY
- Gross Margin is at 34.1% in Q2FY21, as against 28.8% in Q1FY21. In absolute USD terms this amounted to QoQ and YoY increase by 19.2% and 1.2% respectively
- Significant improvement in cash position with net cash in Q2 (net of debt) at USD 117 Mn as compared to USD 101Mn in Q1
- Digital accounted for 61% of the overall revenues in Q2FY21
- The financial services business has grown, with insurance and banking segment growing at 4.6% and 11.5% QoQ respectively
- Consumer Services has shown recovery in Q2FY21 with 12.8% QoQ increase

**Sandeep Kishore, Chief Executive Officer and Managing Director, Zensar Technologies, said, “**

We have seen all our key metrics performing steadily in Q2FY21, as our adjusted PAT for the operating business at 9.1% was an increase of 24.0% QoQ in USD terms, our revenue has grown 0.6% on QoQ basis. Our people’s well-being continues to be our key priority as we enable them to perform seamlessly through secure remote working.”

**Adding further he said, “**Our Digital Foundation Services continues to perform consistently posting a YoY growth of 11.4%; we have seen stability in Consumer Services business as it grew 12.8% sequentially and with addition of new logos in our Financial services business which has increased by 6.7% QoQ. We won USD 175 M of total TCV wins including renewals in Q2.”

**Navneet Khandelwal, Chief Financial Officer, Zensar Technologies said, “**Our efforts at streamlining financial and operational fundamentals in Q2FY21 has resulted in effective cash and cost management. We have seen an improvement in our Gross Margin at 34.1% which is an increase of 530 basis points over the previous quarter. Our EBITDA is at 18.8%, an increase of 440 basis points QoQ, as we continue our rigor in improving our operational efficiencies. Our adjusted PAT for the operating business was at 9.1% which is an increase of 170 basis points QoQ.”

*\*In Q2FY21, including the exceptional item of loss amounting to USD 11.9 Million on account of adjustment in respect of excess of carrying amount including goodwill over recoverable amount on classification as “Held for Sale”, reported PAT is USD 0.1 Million (Refer Note 6 of Published Quarterly Financial Results for Q2 FY21).*

### **Significant Wins in Q2FY21:**

- Application and development mandate for a large US based hi-tech company
- Digital commerce services for a large US based hi-tech company
- Application and development services for a large diversified American conglomerate

- Analytics and data science services for a leading bank from South Africa
- Policy implementation services for a niche insurance company in the US
- Cloud and infrastructure services for a US based large eye care company

**Corporate Excellence Q2FY21:**

- Zensar granted US patent for its innovative tool enabling direct conversation with the organization's leadership - ZenVerse™
- Zensar's digital transformation journey featured as a case study by the prestigious London Business School
- Zensar recognized as aspirant in Salesforce Marketing and Commerce Cloud Services PEAK Matrix® Assessment 2020
- Zensar has been recognized as an Aspirants in Cloud-Native Application Development Services PEAK Matrix® Assessment 2020
- Zensar mentioned in Gartner's Blockchain Market Guide
- Zensar mentioned as "Major Contender" in Everest Digital Interactive Experience (IX) Services PEAK Matrix® Assessment 2020
- Zensar featured as Aspirant in Everest group's Data and Analytics (D&A) Services PEAK Matrix® Assessment 2020

**Note: All numbers are as per the Ind-AS reporting standard**

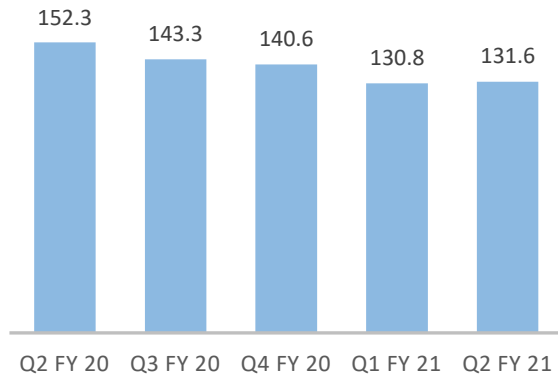
**Q2 FY 21 Revenue and profitability snapshot**

Particulars	Q2 FY21		Growth					
	USD Mn	INR Mn	Q-o-Q			Y-o-Y		
			USD	INR	CC	USD	INR	CC
Revenue	131.6	9794	0.6%	-1.2%	-0.6%	-13.6%	-8.7%	-12.8%
EBITDA	24.7	1842	31.1%	28.8%		16.2%	22.8%	
EBIT	18.9	1410	45.5%	42.9%		19.6%	26.4%	
Adjusted PAT*	12.0	892	24.0%	21.7%		5.7%	11.7%	

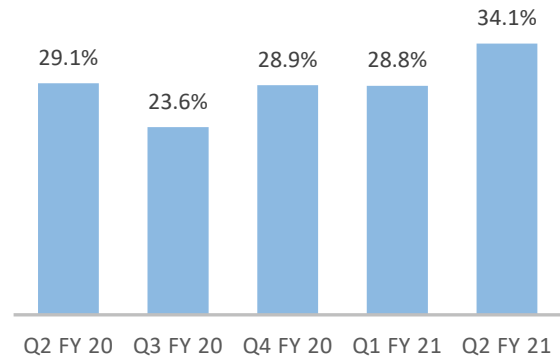
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## Performance Highlights

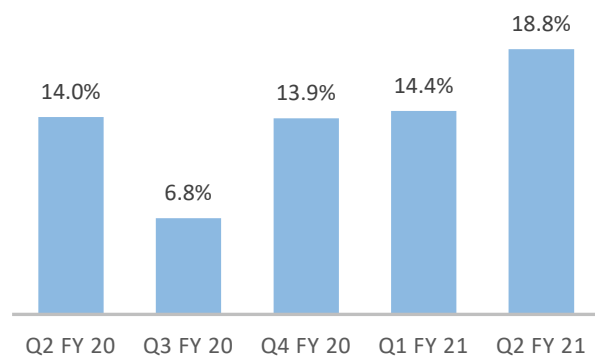
### Revenue (USD M)



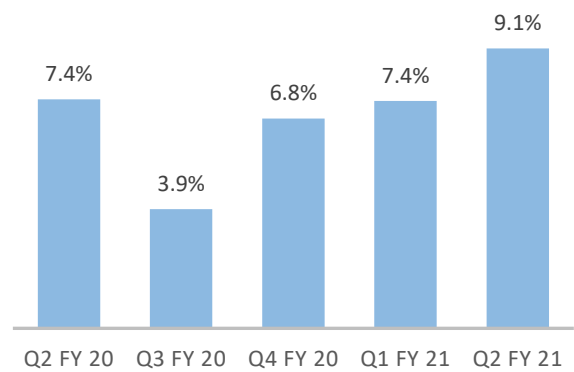
### Gross Margin (% Revenue)



### EBITDA (% Revenue)



### PAT (% Revenue)\*



\*In Q2FY21, including the exceptional item of loss amounting to USD 11.9 Million on account of adjustment in respect of excess of carrying amount including goodwill over recoverable amount on classification as "Held for Sale", reported PAT is USD 0.1 Million (Refer Note 6 of Published Quarterly Financial Results for Q2 FY21).

## Income Statement (USD Mn)

Income Statement (USD Mn)	Q2 FY 20	FY 20	Q1 FY 21	Q2 FY 21
<b>Operating revenue</b>	<b>152.3</b>	<b>589.5</b>	<b>130.8</b>	<b>131.6</b>
<i>Sequential Growth</i>	-0.7%		-7.0%	0.6%
<i>Year-Over-Year Growth</i>	12.8%	5.8%	-14.7%	-13.6%
Cost of revenue	107.9	425.6	93.1	86.7
<b>Gross profit</b>	<b>44.3</b>	<b>163.9</b>	<b>37.7</b>	<b>44.9</b>
<i>Gross profit % of revenue</i>	29.1%	27.8%	28.8%	34.1%
<i>Sequential Growth</i>	-1.7%		-7.2%	19.2%
<i>Year-Over-Year Growth</i>	11.9%	0.8%	-16.5%	1.2%
Sales and marketing expenses	9.8	38.3	7.0	8.4
General and administration expenses	13.2	53.2	11.8	11.8
Operating expenses	23.0	91.5	18.8	20.1
<i>% of revenue</i>	15.1%	15.5%	14.4%	15.3%
Other operating income	-	0.0	-	-
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>21.3</b>	<b>72.4</b>	<b>18.9</b>	<b>24.7</b>
<i>EBITDA % of revenue</i>	14.0%	12.3%	14.4%	18.8%
<i>Sequential Growth</i>	-2.3%		-3.5%	31.1%
<i>Year-Over-Year Growth</i>	17.2%	-0.4%	-13.4%	16.2%
Depreciation and amortisation	5.5	22.4	5.9	5.8
<b>Earnings before interest and tax (EBIT)</b>	<b>15.8</b>	<b>50.0</b>	<b>13.0</b>	<b>18.9</b>
<i>EBIT % of revenue</i>	10.4%	8.5%	10.0%	14.4%
<i>Sequential Growth</i>	-3.1%		-5.9%	45.5%
<i>Year-Over-Year Growth</i>	5.7%	-16.6%	-20.3%	19.6%
Interest	2.0	8.5	2.0	1.8
Exchange Gain/(Loss)	2.4	6.4	1.1	-1.4
Other income	0.1	6.1	1.2	0.8
<b>Profit before tax*</b>	<b>16.4</b>	<b>53.9</b>	<b>13.4</b>	<b>16.6</b>
<i>% of revenue</i>	10.8%	9.1%	10.2%	12.6%
<i>Sequential Growth</i>	2.3%		-2.1%	24.4%
<i>Year-Over-Year Growth</i>	-14.5%	-18.4%	-16.6%	1.4%
Provision for taxation	4.7	14.9	3.5	4.4
<b>Profit after tax (before minority interest)*</b>	<b>11.7</b>	<b>39.0</b>	<b>9.9</b>	<b>12.2</b>
<i>% of revenue</i>	7.7%	6.6%	7.6%	9.3%
Minority interest	0.4	1.2	0.2	0.2
<b>Profit after tax *</b>	<b>11.3</b>	<b>37.8</b>	<b>9.7</b>	<b>12.0</b>
<i>Profit after tax % of revenue</i>	7.4%	6.4%	7.4%	9.1%
<i>Sequential Growth</i>	0.2%		0.7%	24.0%
<i>Year-Over-Year Growth</i>	-16.4%	-18.7%	-14.5%	5.7%

\*Before Exceptional Item

In Q2FY21, including the exceptional item of loss amounting to USD 11.9 Million on account of adjustment in respect of excess of carrying amount including goodwill over recoverable amount on classification as "Held for Sale", reported PAT is USD 0.1 Million (Refer Note 6 of Published Quarterly Financial Results for Q2 FY21).

## Income Statement (INR Mn)

Income Statement (INR Mn)	Q2 FY 20	FY 20	Q1 FY 21	Q2 FY 21
<b>Operating revenue</b>	<b>10,723</b>	<b>41,768</b>	<b>9,912</b>	<b>9,794</b>
<i>Sequential Growth</i>	0.6%		-2.6%	-1.2%
<i>Year-Over-Year Growth</i>	13.3%	7.1%	-7.0%	-8.7%
Cost of revenue	7,600	30,159	7,058	6,454
<b>Gross profit</b>	<b>3,123</b>	<b>11,608</b>	<b>2,855</b>	<b>3,340</b>
<i>Gross profit % of revenue</i>	29.1%	27.8%	28.8%	34.1%
<i>Sequential Growth</i>	-0.5%		-2.8%	17.0%
<i>Year-Over-Year Growth</i>	12.4%	2.2%	-9.0%	6.9%
Sales and marketing expenses	690	2,715	528	623
General and administration expenses	933	3,767	896	875
Operating expenses	<b>1,623</b>	<b>6,482</b>	<b>1,424</b>	<b>1,498</b>
<i>% of revenue</i>	15.1%	15.5%	14.4%	15.3%
Other operating income	-	2	-	-
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>1,500</b>	<b>5,128</b>	<b>1,430</b>	<b>1,842</b>
<i>EBITDA % of revenue</i>	14.0%	12.3%	14.4%	18.8%
<i>Sequential Growth</i>	-1.0%		1.0%	28.8%
<i>Year-Over-Year Growth</i>	17.7%	1.0%	-5.6%	22.8%
Depreciation and amortisation	385	1,592	444	432
<b>Earnings before interest and tax (EBIT)</b>	<b>1,115</b>	<b>3,536</b>	<b>987</b>	<b>1,410</b>
<i>EBIT % of revenue</i>	10.4%	8.5%	10.0%	14.4%
<i>Sequential Growth</i>	-1.8%		-1.4%	42.9%
<i>Year-Over-Year Growth</i>	6.2%	-15.5%	-13.2%	26.4%
Interest	139	605	152	132
Exchange Gain/(Loss)	172	448	86	-102
Other income	9	435	93	63
<b>Profit before tax*</b>	<b>1,156</b>	<b>3,815</b>	<b>1,014</b>	<b>1,239</b>
<i>% of revenue</i>	10.8%	9.1%	10.2%	12.6%
<i>Sequential Growth</i>	3.7%		2.5%	22.1%
<i>Year-Over-Year Growth</i>	-14.1%	-17.1%	-9.1%	7.1%
Provision for taxation	329	1,057	265	328
<b>Profit after tax (before minority interest)*</b>	<b>827</b>	<b>2,757</b>	<b>749</b>	<b>910</b>
<i>% of revenue</i>	7.7%	6.6%	7.6%	9.3%
Minority interest	28	82	16	18
<b>Profit after tax*</b>	<b>799</b>	<b>2,676</b>	<b>733</b>	<b>892</b>
<i>Profit after tax % of revenue</i>	7.4%	6.4%	7.4%	9.1%
<i>Sequential Growth</i>	1.5%		5.5%	21.7%
<i>Year-Over-Year Growth</i>	-16.1%	-17.5%	-6.9%	11.7%

\*Before Exceptional Item

In Q2FY21, including the exceptional item of loss amounting to INR 887 Million on account of adjustment in respect of excess of carrying amount including goodwill over recoverable amount on classification as "Held for Sale", reported PAT is INR 5 Million (Refer Note 6 of Published Quarterly Financial Results for Q2 FY21).

Other Metrics	Q2 FY 20	FY 20	Q1 FY 21	Q2 FY 21
<b><u>Revenue by Service Offering (as % of Revenue)</u></b>				
<b>Digital &amp; Application Services (DAS)</b>	<b>85.6%</b>	<b>84.0%</b>	<b>81.2%</b>	<b>81.4%</b>
<i>Digital Services</i>	44.2%	45.7%	50.5%	51.9%
<i>Core Application Services</i>	41.3%	38.3%	30.7%	29.5%
<b>Digital Foundation Services (DFS)</b>	<b>14.4%</b>	<b>16.0%</b>	<b>18.8%</b>	<b>18.6%</b>
<i>Cloud, Digital Led next gen CIS</i>	5.9%	6.6%	8.9%	9.1%
<i>Core Infrastructure Services</i>	4.4%	5.3%	5.5%	5.2%
<i>Third Party Maintenance (TPM)</i>	4.1%	4.0%	4.3%	4.4%
<b>Total Digital Services</b>	<b>50.1%</b>	<b>52.4%</b>	<b>59.5%</b>	<b>61.0%</b>
<b><u>Revenue by Industry (as % of Revenue)</u></b>				
Hi-Tech	40.1%	40.7%	46.2%	43.9%
Mfg	12.9%	12.9%	12.4%	12.0%
Consumer Services	15.9%	15.4%	12.0%	13.5%
Insurance	20.8%	19.7%	18.8%	19.5%
Banking	7.6%	8.1%	8.0%	8.9%
Emerging	2.7%	3.3%	2.6%	2.3%
<b><u>Revenue by Geographical Segment (as % of Revenue)</u></b>				
US	74.0%	74.7%	76.0%	74.4%
Europe	15.3%	15.2%	14.2%	15.3%
Africa	10.6%	10.1%	9.8%	10.3%
<b><u>Revenue by Project Type (as % of Revenue)</u></b>				
Fixed Price	57.4%	57.8%	61.3%	61.9%
Time & Materials	42.6%	42.2%	38.7%	38.1%
<b><u>Constant Currency</u></b>				
<b>Operating revenue (Constant Currency mn)</b>	<b>153.7</b>	<b>594.7</b>	<b>133.8</b>	<b>130.0</b>
Sequential Growth	0.3%	6.7%	-4.8%	-0.6%
Year-Over-Year Growth	13.4%	6.7%	-12.1%	-12.8%
<b><u>Constant Currency Growth by Industry (QoQ %)</u></b>				
Hi-Tech	-0.3%	10.6%	3.5%	-4.7%
Mfg	-0.8%	11.6%	-4.3%	-3.8%
Consumer Services	-6.5%	-20.3%	-20.8%	11.3%
Insurance	17.2%	13.2%	-7.0%	2.3%
Banking	7.9%	49.6%	-12.8%	6.6%
Emerging	-45.5%	10.3%	-7.5%	-10.8%

Other Metrics	Q2 FY 20	FY 20	Q1 FY 21	Q2 FY 21
<b><u>Client Data</u></b>				
<b>Number of million dollar Clients (LTM Revenue)</b>				
1 Million Dollar +	93	87	85	86
5 Million Dollar +	23	24	24	24
10 Million Dollar +	9	10	9	8
20 Million Dollar +	2	2	2	2
<b>Revenue from top clients</b>				
Revenue- top 5 clients	37.6%	37.2%	41.2%	38.0%
Revenue- top 10 clients	48.0%	47.7%	51.4%	48.7%
Revenue- top 20 clients	62.6%	61.3%	65.2%	62.9%
<b>Number of active clients</b>	<b>309</b>	<b>283</b>	<b>252</b>	<b>256</b>
<b><u>Onsite: Offshore (as % of Revenue)</u></b>				
<b>Revenue mix</b>				
Onsite	66.7%	66.6%	65.0%	61.9%
Offshore	33.3%	33.4%	35.0%	38.1%
<b><u>Utilization</u></b>				
Utilization (excluding Trainees)	84.1%	83.5%	82.2%	83.3%
<b><u>Employee data</u></b>				
<b>Headcount</b>				
Technical - Onsite	10,219	9,524	9,027	8,614
Technical - Offshore	2,537	2,318	2,218	1,951
	6,353	6,119	5,919	5,768
<b>Gross employees added during the period</b>	977	3,327	229	394
<b>% of women employees</b>	<b>30.6%</b>	<b>30.3%</b>	<b>30.2%</b>	<b>30.3%</b>
<b>Attrition</b>				
	17.0%	16.3%	13.5%	11.7%

Other Metrics	Q2 FY 20	FY 20	Q1 FY 21	Q2 FY 21
<b><u>Exchange Rates</u></b>				
<b>Rupee Dollar Rate</b>				
Period Closing Rate	70.9	75.7	75.5	73.8
Period Average Rate	70.4	70.9	75.8	74.4
<b><u>Accounts receivables (in days)</u></b>				
Billed	57	54	49	55
Unbilled	45	33	26	22
<b>Total</b>	<b>102</b>	<b>87</b>	<b>75</b>	<b>76</b>
<b><u>Summary of Cash and Cash Equivalents*</u></b>				
<b>Cash and Cash Equivalents (USD mn)</b>				
<i>Balances with Banks</i>	47.8	68.3	86.8	76.0
<b>Investment in Mutual Funds</b>	12.8	35.3	42.6	52.8
<b>Debt (USD mn)</b>	<b>47.2</b>	<b>43.8</b>	<b>28.3</b>	<b>11.5</b>
<b>Total Outstanding Hedges (In USD)</b>	<b>167.3</b>	<b>163.1</b>	<b>152.6</b>	<b>172.0</b>
<b>Capex (USD Mn)</b>	<b>1.5</b>	<b>11.0</b>	<b>2.6</b>	<b>1.5</b>



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

Zensar is a leading digital solutions and technology services company that specialises in partnering with global organisations across industries on their Digital Transformation journey. A technology partner of choice, backed by strong track-record of innovation; credible investment in Digital solutions; assertion of commitment to client's success, Zensar's comprehensive range of digital and technology services and solutions enable its customers to achieve new thresholds of business performance. Zensar, with its experience in delivering excellence and superior client satisfaction through myriad technology solutions, is uniquely positioned to help them surpass challenges around running their existing business most efficiently, helping in their legacy transformation, and planning for business expansion and growth through innovative and digital ways.

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RPG Enterprises, established in 1979, is one of India's fastest growing business groups with a turnover of Rs 23000 Cr. The group has diverse business interests in the areas of Infrastructure, Tyres, Pharma, IT and Specialty as well as in emerging innovation led technology businesses.

**For any queries please feel free to reach out:**

<b>PR Contacts (Global Headquarters - India):</b>
<b>Aradhana Prabhu</b> Public Relations Zensar Technologies <a href="mailto:aradhana.prabhu@zensar.com">aradhana.prabhu@zensar.com</a>

**Safe Harbor**

Certain statements in this release concerning our future prospects are forward-looking statements which involve a number of underlying identified / non identified risks and uncertainties that could cause actual results to differ materially. This release and other statements – written and oral –that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. However the same are subject to risks and uncertainties, including but not limited to, our ability to manage growth; fluctuations in earnings /exchange rates; intense competition in IT services including factors affecting cost advantage; wage increases; ability to attract and retain highly skilled professionals; time and cost overruns on fixed price, fixed-time frame or other contracts; client concentration; restrictions on immigration; our ability to manage international operations; reduced demand for technology in our service offerings; disruptions in telecommunication networks; our ability to successfully complete and integrate acquisitions; liability for damages on our service contracts; government measures in India and countries where our customer operate, withdrawal of governmental fiscal incentives; economic downturn in India, and/or around the world, political instability, legal restrictions on raising capital or acquiring companies; and unauthorized use of intellectual property and general economic conditions affecting the industry.

In addition to the foregoing, global pandemic like COVID-19 may pose an unforeseen, unprecedented, unascertainable and constantly evolving risk(s), inter-alia, to us, our customers, delivery models, vendors, partners, employees, general global operations and may also impact the success of

companies in which we have made strategic investments, demand for Company's offerings and the onshore-offshore-nearshore delivery model.

The results of these assumptions made relying on available internal and external information are the basis for determining the carrying values of certain assets and liabilities. Since the factors underlying these assumptions are subject to change over time, the estimates on which they are based, are also subject to change accordingly. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise.