



January 30, 2024

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**Scrip Code:** 504067

**The National Stock Exchange of India Ltd.**

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**Symbol:** ZENSARTECH

**Series:** EQ

**Subject: Q3 FY24 Results Earnings Call - Transcript**

Dear Sir/Madam,

In continuation to our letter(s) dated January 12, 2024 and January 23, 2024, please note that the transcript of the earnings call held on January 22, 2024 at 6:45 p.m. hrs (IST) for Financial Results of the Company, for the quarter ended on December 31, 2023, has been made available on the website of the Company at <https://www.zensar.com/about/investors/investors-relation?result=Quarterly-Results#Investor-Corner>

This is for your information and dissemination purpose.

Kindly take the same on record.

Thanking you,

**Yours faithfully,**

For **Zensar Technologies Limited**



**Gaurav Tongia**  
**Company Secretary**

*Encl.: As above*

An  **RPG** Company



“Zensar Technologies Limited Q3 FY24 Earnings  
Conference Call”

**January 22, 2024**



**MANAGEMENT:** **MR. MANISH TANDON – CHIEF EXECUTIVE OFFICER  
AND MANAGING DIRECTOR, ZENSAR TECHNOLOGIES  
LIMITED,  
MR. SACHIN ZUTE – CHIEF FINANCIAL OFFICER,  
ZENSAR TECHNOLOGIES LIMITED  
MR. VIJAYASIMHA ALILUGHATTA – CHIEF  
OPERATING OFFICER, ZENSAR TECHNOLOGIES  
LIMITED  
MR. VIVEK RANJAN – CHIEF HUMAN RESOURCES  
OFFICER, ZENSAR TECHNOLOGIES LIMITED**

**MODERATOR:** **MR. DEVANG BHATT – IDBI CAPITAL LIMITED**

**Moderator:** Ladies and Gentlemen, Good day and welcome to the Q3 FY24 Earnings Conference Call of Zensar Technologies Limited hosted by IDBI Capital Limited.

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 this conference, 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 Mr. Devang Bhatt from IDBI Capital. Thank you and over to you.

**Devang Bhatt:** Thanks Dorwin. Good evening everyone. On behalf of IDBI Capital, I welcome you all to Zensar Tech Q3 FY24 Earnings Call.

We have with us Mr. Manish Tandon – CEO and Managing Director of Zensar Tech, Mr. Sachin Zute – Chief Financial Officer and few other members of the senior management team.

Before I hand over call to Manish I would like to highlight that the safe harbor statement of the second slide of the earnings presentation is assumed to be read and understood. Over to you, sir.

**Manish Tandon:** Thank you Devang. Hello, good morning, good afternoon and good evening everyone. Thank you for taking the time to join us today to discuss Zensar Financial Results for the third Quarter of FY24.

Along with Sachin, I have Vijayasimha – our Chief Operating Officer and Vivek Ranjan – our CHRO, also on this call to take your questions.

It's been just over a year since I joined Zensar and exactly a year since I first spoke to all of you. In my first call, I mentioned how proud I am to be leading Zensar. Fast forward one year, I won't change a thing I said then.

As an organization, our strong investments in our service lines and our vertical bets and of course our people have all come together to create a stronger and resilient organization that has client centricity as its core tenet. Over the past year, we have made good progress on the goals we set for ourselves. Our customer conversations are positive, our deal pipeline continues to be healthy, our order booking remains stable, and our profitability has been robust.

Our expertise in designing digital experiences and engineering it to deliver superior engagement is showing strong traction among the clients. Though the Third Quarter is seasonally a soft quarter, we registered services revenue of \$144.5 million, a sequential QoQ decline of 3.0% and year-over-year growth of 1.3% in constant currency.

Our Margins continue to remain healthy with profit after tax growing by 700 basis points on a year-on-year basis. LTM attrition further improved to 12.0% from 13.1% last quarter.

Coming to the quarterly performance of our verticals:

This being a seasonal quarter comparison of the year-over-year performance is perhaps more appropriate.

In constant currency terms, on a year-over-year basis our Services revenues in Banking and Financial Services grew by 12.6%. Manufacturing and Consumer Services grew by 5.5%, Hi-Tech and Healthcare declined by 9.6% and 14.3% respectively.

Despite the unexpected deeper and wider furloughs, from an overall revenue, margin, and order book position. I am very satisfied with the performance of the company.

With that, I will now invite Sachin, our Chief Financial Officer to provide an update on “Critical Financial Data”. Sachin, over to you.

**Sachin Zute:**

Thank you, Manish. Good day everyone and thank you for joining this call.

In addition to Manish talking about business I will take you through some “Key Financial Metrics” for the quarter ending December ‘23:

Revenue for the 3rd Quarter of Financial Year 2024 stood at 144.7 million US dollar reflecting decline of 3.2% sequentially in constant currency terms and 3.7% in reported terms.

The Services revenue for the 3rd Quarter of Financial Year 2024 stood at 144.5 million in U.S dollar terms reflecting year-on-year growth of 1.8% in reported terms.

Gross margin for the quarter stood at 31.1%, a drop of 70 basis points quarter-on-quarter. Decline was primarily due to exchange impact of 10 basis points, impact due to furlough and utilization 200 basis points, which was partially offset with our existing operational efficiency program, higher leave utilization and reduced discretionary spends impacting the margins positively by 140 basis points.

SG&A has increased by 70 basis points quarter-on-quarter. This includes a reversal of 160 basis points benefit, we had last quarter, on account of lower management bonus payout, exchange had negative impact of 10 basis points.

PDD reversal for the quarter positively impacted the margins by 110 basis points.

EBITDA for the quarter was at 17.2% up 20 basis points against last quarter adjusted EBITDA margins.

Our adjusted EBITDA margins for YTD stood at 17.3% well above our guided range of mid-teens.

We closed the quarter with higher cash and cash balances that stood at \$248.3 million compared to \$227.1 million in Q2 of FY24, with the addition of \$21.3 million in the quarter.

DSO for the quarter stood at 75 days, 4 days lower than previous quarters.

The order book remains healthy at \$167.5 million for the current quarter with a consistent new logo addition.

As you have seen, Hi-Tech has been a sluggish quarter for the industry, which is true for us as well. However, apart from lower revenues from some large Hi-Tech customers we have witnessed growth in other parts of business, despite this being a quarter with higher than usual furloughs.

The effective tax rate for the quarter stood at 23.8%. The total amount of outstanding hedges as on December 31st, 2023, was equivalent to \$313.7 million against \$289.1 million in the previous quarter.

The Board of Director have approved an interim dividend of Rs. 2 per share for the Financial Year 2024, which is 100% of the face value.

As we have consistently mentioned, we continue our rigor on improving execution, focusing on strategic cost optimization levers and maintaining a resilient bottom line.

As we forge ahead, our financial strategy remains anchored in driving growth, ensuring profitability and making required investments into the focused area of business.

On ESG front, we have achieved significant improvement in our ESG scores from rating agencies like Ecovadis and DJSI. We have officially committed to aligning with SBTi which is now available on SBTi website itself.

We have deployed organic waste converter in our Pune campus resulting in in-house treatment of 100% organic waste.

With that, now I invite Vijayasimha – our Chief Operating Officer to provide updates on business operations. Vijay.

**Vijayasimha Alilughatta:** Thank you Manish and Sachin. Greetings everyone.

I will share details about “Operational Efficacy, Service Line Performance and Capability Enrichment Initiatives”.

First, on “Operational Efficacy”:

We are continuing our journey and making good progress on key imperatives like pyramid optimization, managing utilization in an optimal range, calibrated usage of subcontractors and managing our onsite mix.

Our focus on operational excellence enabled us to minimize the impact of seasonal headwinds in Q3 like the quantum of furloughs, extra holidays and leaves. Our utilization was 310 basis points higher in Q3 of FY24 as compared to previous years Q3. Excluding the impact of furloughs and leaves the utilization improved even as compared to Q2 of FY24. The rigor associated with accelerated fulfillment and capability enrichment continued in Q3. We had a gross addition of 627 employees in the quarter.

Service lines: While we had good volume growth across many of our service lines, revenue was impacted by seasonal headwinds. On a quarter-on-quarter basis in reported terms, our Advanced Engineering Service line registered a growth of 3.0%, Experience Services remain flat Foundation Services and Data Engineering and Analytics saw a decline of 2.0%, Application Services and Enterprise Applications Services saw a decline of 8.0% which was primarily on account of furloughs.

The share of revenues from Advanced Engineering Services, Data Engineering and Analytics, Experience Services and Foundation Services increased from 52.2% in Q2 of FY24 to 54.2% in Q3 of FY24.

Capability enrichment: As part of our talent transformation journey, we are proactively multi-skilling our colleagues in a structured manner via the Service Line Academies. Our industry services groups have established domain academies in the respective vertical to enhance the ability of our colleagues to deliver superior business value.

The immersive programs launched to enrich the capability of our key talent in the areas of solution architecture, product management, program management have enabled us to create a sizable pool of home-grown talent in these areas. The in-depth learning programs from our AI academy has enabled our engineers and data scientists to develop advanced skills in generative AI space.

We leveraged our advanced generative AI skills to implement innovative solutions for a legal services client of ours which enabled them to reduce processing time by 90 plus percent in some value chains.

With that, I now hand it back to Manish.

**Manish Tandon:**

Thanks Vijay and Sachin.

The last few quarters have been tough for the industry due to macroeconomic uncertainties and the customers have seen cuts in their discretionary spends. We continue to collaborate with our customers in such times.

We have strong systems in place and our capabilities are interlocked to tap into any available opportunity. Client success is our parameter and will keep moving in the right direction, focusing on growth and investing for the same.

With that, we can open the line for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devang Bhatt from IDBI Capital. Please go ahead.

**Devang Bhatt:** So, one is that now you are stabilized your margins so when we will see a improvement in growth and which segments are you focusing to drive that growth and what are we doing to reduce the higher dependence on clients?

**Manish Tandon:** So, I think as far as this quarter is concerned except for the Hi-Tech segment and also there was a few specific client where because of the furlough and so on deeper and wider furlough we saw declines, but if you exclude that then all parts of our business have done better than last quarter.

So, I'm pretty bullish about our growth prospects, revenue growth prospects as far as non-Hi-Tech vertical is concerned. Hi tech is under stress, it is under stress for everyone. I mean there are other verticals that are under stress for everyone like Banking and Financial Services which is doing well for us, but Hi-Tech we are also suffering and hopefully given that the furloughs should come down in this quarter hopefully the worst is behind us.

**Devang Bhatt:** And sir as you highlighted that there are some headwinds in macro. So, what are we doing to mitigate the same I mean are we trying to grow that I mean some specific segments or some specific clients are you targeting?

**Manish Tandon:** I think first of all as I pointed out earlier, last year we have taken a lot of steps to manage and improve our client penetration and revenues. One is we have increased the addressable spend through addition of several Service Lines including Experience Services, including ESAS which includes Salesforce, Oracle, SAP and everything, and Advanced Engineering Services and we are seeing good growth in these new Service Lines that we have added.

Besides that, I mean you have to stick to your core, client centricity, takes care of your employees, take care of your clients in tough times, then we'll see the benefit. Also, we are trying to ride on to the newer trends that we are seeing in the market like Generative AI and so on to see how we can piggyback on those trends and accelerate our revenue profile.

**Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Manish our deal wins have let us say on a trailing 12-month basis have sort of picked up it's up 23%. Just wanted your thoughts on a couple of things. So, one has the deal wins of Q1 and Q2

completely ramped up and do you think that the following quarter will be a growth quarter despite continuation of furloughs so that's the first one.

The second is how are you thinking about Hi-Tech at this point in time, when do you see this sort of the trajectory sort of at least stabilizing is the second one and I have one more as well I'll follow up post this?

**Manish Tandon:** Yes Nitin. Good to hear from you. I think on the first question on deal wins as you can see compared to the same quarter last year our deal wins have gone up by \$37 million and if you peel the onion a little bit more you will find that most of these deal wins are coming from Existing New which means that our farming engine what we had invested in is working to our satisfaction and that's very encouraging to see.

The second question was, will the next quarter be a growth quarter or not? As you know we don't give projections for the next quarter. So, I cannot comment on it and 5 million plus clients have also gone up overall and what was your third question Nitin.

**Nitin Padmanabhan:** The third one was when do you think Hi-Tech can sort of stabilize and you seeing incremental deal wins at some point that will start offsetting the pain that you're seeing from the client?

**Manish Tandon:** I think look that's a hundred million dollar question as to when we will see the thing, the Hi-Tech sector for everyone is under stress and even as we speak Nitin I was hearing that even Google has announced new job cuts and so on. I mean the jury is still out there, but as I said, except for Hi-Tech I see other parts of our business firing much better.

So, as soon as this furlough impact etcetera and project closure impact etcetera goes away we should hopefully see growth.

**Nitin Padmanabhan:** And lastly, if you could give your thoughts on BFSI, Consumer Services and Healthcare as well on how are you seeing those sort of pan out?

**Manish Tandon:** So, for us BFSI has done pretty well. We have grown 12.6% year-over-year and Manufacturing, and Consumer Services also grew by 5.5% year-over-year and besides that we are doing well in UK and Europe and also in South Africa which are big markets for us. So, as I said I mean things are looking up except for the Hi-Tech vertical.

**Moderator:** Thank you. The next question is from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

**Naveen Baid:** Just wanted to confirm on what was the order backlog this quarter?

**Manish Tandon:** We look at order booking and not order backlog. Our order booking was \$167.5 million which was about \$37 million more than the same quarter last year.



- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities Private Limited.
- Sandeep Shah:** Manish I think the pain in a Hi-Tech and that too from a top client within the Hi-Tech is a well accepted fact for Zensar and it's been accepted fact for the investor as well, but to surpass that we have to accelerate the pedal in terms of driving growth in other accounts in Hi-Tech and the other verticals, so are we geared for the same? do you believe the time has come in terms of driving this incrementally better and that will help us to compensate the headwinds coming on the growth coming through Hi-Tech account year-after-year and quarter-after-quarter?
- Manish Tandon:** As I said except for Hi-Tech as a vertical we are seeing secular momentum overall in other verticals and geographies. I mean, if we continue to see significant stress in Hi-Tech, I don't know whether the growth will be enough to offset or if Hi-Tech remains flattish or grows slightly then I see us growing significantly.
- Sandeep Shah:** And sir what do you believe because the growth outside Hi-Tech in this quarter has been flat to a decline in trend except for the BFSI. So, is it largely because of furloughs?
- Manish Tandon:** Largely because of furloughs and this time the furloughs were much deeper and wider than what I have seen in the past few years.
- Sandeep Shah:** Just a related question Manish do you expect some of these most of these furloughs to reverse in the fourth quarter and Sachin if you can quantify the impact of furloughs on this quarter's revenue?
- Vijayasimha Alilughatta:** I will take the first portion of the stuff. I think we are seeing some sort of a mixed bag in terms of furlough reversal in Q4. Some of the sectors like Hi-Tech are going to continue to have furlough in the early part of the quarter whereas some of the other sectors are not going to have the impact of furloughs. So, there will be some impact of furloughs in Q4 as well. Sachin, you might want to quantify.
- Sachin Zute:** So, Sandeep combination of furloughs and utilization has impact of close to 200 basis points on our gross margins and normally the data of the split we don't make it public.
- Sandeep Shah:** And Sachin if I presume you said in the opening remarks provision for doubtful debts has been reversed in this quarter which impacted margin by 110 basis point to QoQ positively. So, will this be a headwind in the coming quarter and if yes what could be the headwind impact?
- Sachin Zute:** Yes, obviously as you know PDD is a onetime impact which we registered in Q3, but broadly other parts of our operational efficiency track continue to work. If you look at, let's talk about utilization in Q3 of last year, my utilization was below 78% it was 77.6%. This time my utilization is over 80%. So, there will be levers like this which will be available for us going forward.

**Sandeep Shah:** And last thing on the depreciation there has been absolute decline, so any one of in the EBITDA margin, EBIT margin apart from provision for doubtful debts led through depreciation or any other items?

**Sachin Zute:** See, depreciation has been impacted due to multiple facilities which we have been vacating across the globe including India and US. So, the impact of that can be seen over there. Apart from that, the amortization of earlier acquired subsidiaries is also having impact over there, but I don't foresee a significant change in that number in near future.

**Moderator:** Thank you. The next question is from the line of Nikhil Choudhary from Nuvama. Please go ahead.

**Nikhil Choudhary:** First question is on top accounts, while Manish you mentioned that incremental PPP is coming from client mining, can you clarify is it coming from top five clients given we are seeing the contribution from top five continue to decline?

**Manish Tandon:** No, actually we are converting our lot of clients as we are moving up. To answer your question, it's obvious that it is not coming from the top five clients. The data shows that, but we are trying to move up the number of clients from bracket from less than 5 million to above 5 million, from less than 10 million to above 10 million and that is where we are seeing a lot of success.

**Nikhil Choudhary:** Second is regarding the margin I think on margin you continue to surprise and even in this quarter despite of reversal we have seen margin EBITDA margin close to 17% and we have seen some of the levers like offshoring utilization clearly playing out in last few quarters.

So, is it fair to assume the current quarters EBITDA margin will be what we can look forward to in FY25 and maybe next coming quarter?

**Sachin Zute:** So, it's very difficult for me to talk for FY25 and going forward I think our guided band has been 14 to 16 because we think that that is a more sustainable range which we can work on going forward because we still want to create as we've been saying, we are working on few of the large deals which will have impact on the margins in short run.

Then obviously the enabling of the re-skilling of my delivery team is parallelly happening at the same time if you see my investments in S&M is also going up. So, this is the room which we have created to ensure that in long run it helps us to grow faster.

**Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Just to clarify you mentioned 14% to 16% basically allows for large deals that could ramp up. So, have we won anything that is likely to execute and thereby have an immediate impact on margin?

**Manish Tandon:** No, I don't think we can state anything or any large deal which will have impact on the margin just now. You have to build in the capability to do large deals right and as we all know well that the large deals typically are not very margin accretive in the initial stages. So, we have created that cushion. We also want to create some cushion to invest in sales and marketing and so on. So, that is what we are trying to do.

**Moderator:** Thank you. We have the next question from the line of Vikas Ahuja from Antique Stock Broking. Please go ahead.

**Vikas Ahuja:** So, if I look at some of your peers their commentary has incrementally started turning positive and if I remember correctly in one of your interviews you have talked about demand continues to remain and mega deals are occurring, but you are also seeing an equal number of that being cancelled. So, anything changed for us in last one and half months I mean things have incrementally turning positive for us?

**Manish Tandon:** As far as the macros are concerned, I don't think there has not been a material change in the macros that we have been seeing over the last couple of quarters and I don't think it is materially going to change for the next two quarters also the overall macro.

**Vikas Ahuja:** And also, the other part regarding that mega deals you talked about that you have been seeing some cancellations on that side overall, anything has improved on that front as well?

**Manish Tandon:** No, actually what I was quoting was that for every two large deals getting signed, one existing deal is getting cancelled or something like that. So, that is what I had said, but we are at a stage where we have to first win some good amount of large deals and then hopefully we can comment on cancellations, but what I was commenting on was what I had heard in the industry discussions.

**Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities Private Limited. Please go ahead.

**Sandeep Shah:** Manish you might have answered this, but for a consistent growth for Zensar over the next three to five years, the three things might have to be addressed. One is the large deal team formation which caters to the pipeline and converts the pipeline faster.

Second being the farming of the existing top clients or target clients and third being the hunting of must have clients on an ongoing basis and the fourth being having a required door openers or service capability in the portfolio across verticals.

So, can you throw light whether Zensar has addressed all these four in terms of restructuring and reorganization or still some of this is work in progress and when do you expect these to get addressed and we can actually grow in line with the industry?

**Manish Tandon:** All these things have been addressed. Are they perfect? The answer is no. There's always room for improvement. So, from a strategy perspective all these four items have been addressed and

we are seeing as I said we are seeing some green shoots, already our farming as I mentioned EN is the highest existing new deals is highest over the last few quarters which is a very encouraging sign and shows that farming is working.

We have opened 9 Net New logos. Quite a few of them are Fortune 500 companies overall. So, all those things are happening. It is not that they are not happening, but you cannot be binary that either they are not happening or happening perfectly, so it is always a journey.

**Moderator:** Thank you. The next question is from the line of Ganesh Shetty an Individual Investor. Please go ahead.

**Ganesh Shetty:** Sir, are you looking for any acquisition because we have got considerably cash and cash reserves and especially in Healthcare sector we are having less exposure, so whether this sector can be scalable through acquisition?

**Manish Tandon:** Yes, we are looking at all avenues including acquisitions. Almost every week we look at a possible acquisition target and the team is actively working on, but we'll not buy something just for the heck of it.

So, where we see a strategic fit and the right price, I have a fiduciary responsibility to the shareholders to conserve cash and we continue to look, but we are not going to throw money at doing an acquisition if it's not worth it.

**Ganesh Shetty:** Sir my second question is regarding that Hi-Tech performance for last so many quarters. So, as we see no ray of hope in the near future, are we also planning to reduce some exposure like reducing our investment and deploying the resources in ever growing sector like BFSI and consumer, can you throw some light on this?

**Manish Tandon:** We always keep looking at our portfolio and we don't do it at a sector level, but we actually do it at an account level, and we go and see where we want to invest, where we want to maintain and where we want to divest. So, we continue to do all three and we do it at an account level instead of trying to do it at a sector level.

**Moderator:** Thank you. We have the next question from the line of Jalaj from Svan Investments. Please go ahead.

**Jalaj:** Could you touch upon the sudden degrowth or rather than both life sciences and Hi-Tech, is it all the complete impact is because of the furloughs or are there some client specific issues or some project related issues there?

**Manish Tandon:** No, a lot of impact is because of furloughs and there are some project cancellations also. So, project completions and not cancellation overall. So, both those issues are there.

**Jalaj:** And could you touch upon the nature of the PDD which you talked about 110 bps in fact which vertical was it and some nature of to it color to it?

**Sachin Zute:** So, I won't be able to disclose in which vertical it was and all, but what I can tell you that according to the accounting norms beyond certain days if the collection is not happening, so, we need to create a provision of the same in the books. So, according to our accounting policy we had created that provision in earlier quarters. In Q3 that collection actually happened. So, with the collection we had to reverse the PDD and that's where you are seeing 110 basis impact.

**Manish Tandon:** I just want to emphasize this is an ongoing thing there is nothing one time that we have done something or anything. This is we are just following our accounting policies and showing you the impact that's all.

**Jalaj:** Manish this would be for you maybe little long-term questions two, three years or five years down the line what as per you are what are you seeing as a growth driver for the organization and where are we moving maybe you could talk about some IG industry group level or a service line how do you see the growth coming out more from a drivers perspective?

**Manish Tandon:** One of the repositioning that we have done is along the lines of Experience, Engineering, Engagement. We are perhaps the only company of our size which can do these all three things together and in sync with each other.

As more and more digital projects are getting done, it is not about just experience or just engineering or just engagement, but a combination of three and that is a unique value proposition that is resonating really well in our client base, it is helping us differentiate in the market.

So, I am hoping and I'm seeing some green shoots there also that this overall strategy will get us to the growth and the top quartile performance that I'm looking at in the next three years.

**Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities Private Limited. Please go ahead.

**Sandeep Shah:** Manish one of the lead indicators for us to judge whether the strategy is running or not running could be tracking the deal pipeline. So, can you throw some light in terms of how the deal pipeline at the end of December looks like both on a QoQ and YoY basis, is it growing higher than your expectation or it's not meeting your expectations?

**Manish Tandon:** Yes, the deal pipeline is stable to better than same time last year. So, that's about all I can say because we do not disclose the numbers per say, but I can tell you that it's same or better as compared to last year.

**Moderator:** Thank you. The next question is from the line of Jalaj from Svan Investments. Please go ahead.

**Jalaj:** Manish with regards to the offering or the repositioning you talked about, could you specifically touch upon the Healthcare vertical because I believe that in your previous role you have been managing the same. So, could you talk a little about the repositioning of us as a Zensar as a company and the industry trends there?

**Manish Tandon:** So, this is the second quarter since we have split out the Healthcare as a vertical, actually we were doing close to 9% to 10% of our revenues was coming from Healthcare and the obvious thing was that without focus this kind of revenue can be generated then with focus a lot more can be generated and that you would have seen in the results of the other players in the industry most of them have shown significant growth in Healthcare and life sciences.

So, we have spun it off or we have created a new vertical and we will continue to invest in getting exceptional growth in this particular vertical and yes, I will use my experience in the industry from the past.

**Jalaj:** So, from a service line offering or offerings we have right now in Healthcare, do you feel like we are there or some more investments need to be made there or an M&A would be required in this vertical further?

**Manish Tandon:** Both M&A and investments, we are not there. As I said we have just started the vertical it's barely two months old, three months old. So, we are hiring some excellent people. We are looking at M&A. I mean whatever it takes we want to do it because this is a pretty good vertical to be in.

**Jalaj:** And some industry trends if you were to talk about maybe some micro payer segment, payee segment whatever you see like there?

**Manish Tandon:** So, payer segment is pretty saturated as far as I see it. I mean there is not too much scope for new players. I would say the innovation segment, which is med tech and life sciences, etcetera. There we will see much more innovation is happening and innovation happens agile companies like ours who have a complete suite of offerings from experience to engagements we tend to do better. Provider space is very large, but again provider space is pretty focused on onsite only kind of deals. So, we will have to pick and choose what we will take and what we will not take.

**Moderator:** Thank you. The next question is from the line of Devang Bhatt from IDBI Capital. Please go ahead.

**Devang Bhatt:** So, apart from Healthcare any specific area that you plan to do M&A, or you have identified any particular segments to do M&A?

**Manish Tandon:** Yeah, we have a complete M&A strategy in place and there is a corporate development team focused exclusively on M&A and we have fairly detailed strategy in place.

- Devang Bhatt:** And in terms of say generative AI. are you seeing some traction or in which segments are you seeing generative AI traction?
- Manish Tandon:** We are seeing a lot of traction, but primarily in proof of concepts. Last time in one of the calls I had mentioned that we are doing close to 100 proof-of-concepts overall in the Gen AI space, but a lot of them are either revenues is small or we are doing it pro bono to get into win larger deals using Gen AI space, but we are doing a lot in that area.
- Devang Bhatt:** And sir in terms of say segment wise maybe in medium term which segments are you seeing green shoots and which segments are you seeing headwinds I mean vertical wise?
- Manish Tandon:** Headwind is obvious Hi-Tech and rest of the things I said I have been doing pretty okay. So, that is pretty much the answer and basically we are in just four verticals we don't want to spread ourselves very thin. So, that is where those headwinds and tailwinds are and as I said even BFSI knock on wood we have seen growth where other competitors and other industry colleagues have seen negative growth.
- Moderator:** Thank you. Next question is from the line of Jalaj from Svan Investments. Please go ahead.
- Jalaj:** So, picking up your brains a little more on Healthcare. Do you guys expect that Healthcare would contribute to somewhere mid-teens or a higher level of the top line in the next two to three years?
- Manish Tandon:** Yes, obviously the hope is there that it will contribute disproportionately. I mean without creating a vertical it was contributing 9%, 10%. So, if you're creating a vertical hopefully it will give us that growth.
- Jalaj:** And one thing which you eluded upon and which your peers have been saying majority of them had a good quarter-on-quarter and YoY in Healthcare. So, some specific issues for us since YoY we had a huge degrowth there on a small base also?
- Manish Tandon:** A particular completion of a few projects and also some amount of furlough and companies who are seeing growth they are working primarily in the payer segment where this is the open enrollment season this quarter. So, they see an uptick in revenue.
- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** Could you give us some color on the deal wins that we have won in the quarter maybe by vertical where are you seeing the more strength or even if you could give a trend over the last three quarters where have you seen the biggest trend from a deal win perspective when you look at verticals?
- Sachin Zute:** So, Nitin we don't give the split of deal wins by verticals, but what I can tell you is that...

**Nitin Padmanabhan:** Just qualitatively?

**Sachin Zute:** So, qualitatively if you look at obviously my order book is reflecting consistent improvement on a year-on-year basis. Last quarter we reported \$194.8 million, this quarter we reported \$167.5 million, which is on a YoY basis there's a significant improvement if you see starting from Q1 itself. So, for last three quarters we had a pretty healthy order book which represents the deals and as Manish said especially in this quarter our existing new portion of the deal wins has been one of the highest in last maybe 10 quarters. So, I think that is the reflection of the farming which is happening across the verticals except the Hi-Tech where we are seeing some headwinds.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Manish Tandon for closing comments. Over to you, Sir.

**Manish Tandon:** Thank you all for joining this call which turned out to be a very important day in the history of this country and also holiday. I'm very grateful that you could join even on a holiday. Thank you very much.

**Moderator:** Thank you. On behalf of IDBI Capital that concludes this conference. Thank you all for joining us you may now disconnect your lines.