

Re-inventing
the corporation.

re-invented itself.

Zensar Technologies Limited

Annual Report 2000-1

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report 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. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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We've got a new visiting card.

A new body. A new soul as well. This is how.

In the past we recognised the importance of being on time; things are **faster** at Zensar today.

There used to be a mutual respect at Zensar earlier; people are more **friendly** today.

In the past, Zensar excelled on a number of things; there is a greater **focus** within the company today.

In the Zensar of the past, we looked upon ourselves as a serious company; in our latest incarnation, we are a **fun** company seriously in pursuit of a great future.

With a lot more **flexibility** today.



New body. New spirit.

1 Zensar Technologies Limited is a successful software solutions provider to companies the world over. Zensar is a joint-venture company between RPG and ICL (UK). Electra Partners Mauritius Limited is the largest financial investor in the company.

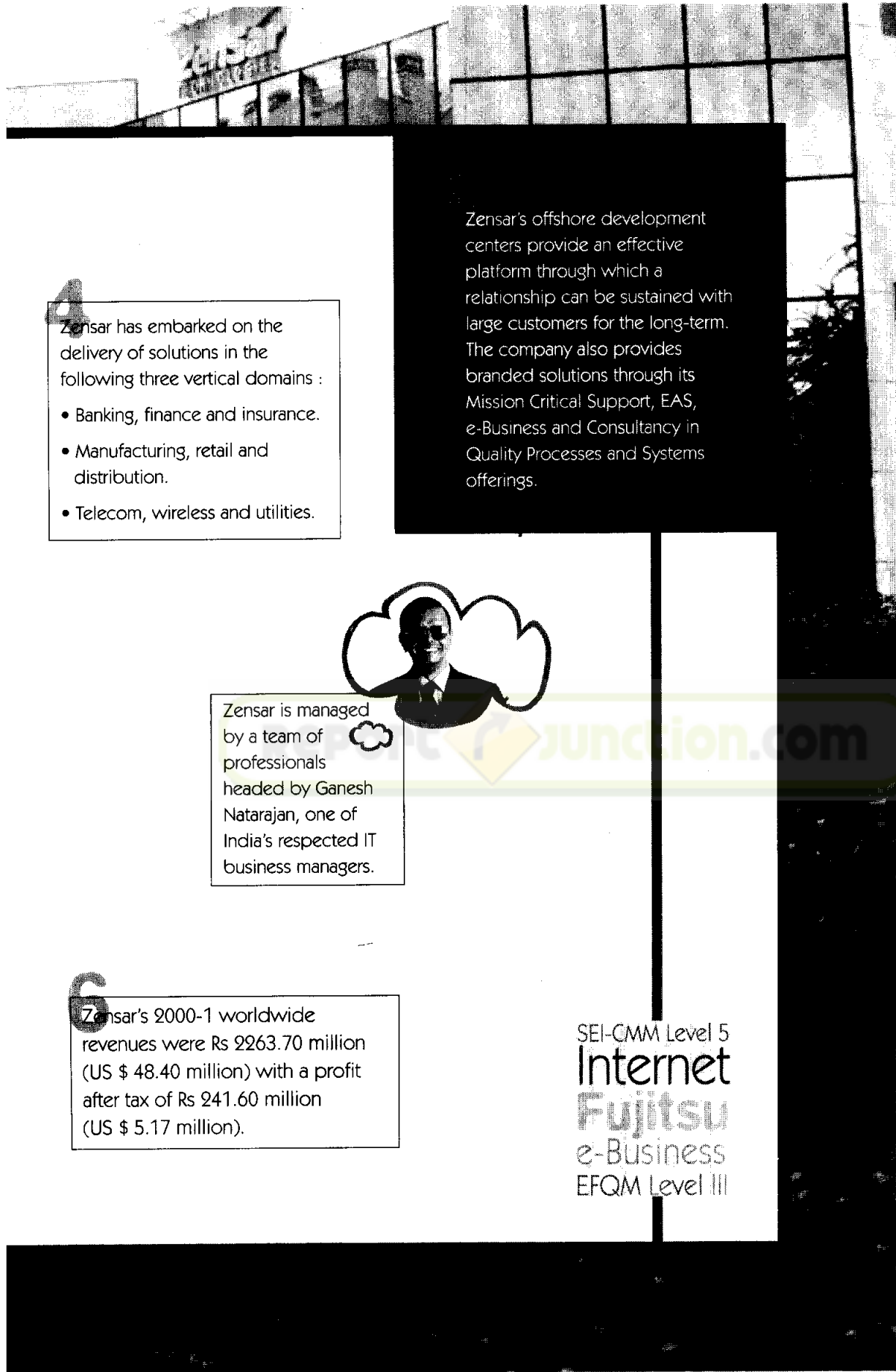
An erstwhile subsidiary amalgamated with Fujitsu ICIM Limited. Thereafter, Fujitsu ICIM Limited was re-christened Zensar Technologies Limited.

Zensar is headquartered in Pune, India. The company has marketing offices in 11 countries.

2 Zensar provides dependable solutions in Oracle, IBM, Java, Microsoft and Internet technologies. Zensar's customers include Fortune 500 and other companies : Cisco, P&O Nedlloyd, ABN Amro, Fujitsu, Sprint, KPMG, Honeywell, Sikorsky, Transco, AXA Insurance, Fidelity, Zurich Insurance and others.

Zensar enjoys a reputation of delivering quality solutions. Zensar is the world's first enterprise wide SEI - CMM Level 5 company. As an extension of this quality-committed philosophy, Zensar expects to be appraised at the EFQM Level III and awarded the People CMM certification over the foreseeable future.

Microsoft
Fidelity
Sprint
Honeywell
Cisco



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Zensar has embarked on the delivery of solutions in the following three vertical domains :

- Banking, finance and insurance.
- Manufacturing, retail and distribution.
- Telecom, wireless and utilities.

Zensar's offshore development centers provide an effective platform through which a relationship can be sustained with large customers for the long-term. The company also provides branded solutions through its Mission Critical Support, EAS, e-Business and Consultancy in Quality Processes and Systems offerings.



Zensar is managed by a team of professionals headed by Ganesh Natarajan, one of India's respected IT business managers.

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Zensar's 2000-1 worldwide revenues were Rs 2263.70 million (US \$ 48.40 million) with a profit after tax of Rs 241.60 million (US \$ 5.17 million).

SEI-CMM Level 5
Internet
Fujitsu
e-Business
EFQM Level III

Chairman's Overview



Dear Shareholders

You might have a problem associating this company with the one in which you have held equity over the past

And if you do, we will be flattered.

Because over the last few months, everyone at Zensar has been single-mindedly dedicated to the exercise of

Re-inventing it structurally and culturally.

transformation
in spirit as well.

A necessary thing

The re-invention was absolutely necessary. Even though the company enjoyed a successful 2000-1 - consolidated global revenue growth of 21.12 per cent and profit increase by 35.96 per cent - the Zensar management showed foresight in concluding that unless it re-tooled immediately, the margins and profits would not be sustained.

There is an interesting reason for this conclusion.

In the first phase of the Information Revolution, customers simply IT-enabled themselves. In the second more critical phase - the present - customers are looking for solutions to enhance their business edge.

Through the re-invention, Zensar will be better equipped to take the business of its customers into a higher league.

A changed focus

To achieve this objective, Zensar consciously engineered a change in a number of its priorities. The most important was:

A change in focus from generic remedies to solutions in select verticals like banking, finance and insurance (BFI), manufacturing, retail and distribution (MRD) and telecom, wireless and utility technologies (TWU).

The new Zensar

Zensar's presence in these three verticals will help it achieve the following:

- ▲ Create a business model that is robust and sustainable.
- ▲ Accelerate growth since the opportunities represented in the verticals are significantly higher than in generic IT services.
- ▲ Create long-lasting customer relationships.
- ▲ Improve its margins and profits.

Others are changing too

We are not alone. Even as Zensar is re-inventing itself, so are hundreds of other companies. Their re-invention is being marked, among other things, by an upgradation of their existing IT systems, which is precisely a market that Zensar addresses. As a result, it is important to recognise

that the entire business of re-engineering, re-structuring and re-invention - a contemporary subject across the global corporate environment - will help Zensar accelerate its own.

The scope and size of the kind of solutions that could be required by this potential market is staggering. Just think, approximately a billion banking customers are expected to transact online. As banks change the way they deal with customers across the world, a new opportunity will emerge for Zensar and companies of its kind, an opportunity that we expect will sustain over a number of years. Our objective will be to provide value-added services to prestigious customers, resulting in the accretion of intellectual as well as financial capital over the long-term.

Our team

The fact that Zensar possesses a strong team makes me confident that the re-invention will be as swift as it will be successful. Ganesh Natarajan, the company's new CEO, is a professional with vision who has played a central role in the re-engineering. He heads various Zensar teams who possess a new vigour and enthusiasm, convincing me that this re-invention is no milestone but likely to be a continuing feature in the company's pursuit of sustained excellence over the coming years.

Shareholder value

This pursuit of professional excellence will be accompanied by the highest standards of governance. We expect that the checks and balances instituted through the governance process and practices by the Board and the members of the company will enhance and protect shareholder value.

Vision

As a result, my vision for Zensar is a company that emerges as a preferred IT partner for customers, a sound investment choice for investors and the employer of choice within its industry.



Harsh Goenka

CEO'S REVIEW

We have outstanding teams in Europe, Asia, Africa and all over the USA. This will help Zensar penetrate geographically and across its chosen verticals.

Ganesh Natarajan, Deputy Chairman and Managing Director (CEO), offers an insight into Zensar's mission

What were the highlights of Zensar's performance in 2000-1?

A number of them. As the year progressed, Zensar migrated all its revenues through direct customer contracts, resulting in stronger earnings and margins. The company expanded its customer base across more geographies. And strengthened its relationships with some key customers.

The company strengthened its presence in emerging

systems like the wireless and embedded. And importantly, the company's HR initiatives continued to be strengthened.

In what ways did the company's performance disappoint you?

With the people and processes that we possess, we could have grown faster. We will continue to do so in the years to come.

What strengths does Zensar possess?

The biggest strength at Zensar lies in its people.

For instance, I was pleasantly surprised by the overwhelming involvement across the ranks to draft the vision-building statement for the organisation. One acknowledges that the organisation is in turbo-gear when a 25-year-old software developer makes a presentation to a 30-member senior management team on his vision for the organisation. Besides, we have outstanding teams in Europe, Asia, Africa and all over USA, which will help Zensar penetrate geographically and across its chosen verticals.

Zensar's other big strength lies in its process skill. Our conviction is that while technologies will continue to evolve, strong processes will help Zensar deliver a consistent standard of solutions across customised requirements. We got to a stage last year when these process skills were clearly recognised by the marketplace : customers like Transco (largest domestic gas supplier in UK) and Sikorsky (world's leading helicopter manufacturer) engaged Zensar to implement their quality systems.

What are the company's weaknesses ?

From an eagle's perspective, let me say that Zensar's positioning needed to be corrected. For years, the company had positioned itself as a provider of technology solutions. But in the interim, there was a sweeping change in technologies. Besides, at the customer end, a number of companies were integrating through mergers and acquisitions. As a result, the erstwhile positioning was no longer valid. Zensar needed to position itself as a provider of business solutions. For instance, Zensar would earlier tell customers: "We will provide you with a solution in Java." The re-invented Zensar is telling customers, "We will lower your raw material procurement costs by 30 per cent". As a result, Zensar has evolved from being passionate about technologies to being an agnostic. As a result, the customer's business solution has emerged as Zensar's prime focus.

In addition to the change in business positioning, Zensar also shifted its vertical domain focus. Why?

Simply because the gains to be generated out of working in select verticals far outweighed the benefits

that would have accrued had the company spread itself thin over a number of verticals. Once this direction was resolved, Zensar's big challenge was the selection of those verticals that offered a significant room for growth over the long-term without requiring the company to compromise on its margins. After careful deliberation, Zensar selected to strengthen its presence in the following verticals: Banking, Finance and Insurance (BFI), Manufacturing, Retail and Distribution (MRD) and Telecom, Wireless and Utilities

Zensar would earlier tell customers: "We will provide you with a solution in Java."

The re-invented Zensar is telling customers, "We will lower your raw material procurement costs by 30 per cent".

(TWU). The company decided to raise its capabilities in the Enterprise Application Services segment as well.

These verticals and segments represent an excellent proxy for our sustained growth over the coming years for a number of reasons: they are expected to address growing consumer requirements and conveniences. Zensar's solutions will add to the customer's intellectual capital and extend their value-chain. Due to our strengthening domain insight and track record, we expect that over the coming years, customers with business issues in these verticals will turn to Zensar as the solutions provider of spontaneous choice.

What are your priorities over the foreseeable future?

Zensar clearly needs to re-position itself in the minds

of its existing and potential customers. The company needs to market its services aggressively. There is a need to be more customer-centric. The company needs to implement adequate performance management systems. Zensar also needs to aggressively leverage its collective knowledge through an effective repository. The effective capture of knowledge will help in a number of ways: reduce the time taken for executing similar projects, collectively pool the domain expertise to enable new recruits to be trained faster, load more projects during the year and generate an incremental savings of approximately 30 per cent. I can assure you that the company is addressing these issues with urgency and effectiveness.

How is the US slowdown likely to affect Zensar?

First, let me analyse how the slowdown will affect the industry. It will eliminate the low-value onsite business. It will decelerate decision-making at the customer's end and minimise non-critical spending. Small ticket projects are likely to reduce. Companies working directly with customers will be best equipped to flourish.

Measures have been adopted to exercise a greater control across clients and businesses. These have started yielding results : some of the company's Fortune 500 customers provided Zensar with larger assignments in the last few months.

Zensar's business plan has been designed taking into account a revival in IT demand from the fourth quarter of the current financial year. The company has taken adequate precautions to prevent profits from being impacted in the interim. Measures have been adopted to exercise a greater control across clients and businesses. These have started yielding results : some of the company's Fortune 500 customers provided Zensar with larger assignments in the last few months.

What are Zensar's prospects?

The company expects to grow its revenues and profits at attractive rates to meet its revenue target of US \$ 150 mn by 2004 - a fair performance when you consider that the company embarked on an ambitious re-alignment of its strategic direction and business mix only in 2000-1.

How does Zensar expect to enhance shareholder value?

Principally through a sound business strategy that will enhance margins and profits over the foreseeable future. Zensar also expects to generate incremental value through enhanced people productivity, increased technology productivity and the development of intellectual property. Zensar has a Board committed to the highest standards of corporate governance. The company is optimistic that these initiatives will enhance and protect value over the near and medium term.