

Mastek Limited

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SEC/106/2020-21 March 8, 2021

Listing Department

BSE Limited

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SCRIP CODE: 523704

Listing Department

The National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,

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Tel No.: 022- 26598100 Fax No. 022-26598120

SYMBOL: MASTEK

Dear Sir(s)/Ma'am(s),

Sub: Earnings Conference Call Transcript - Q3

With reference to our Letter No. SEC/95/2020-21 dated January 19, 2021, please find enclosed herewith the call Transcript of the Earnings Conference Call held on the financial performance for the third quarter ended December 31, 2020, on Tuesday, February 2, 2021.

The Transcript of the conference call can also be accessed from the website of the Company.

Request you to take the note of the above.

Thanking you,

Yours faithfully,

For Mastek Limited

Dinesh Kalani Company Secretary

Encl: A/A





Mastek Limited Q3 FY21 Earnings Conference Call

February 2, 2021





MANAGEMENT: MR. ASHANK DESAI – VICE CHAIRMAN AND

Managing Director, Mastek Limited

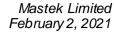
MR. ABHISHEK SINGH - PRESIDENT DESIGNATE,

MASTEK UK BUSINESS

MR. UMANG NAHATA – CO-FOUNDER, EVOSYS MR. ARUN AGARWAL – GROUP VICE PRESIDENT,

FINANCE, MASTEK LIMITED

MODERATOR: Mr. DIWAKAR PINGLE, CHRISTENSEN IR



Mastek •• The difference between what is.

Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Mastek Limited Q3 FY '21 Earnings Conference Call. As a reminder, all participants' 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 an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, Sir.

Diwakar Pingle:

Thank you so much Lizann. Good Afternoon to all of you and Good Morning depending on the geography you are in. Thanks for joining the Q3 FY'21 Earnings Call of Mastek. The results and presentation have already been mailed to you and you can also view that on our website, at www.mastek.com. In case anyone here does not have it, please do write to us and we will be happy to sendit to you.

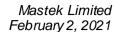
To take us through the results today and to answer your question, we have the top Management of Mastek represented by Ashank Desai - Vice Chairman and Managing Director; Abhishek Singh- President, Mastek; Umang Nahata - Co-Founder of Evosys; and Arun Agarwal - Group Vice President, Finance. Ashank will start with a brief overview of the quarter gone by, which will be followed by Abhishek who will share an update on the UK and the US business. This will then be followed by Umang who will share an update on the Evosys business, and Arun will speak on financial update.

I would like to remind you that everything that is said on the call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that the business face. The risks and uncertainties are included, but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report that you can find on our website.

With that said, I will now hand over the call to Ashank.

Ashank Desai:

Thanks Diwakar. Good Day to all of you, thank you for joining us on this Quarter-3 earnings call. I am delighted with our performance of this quarter, a demand for transformation and cloud migration project across geographies have built a robust momentum, keeping in mind that overcame even seasonal weaknesses that are typically in this quarter. What I plan to do is, I plan to highlight this achievement not only from this quarter's perspective as much as what it means to us over next quarter and next financial year and not only that, but go beyond the three-year region that we have started ourselves to be in. This is based of course on our last 14-15 quarters of continuous performance improving revenue and margin. We are here, that is hard work of last many quarters and now going forward what it means is what I want to cover. First, of course are the revenues, which you all know has done quite well. We have gone 76% year-on-year revenue and 208% EBITDA, of course this is based on acquisition, however, the performance is balanced quarter-on-quarter in terms of organic as well as inorganic growth, both of them have done very well and more importantly there is a good order backlog and a cash flow which you must have seen our financial performance which demonstrates our resilient business model and relationship





with customers, so financially strong result, very high EBITDA percentage maybe record percentage in our history and more importantly order backlog and a very strong pipeline that we have added this quarter. This would mean the order backlog and pipeline would mean a very stable resilient performance over the next many quarters, but I do not want to stop only on finance here.

We have to look this to the length of our customers. We have added 57 customers, again record customers so far and more importantly these customers were in all sizes and in all regions and in all sectors. For example, in public sector, we have Central Government in UK, local Government in UK, a public sector United Nations agency in US, all of them giving large orders to us. In healthcare life sciences, we have multibillion dollar healthcare provider in US, we have NHS our customer in UK, we have a multibillion Finnish pharmaceutical company, we have subsidiary of a large pharma company again in Southeast Asia. In manufacturing again, we made bid for foray in terms of in US particularly a multibillion dollar global company manufacturing oscilloscope, radios, and mobile test equipment also the globally recognized manufacturer of bike and so on. Rest of the world outside all of this also we have done good customer base in manufacturing. We have good customers in financial services, telecom, and retail, so it has been in all the regions and in all the sector, which gives us a stability and new customer base in digital and cloud migration and that is going to be our foundation because Mastek and Evosys together as we cross bill to each one of them. In fact, few of these clients are a cross-sell, we have jointly gone together and as together we are much more powerful than our individual ability where customer sees us as partner for the cloud movement in ERP and then digital transformation.

Thirdly, I would like to highlight is employee, I think you cannot deliver unless you build capabilities, talent, leadership. This quarter we have added 250 persons which is almost 6%-7% addition to our workforce in just one quarter and some of it is financially reflected even in this quarter and what is more important it is again a new technology workforce for next quarter and quarter beyond, so we have been working very hard on building the sales, marketing, and delivery infrastructure including few senior persons to have leadership under me. Beyond that of course, what we are building really is a portfolio of companies step by step as we said, starting from digital focus that we are at all these years we have built cloud. We are still looking forward to building thesis around it internally in terms of products and services, and acquisitions if required. Given our cash position close to Rs 700 plus crores, we are in a good position to choose to select and add to our portfolio again for our three-year vision. I will not go beyond this, I will only say that Mastek has come out strongly outside this COVID problem that all of us had. We had planned ourselves to deliver from home, I am really proud of Mastek, we could deliver all the results to our customer in spite all the difficulties and we have built a pipeline of talent, pipeline of customers, and pipeline of financial resilience to deliver next three quarter. I am very optimistic and look forward to a bright future. Thanks for the support of our customers, our employees, and all of you. I now hand over to Abhishek to cover some more details.

Abhishek Singh:

Thank you, Ashank. Warm hello to all of us on the call. This is my first call with all of you in my new role, which is driving our UK business. With that said, I will be sharing the perspective



on all of our organic business which included US and India business, so starting with our bellweather and UK business, we continue to drive very robust business performance in the geography. Our revenues grew 6.5% quarter-on-quarter, this is on constant currency terms and 20% or so on a year-on-year basis on a backdrop of a very strong UK public sector performance. If we just look at our sectoral performance, public sector grew 40% plus year-on-year which reflects the trend that we have always outlined that post-Brexit scenario, the clarity in this sector, our investment in the sector, reflects on our business performance and that trend continues to be validated by our financial performance here. In terms of order booking, it stood pretty robust again, we had a 120% on quarterly revenue in the form of order booking for the quarter and though this was a seasonally weak quarter for the business where both order booking as well as revenue had some negative impact of the seasonality. As you are aware of it that holiday season does bring in curtailed working days and as a result there are furlough impacts which impacts our revenue. Having said that, the most important indicator for us is not only the revenue growth and the order booking but the people that come along with that and we are very happy to report that we added 100 plus heads during the quarter just with respect to the UK business, which gives you an idea of the momentum that we are experiencing.

If I were to expand that and quickly look at some coverage on public sector and a lot of you have had those questions for us as to what is the scope and why do you feel so confident, we will go with some of the data that we have gathered in the space and software and IT services which is the acronym, SITS. SITS published the data on the spending by the UK Government in the space and interestingly the Government sector spends £12 billion plus per annum in the IT services and software space, 70% of which is concentrated towards operation and delivery, and if you look at the major spender, Central Government followed by local Government followed by Healthcare and followed by defense are the top four spenders and Mastek is present in the three of the top four spenders with the investment made to cover the local Government which comes along with significant capability that Evosys has in that space, so the key point is that there is a £12 billion worth of market opportunity and Mastek has got a significant pedigree in the three of the top four spenders and interestingly healthcare has been the bedrock of our growth over last 12 months. It is the best performing subsector which is growing at 3% plus per annum on its own on just around £2 billion plus of the services opportunity that they have, so this gives you an idea hopefully that the headroom for growth that we have in the sector and why we continue to be so bullish here and our approach is a two-pronged approach that is deepening our existing relationship as well as widening the customer base that we can have to ensure that there is no concentration risk and to that effect I am very happy to share that we landed another logo in the UK public sector space last quarter which represents a significant spend that we have got a framework win, which gives us access to roughly around £15 million of potential opportunity in that customer.

Moving on to the pipeline side, it continues to grow and with the access to medium and large deals in the Mastek context, but overall we are very confident of this sector driving growth for the overall geography. If I move my narrative quickly onto the private sector part as we had



outlined earlier, it is in build phase, there we are looking to onboard the sales leadership this quarter and which will then be followed by investment in field sales and the coverage of the market. However, the exciting part is the opportunity and the speed at which the opportunity is coming our way and the need for us to invest and convert that into revenues for Mastek. We have had a bunch of relationship coming through Evosys relationship and a significant mode is in the pipeline which when converted provides us with very good visibility of the growth that this sector can drive for overall Mastek, so with that said I will say that we continue to make investments in our digital capability and service are evolving needs of our customer and to that effect we will be adding possibly triple plus digit of FDs in the coming quarter as well.

Moving onto US business, this is the most challenging quarter of that business given that negative seasonality of the holiday and Christmas and New Year season, the development work with the retail customer is at its minimal, however, even with that environment and significant retail focus, the geography has been able to deliver a 3% plus constant currency quarter-onquarter growth and that talks about some of the fundamental shift that business is trying to drive and in that direction the biggest one is that it has been able to add non-retail customers to help insulate itself from the sectoral concentration and the seasonality effect. US business added five new logos in that space. It is operational discipline and the profitability focus coupled with cash management puts it in a very, very good place. With sales team in place, we do believe that the geography will deliver accretive growth in the coming times. A quick touch point on the India business, it continues to be our testing ground for RPA and automation capabilities, and we have successfully landed multiple logos during the quarter in that space. We continue to defocus on our domestic Government business and build on our enterprise business and to that effect the revenue grew 44% quarter-on-quarter, but that is on a very, very small base, so hopefully that gives you an idea of where the organic business is and the directional clarity that we have and I will hand it over to Umang to bring in colors on the Evosys business. Umang, over to you.

Umang Nahata:

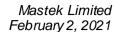
Thank you, Abhishek. Hi everyone, Good Afternoon, Good Morning, Good Evening wherever you are, so thank you for joining the call again and I would like to highlight to you the moment that has happened in the Oracle services business in this quarter. As Ashank mentioned, this has been a phenomenal quarter for us in terms of various counts on all the counts I would say from order booking to revenue to EBITDA performance, employee additions, go-lives etc. A bit of breakdown there, so we added 49 new customers in this quarter, I think continuously growing from 40 above, this is very close to 50. Out of which 15 of these customers were in North America, which is again a key focused geography that is where we are anticipating our highest growth in the coming period and we are clearly seeing signs of that kind of growth in that geography. Another interesting part of the customer addition was 10 of these 49 customers, the customers who are more than a billion Dollars in revenue and these are the kind of customer portfolio that are going to become our key focus for cross-sell business as we move forward, so we are not only adding customers to the Oracle business, but we are constantly also adding prospects to our cross-sell and digital services business.



The revenue and EBITDA profile continue to grow steadily and directionally in the same percentages that we have been growing in the previous quarters and Arun will highlight more on these details as we go forward. Similarly like Ashank and Abhishek mentioned, we are continuously adding workforce to our teams, so we have added more than 120 new employees this quarter and we look forward to adding a similar if not larger number in Q4. Another key aspect of our business that is really showing strong signs is the seamless execution of these projects while working remotely and also while working largely from offshore, so in this quarter, we had 40 customers who had went live and this is transforming from their on-premise business, end-to-end to an Oracle cloud platform and running on a completely new digital environment. Mind you, these customers would usually have anywhere between 40% to 50% on-site engagement in the normal world, but in the COVID world these were hardly 15% to 20% on-site engagements and still exceptionally well delivered, very happy, very successful, and lot of positive ratings all-around on Gartner, on Oracle 3i etc.

Moving forward to where are we on the strategic side of businesses like I have been highlighting earlier in the previous calls, our strategies are clearly based on three key pillars and we continue to focus on these three again. The first is directly based on our vision which was trying to deliver 3X tangible measurable ROI to our customers and that is where our strategy of developing and continuously enhancing the VBD program, which is Value Based Delivery program that allows us to do outcome-based contracting with our customers, so we are happy to report that we are enhancing that program continuously and now we are setting a target for at least covering 20% of our customers as we go forward to a very tangible outcome-based contract, so far whatever customers we have signed up on that kind of program, we have been able to deliver 100% results in terms of the risk and reward programs that we have added. The second key part of the strategy is the on-premise to cloud transformation, again which is led by a program called Glide, which is our flagship program for on-premise to cloud transformation. Happy to report that we now have more than 100 customers that we have migrated from on-premise to cloud including eight customers where we are migrating them from SAP-ECC environment to Oracle cloud environment, again that we are one of the very few if not the only partner that is running aggressively this campaign of marketing SAP complete program which looks at migrating customer from SAP-ECC to Oracle cloud. We believe the product right now is in its best shape and clearly has an edge over any other product in the market, and therefore, it is our strong chance working with Oracle to gain market share in this.

The last and definitely not the least program is called the Cloud Application Managed Services program. We code name it CAMS. This is where we are now trying to build the next-generation service, which is as the customers go live on their platform, how do we help them sustain the digital advantage, sustain the cloud advantage, and continuously get more value out of their services, so converting the implementation programs into post go live managed services and then also adding lot of digital services business to it. Again, very happy to report that we have moved up to more than 32% of our revenue is now a part of the CAMS program and we are looking at and our vision is to grow it up to 40% plus over the next few quarters. One more new





initiative that we are now adding which is our attack to the upmarket industry, so we were largely operating in the mid to mid-to-upmarket segment, but we are now looking at the top tier of the market and this is where verticalization is going to become our next key attack strategy and we are looking at three key focus verticals on which we will be building this up like Ashank and Abhishek mentioned, healthcare and life sciences is joint key vertical where we are very focused on and we have good strength and wins all across globally in UK, in US, in face Middle East everywhere and that is going to be our key first target vertical and the second target vertical is going to be manufacturing and engineering and construction. This is where we are getting good traction in North America and globally, but we feel that is a vertical where the cloud transition has just started, we are early on that journey and if we work well, we will be able to create a significant dent in the market moving forward in that direction, so that is from a strategy point of view we are looking at those three key strategies and added the fourth one.

Last section that I wanted to cover with you guys is the integration of Mastek and Evosys, I think that is going really well from all aspects of the business, from people integration from systems and back-office IT integration from the cross-sell and the business integration, which is the most important aspect. On the cross-sell side, we had another really good quarter in terms of North America, so while we had in the earlier quarters reported about co-sell on the digital services side, this quarter we had co-sell on the e-commerce and the Oracle services side. We had one really good customer wherein we bought in together an entire lead to cast cycle starting from e-commerce and then landing into the Oracle ERP and joint combined effort really was able to get the better of Tier-1 competition in that market, so I think we are continuously seeing the advantage of putting the two companies together one plus one is clearly making three and we are hoping that it becomes four and five as we move forward, so that is broadly where the whole direction of travel is, very happy from the progress and looking forward to a good Q4. Thank you. Over to you, Arun.

Arun Agarwal:

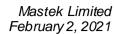
Thanks Umang. A warm welcome to everyone on this call. I am going to share with you the highlights of our performance for this quarter and nine months ended December 31, 2020. The deck was circulated ahead of this call containing the details of our financial performance, so I will be focusing more on the key highlights. Q3FY'21 results were in line with our expectation, it has been another quarter of our consistent financial performance and delivering strong momentum across all leading and lag indicators, and why there is a leading and lag because as Abhishek, Ashank, and Umang mentioned, our order book is healthy, our revenue is growing. We are seeing momentum across all the geographies, our pipeline is getting the traction and we are converting those deals for the future revenues. Going ahead slightly on the Brexit actually has led to good traction in both public sector and the digital transformation deals and that is what is reflected in our organic business growth specifically coming from the UK market. This quarter marked the crossing of a significant milestone from Mastek. We reported highest ever quarterly revenue at \$60 million plus. We saw a revenue growth of 8.1% quarter-on-quarter in rupee terms, EBITDA margin stood at 23.5% an enrichment of 233 bps quarter-on-quarter. Going ahead, I am glad to inform that Mastek and Evosys has entered into an LOI with a leading professional



service organization in North America under joint go-to-market strategy for an order value of \$1.8 million. This is our third significant deal under joint go to market strategy this year and as we have reported in last two quarters, we had got earlier two deals in our UK and Europe region and both were multimillion dollar deals.

Coming to very specific to financial highlights, our total income stood at Rs 446.8 crores up 8% quarter-on-quarter and 76.4% year-on-year. Operating revenue stood at Rs 442.8 crores up 8.1% quarter-on-quarter and 81.7% year-on-year. Here important to add is this performance is aided by deliveries in both organic and Oracle services and across the geographies. While overall revenue grew by 8% quarter-on-quarte, organic side of business grew by 7.4% quarter-onquarter in rupee terms and 6.3% in constant currency. Operating EBITDA at 23.5% versus 21.1% in Quarter-2 showing an improvement of 233 bps quarter-on-quarter and 965 bps yearon-year. This improvement is primarily driven by revenue growth, higher off-shoring as mentioned by Umang and Abhishek coupled with COVID driven discretionary coming from the travel and other stuff. Total EBITDA stands at Rs 107.8 crores up 18.9% quarter-on-quarter and 149.6% year-on-year. PAT stood at Rs 70.3 crores up 18.9% quarter-on-quarter and 170.3% year-on-year. I am really delighted to mention our gross cash stood at Rs 778.6 crores versus Rs 476.4 crores in the previous quarter. Cash net of debt stood at Rs 520.9 crores versus Rs 223.4 crores in previous quarter. There is a healthy increase in cash driven by both robust cash generation which happened through the operation and also we collected Rs 237 crores from the sale of Majesco stake in this quarter. Our free cash flow to net income ratio stood at 125.3% for nine months ended December 2020, which is again driven by focused collection across the geography and further confirms the focus which management and the company is bringing to collect all our dues from the customers.

Moving further on again leading and lagging indicator put together, 12 month order backlog stands at Rs 946.7 crores versus Rs 940.5 crores in September'20 marginally up by a percentage in rupee terms, order booking was strong across despite being a seasonally weak quarter due to Christmas and New Year shutdown in our major markets, so as Abhishek mentioned both UK, US, and also as Umang mentioned, we have seen good order coming in across all the markets and across all the verticals. Again to focus, we have added 57 customers during the quarter of which 12 customers are having one billion plus in their revenues and thereafter giving us a lot of depth to go and mine those customers to sell digital transformation services and make this acquisition one plus one three, so we are focusing in that direction. On the employee side, headcount stood at 3,602 as of 31 December 2020, reflecting net addition of 248 resources during the quarter. We are looking to hire similar count in coming quarters, last but not the least again company has given increment across all the geographies and verticals December 31, 2020, so all our employees have done with their appraisals and the hike which could not happen in Quarter-1 and Quarter-2 has been given effective this by 2020, we expect to build from here. I would like to thank you all for your continued support. Exciting times filled with phenomenal opportunities how we see it ahead. With this, I will now open the floor for Q&A. Thank you.





Moderator:

Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar:

Abhishek, hi, Good Evening and congratulate on great numbers, very strong ramp up across segments, my question is how much of this pop in revenue would you reckon is due to the pent-up demand especially in UK and would do you think of the sustenance of this piece of growth? I ask this because post Brexit last Jan and the COVID thereafter, there was significant curtailment of spends with the UK Government, so your thoughts there on?

Abhishek Singh:

You are right that there was and there continues to be significant budgetary pressures on various departments, but that has not necessarily resulted in cuts but essentially about redirection of the spend. Having said that, Mastek in UK is at £100 million at this point of time and the market opportunity that I outlined is in billions plus in just in the addressable space and you got three of the top four spenders as your customer and not a customer over last 9, 6 and 12 months, but basically for years and years, so we are reasonably comfortable and confident to build on the opportunity that we see and it reflects in the pipeline and it reflects in the order booking.

Baidik Sarkar:

Sure, on the margins front how much do you reckon is a function of the current cost environment and would you think is a sustainable number, I think Ashank in his opening remark alluded to the sustainability of these margins you know unless I got that wrong?

Abhishek Singh:

We have always mentioned and maintained Baidik that margins are favorably impacted by the COVID situation where some of the discretionary or variable spends have been significantly off due to lack of travel or marketing initiatives and stuff, so it will have some downward pressure as world opens up, but we have all struggled to predict and project what that would look like. Having said that, we have always maintained that very high teens EBITDA is what our endeavor is as a combined organization on a go-forward basis and the surplus would always be invested back into the business either for market coverage or for capability development.

Baidik Sarkar:

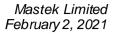
Sorry, I will just squeeze in one last bookkeeping question, the transformation to your PAT post minority interest was normally in the range of 14.5% that is the minority discount, but this seems to have expanded to about 19% this quarter, could you help us understand that, please?

Arun Agarwal:

Thank you, Abhishek. Baidik, again it is a function of the margin which we are making in the Oracle set of business and also there are two composition, one we have done 100% acquisition as part of the business and other part of the business which is more into developed market is where we have a sharing ratio because they continue to hold the shares of that company, so again as we grow more in the Evosys side of business, more on the developed market, this ratio will tend to be squeezed.

Baidik Sarkar:

Okay, if I could just squeeze in one question for Umang, the base is relatively low but as we scale up, is there a risk of maintaining the flywheel in order book and revenues given the short-term nature of engagement as Evosys, as in the lead indicator from Oracle licenses is pretty





good, but if you could give us some color on how Oracle is helping us in go to market and in the competing system where you place?

Umang Nahata: Baidik, you got cut out in the last minute, but I understand your question is more around how is

Oracle helping us and how do you see continuity of business, is that correct?

Baidik Sarkar: That is right.

Umang Nahata: So Oracle clearly sees us as one of their top partners across all geographies and key verticals and

Oracle point of view what is important is the kind of structure that we deliver, so currently we are one of the highest-rated partners as far as cloud renewals are concerned and these are not just renewals for our business, but also renewals of the subscription, so that is one of the key indicators that they look at when they recommend partners going forward and this is where we have the highest install base of Oracle customers, so I think our relationship with Oracle is extremely strong and is extremely strong on tangible data points and reference basis and not just individual relationships, so I think this is going to definitely continue well and as we continue to not just deliver where we are, but keep improving our delivery and offering more ROI to our customers in terms of the output that they would get from their Oracle investment, so we clearly see no signs of, we in fact see more and more larger customers coming to our kitty and that

would allow us to not just grow the overall order book, but also grow the kind of customers that we are interacting with and create a much larger pool of customers that we can cross-sell to.

Moderator: Thank you. We will move onto the next question that is from the line of Nirmal Bari from

Sameeksha Capital. Please go ahead.

Nirmal Bari: Thanks for taking my questions and congrats on a very good set of numbers, my first question

is basically a bookkeeping question, would it be possible to get how much of the healthcare

vertical revenue is coming from the UK Government?

Abhishek Singh: Nirmal, at an overarching level I would say that majority of that is coming from NHS with a

small portion coming from our US and UK businesses, which are Evosys driven businesses.

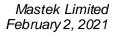
Arun Agarwal: Roughly 25% is what you can take as the number which is coming from the health market in the

UK.

Nirmal Bari: Okay, and second question is on the major win in slide that you had provided in this quarter, the

UK Central Government project of three years and 15 that you said, is this one of the projects that we talked about in the past about that we were approaching through along with channel partners and all or this is a project that we have won individually and those larger projects are

still there in the pipeline?





Abhishek Singh: Nirmal, larger projects are still there in the pipeline most of the wins that are there are through

our direct route.

Moderator: Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Sir, just one question on the US strategy, I am not clear what you alluded in the opening remarks,

was it verticalization, so you will offer services into two verticals, manufacturing and healthcare,

is that correct for the US private sector?

Abhishek Singh: I was alluding to the fact that our US business on the digital transformation side or the organic

business as you know, that is overly retail focused, it is practically 90%-95% of that business is retail focus, so we have been looking to broad base it and to that effect the wins of this quarter, five of the wins of this quarter were in non-retail space, which gives us confidence of not only building the non-digital commerce, non-retail business which is not impacted by that technicality. Having said that, overall US business if you look at it in totality, Mohit it has got both Evosys and Mastek component and Evosys is part of the business definitely has got good traction on the healthcare side apart from various other sectors, whether it is manufacturing or retail or financial services. Healthcare is one of the more successful verticals that we are chasing

on the Evosys side of the business.

Mohit Jain: Okay, and to augment you have signed one deal joint go to strategy deal in North America, can

you tell us little bit more about it?

Umang Nahata: Mohit, this is a deal where the customer was looking at both digital commerce and cloud

together a joint pitch of looking at digital commerce and the cloud transformation added to it, so it starts from commerce and then ends up into the ERP and that is the combined proposition that the customer love because they hardly found a partner who could do end-to-end both commerce

transformation as requirement and that is where the Mastek-Evosys team came along and put

and transformation with specialization, and it is just the first phase of the transaction that is close to \$2 million and currently as we speak working with the client for phase 2 and phase 3 which

will be almost twice the size of phase 1.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please

go ahead.

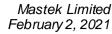
Sarvesh Gupta: Good Afternoon Sir and congratulations on a very good set of numbers. First question was to

margin year-on-year what are the two-three factors which have contributed, of course revenue growth will be one of them but if you can split that to be able to understand sustainability of the same, so that is question number one? Second is there are some numbers which I could not

just understand this operating margin a bit better if one can split as the growth in operating

understand for example the Middle East margins as well as your North America margins have increased a lot? Similarly, I could not understand the number where we have added so many

employees, but nothing on the on-site, in fact I think it has come down, so if you can just help,





explain these numbers why there is no addition in the on-site and all the additions have been on the offshore, and secondly, the Middle East and North American margins?

Arun Agarwal:

Your first question, I am going one by one, from last year to current year when you untangle the margin profile, you will find that one, Evosys has a better margin profile as we mentioned in our earlier calls that they are in early 20s to high 20s depending upon the COVID impact, well Mastek is in the mid-teens and hence as we acquired Evosys combined businesses are doing better EBITDA than what it was one year back, so that is one of the reason. In addition to that as we have mentioned and you rightly asked, you have seen more headcount in offshore than the onshore and that is one of the reason in this COVID-driven environment, once there is lower discretionary spend in terms of travel, marketing, and other initiatives and rightly so because there are travel embargo as well, people are working from home and thereafter it does not make much of the difference whether you are working onshore or you are working offshore, and we are able to convince our customers in terms of robust delivery irrespective of the location which we are working from and all these reasons put together is actually helping you deliver better margins and as Abhishek mentioned in earlier question once this travel restrictions go back and the world comes back to normal and people will start coming to office, we expect some of this cost to come back again into the business and some of the investment will also kick in to drive the future growth and thereafter the margin will normalize. I hope I am able to answer all your three questions.

Moderator:

Thank you. The next question is from the line of Ronak Bhartia from Tiger Capital. Please go ahead.

Ronak Bhartia:

Congratulations on a good set of numbers Sir, my question is we have a net cash position of around Rs 530 crores, so are we looking at an acquisition in the US markets because we had stated that we are trying to gain bigger market share in the US?

Ashank Desai:

Let me answer that, as I said we are keeping this cash reserve for acquisitions and obviously US being our focus in terms of future growth that is the primary geography in which we are looking for expansion through M&A, so what you say is right, at Mastek we always look forward to some acquisition possibilities.

Ronak Bhartia:

Okay thank you Sir, any timeline that you could provide me?

Ashank Desai:

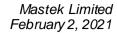
You know this acquisition is difficult to give any timeline...

Ronak Bhartia:

Just a broad base Sir?

Ashank Desai:

It will take long time, some of them are quickly done, we are on the job, we should not be hurrying it because we have to be clearly seeing synergy with our business very clearly, we have to see the culture, value match, we have to see the leadership pipeline, so it is not about revenue,





revenue is the last thing that we look at and honestly. What we look for like what we did with Evosys, we took a very long time for that but the results are there to see.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please

go ahead.

Ravi Naredi: Thank you very much to give me opportunity, Sir first we pay tribute to Sudhakar Ram on sad

demise and Sir what is new MD plans and when company will get or where it will be based, US

or UK?

Abhishek Singh: Thanks Ashank, I do not think I got that question either, but Mr. Naredi if I heard you right you

were talking about where is the best investment is it UK or US and if it is with respect to the inorganic initiative, we are looking for capabilities at this point of time especially bolstering our cloud offerings, to that extent it will be geography agnostic. Having said that, US continues to be our focus because we do want to grow and it is one of the largest markets and one of the

biggest consumers, so not necessarily in that order but it be will always about the capability that

helps drive the business objectives forward with the US.

Ravi Naredi: My point was that where we will employ the full time MD or CEO?

Ashank Desai: Let me answer that, as we said US being focused, we are looking for preferably a CEO who has

great experience in US, he or she could be positioned in US as a first preference but we have to be flexible on that, but US experience and market is what we are looking for. We have already appointed a top five firm, which is based in US and looking and providing us options as we

speak.

Ravi Naredi: Thank you very much, but any timeline you can describe, when we will get?

Ashank Desai: As soon as possible is all that I can say, as we look at we have options on our table. We are

looking it, we will start our interview process, so many of these things depend again as I said not on time alone, time is important, Board is spending lot of time, but we have to have a right

candidate and we are willing to wait if required.

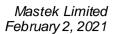
Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investment. Please go

ahead.

Vivek Gautam: Congratulations on the great set of numbers and consistent improvement in performance over

last several quarter, please keep up the good work. My question is regarding our focus on US and so our company would be moving into the next orbit by focusing on US, how much is the

percentage of business we plan to have from US besides UK and what timeframe, number one?





Ashank Desai:

It is difficult to give timeframe, but obviously we are much smaller in US and much successful in UK, the least thing we can do is to start to aim at least our equal revenues coming in the coming few years that is what we will aim at.

Vivek Gautam:

How much is the business growth due to the cost saving and some cost cutting from one-off working from home and how much of it is sustainable?

Arun Agarwal:

Vivek as I mentioned in my earlier answer at the moment you are seeing operating EBITDA of 23.5% and it is a composition of two savings, one again I am bucketizing in two there could be more, but there are two important ones, one is your off-shoring as we are delivering under travel embargo or travel destination kind of a scenario, we are able to convince our customer and deliver from offshore with the capability which we enjoy, however, once these travel restrictions are lifted some of this cost will go back right, and at the same time we will be investing further down the line to accelerate the growth and growth in the revenue which we are looking for across the geography, so that is the reason we believe high teens is what we are endeavor to deliver down the line as well once travel comes back and COVID normalizes.

Moderator:

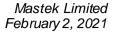
Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.

Darshit Shah:

Congratulations from a great set of numbers, Abhishek my question is you have rightly highlighted the opportunity size in the UK Government size is in billions of dollars and I was reading an article posted yesterday that NHS has recently shortlisted around 12 companies for the health side of order roughly around \$ 800 million or Rs. 6000 crores, and congratulations to be a part of that 12 shortlisted company in the likes of IBM, Accenture, and others, so is this kind of the deals that you were talking post Brexit or this is over and above the deals which were talking in the earlier calls and on that question itself I mean in this \$800 million order size which NHS is talking, how much of the pie probably if you can quantify something which we would be getting out of it?

Abhishek Singh:

Thank you Darshit, so this is one of the endeavors that we had though it is a framework deal just to qualify that framework does not mean that we get the revenue, framework means that these are the 12 IT services firm who will be bidding for that pie and clearly the pie is extremely larger at £800 million, so rightfully it recognized and commented upon Darshit. Here onwards, we will be bidding, it gives us the hunting license to bid for in that particular framework. Having said that at Mastek we have had very, very substantial success in the healthcare space over the last 12 months or rather the calendar year '20 if you were to look at and that included lot of large and small deals that included health infrastructure of national importance that we are building for NHS, Department of Health and Social Care. It includes the off-shoring initiatives to help them manage their cost and scale up the support that NHS needs in these pandemic times, so yeah that is part of one of the large endeavours that we were chasing. Having said that, the NHS endeavour is fairly broad-based and we are experiencing success from all around.





Darshit Shah:

Great and thanks a lot for that, Umang this question is for you, on a longer-term perspective I would like an answer for that, so we are seeing lot of clients and companies moving towards cloud migration and obviously COVID is playing a catalyst for that and even lot of Indian companies are also speaking like Infosys CEO saying in the con call that probably we will be also looking at acquisitions in the cloud space, we understand we have a big opportunity and Oracle being one of the leaders in this space, so one question is how do you see the growth panning out in this space over next two to three years, do you think that this kind of could further accelerate or it could normalize, and second thing, we are currently being one of the preferred partners for Oracle, so do we intend going ahead to even develop capabilities for other cloud applications like SAP or some Microsoft or something else would really be helpful to knowyour thoughts on that?

Umang Nahata:

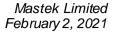
As very rightly pointed out, the cloud definitely is a very booming market and it is the defacto platform that everybody is going to move to, so there is a journey and everybody is going to move to cloud, it is just a matter of time so the why question has completely gone now and therefore the size of business acceleration is very visible across the board and our portion of the business is right now focused on the SaaS side of cloud which is the application cloud services on Oracle and this is where we continue to see a significant growth and the implementation services which is new customers transforming to cloud, I clearly see the next three to five years is where a lot of Legacy customers will migrate from on-premise to cloud. We are also developing as we speak is the managed services proposition on cloud which we call cloud application managed services and that is consistently adding up to our revenue profile as we move forward, so not only are we getting new implementation customers, but we are also consistently converting more and more customers to manage services and also winning new managed services business directly from customers who would have chosen Infosys or Accenture for their original implementation, so given the two we see a very sustained growth model in terms of new implementations continuing to grow over the next three to five years and a lot of repeatable revenue base adding in terms of cloud managed services as we move forward. As far as growing from beyond Oracle to other applications side of the business, while SaaS, on the SaaS front, we continue to look at Oracle as our key partner. On the PaaS and IS front, we already are partners with Microsoft and other platforms and the Evosys and Mastek together we do a lot of work on Azure, AWS also, so our intention is to grow the path and the IS across platforms whereas SaaS currently is focused on Oracle.

Moderator:

Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

Thanks for the opportunity, my question is on the margins, so in the last two quarters we have seen around 550 bps of margin expansion, so most of the expansion of 400 bps in that is coming through the other expenses, so if I see historically the other expenses consist of the subcon expenses which is around 67% of the other expenses is subcon and subcon as a percentage of revenue is 21%, so my question is that have we been able to bring the subcon as a percentage of revenue substantially at a lower level or where we have rationalized the cost in other expenses





because it has not been growing since the last three quarters and we have seen significant ramp up in revenues and the off-shoring opportunity in the UK Government contract, so as it was largely on-site so after the COVID are we seeing significant off-shoring there?

Abhishek Singh:

A lot has been already articulated Amit on the margin part, clearly if I had to just put fingers on the pulse, off-shoring has a major, major role to play and we have rightfully identified that contractors and replacement of those contractors with Mastek resource is one of the key focus that we have had and the fact remains that majority growth coming from offshore has also helped the cause, a lot of it has happened on the Evosys side of the business. Going to your question on the Government business and its ability to offshore, clearly there are pockets which are available for and right for offshore, NHS is one of those and there are couple of departments within NHS who are very, very focused on every part of the work needs to be necessarily done at offshore because it gives them the scale, the pace at which it can be ramped up as well as the cost benefit which helps spread their own budget and get done more with the same amount of budget that they have, so that definitely is happening. Having said that certain part of our business is security cleared and aspects which require them to be necessarily in the geography, not only the resources was cleared and qualified by the Government, but the business also remains in the geography, so I will say that depends on the side of business that we are driving which drives off-shoring and it continues to be our focus.

Amit Chandra:

Okay, and Sir in terms of the subcon, subcon as a percentage of revenue still it remains 20% is a very high number and if you see for the peers, I think 20% is amongst one of the highest, so how do we see that like moving so, will that come back to the industry average or it will remain at these levels?

Abhishek Singh:

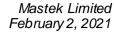
Amit, I will respond on that anecdotally, there is nothing about us which is same as the peers in the industry, we are 70% if you look at just the UK or the organic business, 70% of that is onshore, so there are nuances of the business or the revenue which guides that kind of spread. Having said that, we understand that it is a substantial lever not only for margin, but also for the quality of service that we provide to the customer. Having said that, if the customer requires certain pieces and it can be serviced through subcon that will continue to be the focus, so it will be business driven rather than it being just a levered approach.

Moderator:

Thank you. The next question is from the line of Gaurav Konar from Augmenta Research. Please go ahead.

Gaurav Konar:

Firstly congratulations on the great numbers, really excited to see the way our company is coming along, my actual question was around what are you planning to do with the cash in terms of acquisitions or dividend because you have already answered that a little bit saying we are keeping acquisition, so if I may ask are you looking for companies again in very similar domain or are you planning to expand the product offerings and that is where your acquisition efforts are now focused?





Ashank Desai:

As I said, this is about synergy first, it has to fit in our overall offering of digital and cloud transformation space and allow us to make one plus one equals to three, that is one. Second of course preferred place is the US market, and third of course is any acquisition is as successful as values culture match and leadership chemistry, so we look for all these three things, so we are choosy. We evaluate, we have a framework today which is very, very exhaustive which we used at Evosys actually and we will go as we go ahead, we cannot say specific domain here, I think it has to be seen in overall totality of value chain.

Moderator:

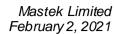
Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari:

Thanks for the follow-up, this question relates to again the Evosys part of business, so one is how are we seeing the average ticket sizes growing over there and what are the plans for when we say that we are targeting larger customers and all, so how are we getting into these customers and is there some competency building that is still to happen, which would enable us to target larger sized customers, managed service deals?

Umang Nahata:

Nirmal, the average size deals are definitely going up quarter over quarter and not just year over year and just if you look at this fiscal, we would have already moved it up by \$250,000 to \$ 300,000 on an average in terms of the average deal size, we are closing more I think the \$1 million to \$5 million is where our sweet spot is right now in terms of deals that we get and our chances of winning. Clearly our vision is to expand that to \$10 million and \$50 million kind of transactions as we move forward and there are, it is not about competency that is missing it is more about getting the customers confidence, them trusting us with that size of business. A part of that is now being a part of Mastek because we are a part of a public company much more strong corporate governance and an overall financial muscle, so that has taken care of some to an extent in terms of where the customer look at us. The other aspects we already spoke with my strategy, there are two key strategies that we are looking at, one is around the SAP attack or the SAP compete strategy because SAP has install base of large customers and we are the only partner that Oracle has in their kitty who could work on SAP compete campaign, so whenever large SAP customers come to the block, we become the defacto choice. The second approach if you are looking at is around verticalization, we spoke about adding to our armory as we go forward in terms of investing around key verticals, so healthcare and life science as being one and manufacturing and engineering and construction being the other. We are already seeing good relationship and good traction in those customers. We have a good install base of 50 plus customers in both of these verticals and now we are trying to up the game in terms of creating the right market and sales and market investments to push us into the top league, so I think we are ready for that market and it was more a matter of customer confidence that we wanted and the right GTM tools, so I think we have both of them in place so over the next two or three quarters, we should start seeing us moving into the \$5 to \$10 million deal range and moving up from \$1 to \$5 million deal win that we are in right now.





Nirmal Bari:

Okay, second one is on your view on the Middle East market that market has shown significant margin expansion in the current quarter, but revenue seems to be flat since the acquisition?

Umang Nahata:

The Middle East market, we are quite hopeful that will now pickup significantly, so I think we have been speaking about the data center opening up in the Middle East for some time, the data centers opened last quarter, so the data center in Saudi is now in place and the datacenter in Abu Dhabi is also now operating and as we speak we are seeing lot of healthcare and public sector and large banking kind of pipe now coming out to the market because they were looking at datacenter which was there in the geography and with this Oracle setup of datacenter in the geography, large number of our install base on-premise customers as well as the general market movement towards cloud will really speed up, so the earlier quarters were more flattish based on the managed services and some degree of SMB work that we were doing there, but in the coming quarters, we should see a jump up in terms of the order book and revenues that come out of Middle East specially backed on the datacenters that have now gone live.

Ashank Desai:

If the questions are over, I just wanted to end on little bit of somber note with all the enthusiasm in this quarter of course that we wanted to convey to start with, but we were very unfortunate as all of you know to lose one of our founders, Sudhakar Ram, we were four of us, Sudhakar Ram, Ketan Mehta and Sundar were together for last 35 years. We have built this company and Majesco as you know which got demerged together over last many years, his loss is of course something which is irreparable and we however are committed to Mastek and we have in his place, Ketan Mehta, who is one of the founders who successfully managed this Majesco which was the demerged company, you know the success of Majesco, some of you might be knowing about how we handled this Majesco and made it \$ 750 million valuation in US and then return the money to the investors which was applauded as a corporate governance success and product company successful first time, so the point I am trying to make is founders are committed to this company and its future and realizing its full potential at very keen to build leadership, internally and externally getting best in the company so that it moves up on the growth path very fast, so thanks again to all of you, your support is very critical to us, our journey continues. Thank you

Moderator:

Thank you. Ladies and Gentlemen, on behalf of Mastek Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.