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SEC/90/2021-22

November 01, 2021

Listing Department **BSE Limited** 25th Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai - 400 001 Tel No. 022- 22723121 Fax No. 022- 22721919 **SCRIP CODE: 523704**	**Listing Department** **The National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 Tel No.: 022- 26598100 Fax No. 022-26598120 **SYMBOL: MASTEK**

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

Sub: Earnings Conference Call Transcript – Q2FY22.

With reference to our Letter No. SEC/80/2021-22 dated October 11, 2021, please find enclosed herewith the call Transcript of the Earnings Conference Call held on the financial performance for the second quarter and half year ended September 30, 2021, on Wednesday, October 20, 2021.

The Transcript of the conference call can also be accessed from the website of the Company at www.mastek.com

Request you to take the note of the above.

Thanking you,

Yours faithfully,

For **Mastek Limited**

MASTEK LIMITED Mastek

Dinesh Kalani
Company Secretary
Encl: A/A

Mastek Limited Q2 FY-22
Earnings Conference Call

October 20, 2021

MANAGEMENT: **MR. ASHANK DESAI – VICE CHAIRMAN & MANAGING DIRECTOR, MASTEK**
MR. HIRAL CHANDRANA – GLOBAL CHIEF EXECUTIVE OFFICER, MASTEK
MR. ARUN AGARWAL – GLOBAL CHIEF FINANCIAL OFFICER, MASTEK

MODERATOR: **MR. DIWAKAR PINGLE, CHRISTENSEN ADVISORY, INDIA**

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY22 Earnings Conference Call of Mastek 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 the conference call, 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. Diwakar Pingle from Christensen Advisory. Thank you and over to you Mr. Pingle.

Diwakar Pingle: Thank you. Good morning to all of you. Welcome to the Q2 FY22 Earnings Call of Mastek. The results and the presentation have already been mailed to you and you can also view it on the website at www.mastek.com.

To take us through the results today and answer your questions, we have the top management of Mastek represented by Mr. Ashank Desai - Vice Chairman and Managing Director, Mr. Hiral Chandrana – Global Chief Executive Officer, Mr. Arun Agarwal – Global Chief Financial Officer. Ashank will start the call with the business update, which will then be followed by Hiral where he shall update overview of the quarter. Arun will wind it up with the financial update.

As usual I'd like to remind you that everything that is said on this 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 risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we mentioned in the prospectus filed with SEBI and subsequent annual report that you can find on our website.

Having said that I like to hand over the call to Mr. Ashank Desai. Ashank over to you.

Ashank Desai: Good morning to all of you. Festive season has started and wish you all happy festive season ahead. Our results are out as all of you know and I'm happy that we have moved one step forward on our long-term journey that we had charted almost 4 years ago since we split from Majesco and became a smaller Mastek company. What I plan to do today is not really to look at quarter but really look at the future that we all are building for the Mastek. And to do that I'll have to just quickly take you behind to explain the logic, morale, and rationale of what we are trying to do arduously last 4-5 years. When we split from Majesco and became Mastek, a standalone company, we were just $70 million or something of there about and the focus we wanted to establish so that we move ahead at a very fast pace. And I still remember at a board level, the discussion we had to focus on digital because that is what our strengths are over last 20 years, starting from as I said London Congestion and Spine and many other projects doing mission critical. So, this was our time. So, we focused but that was not enough just to have a focus. What was important was to build a team because we had lost talent. We brought in CEO, we brought in CFO, we brought in CHRO, all well-known companies with a track record. That was our second step to move ahead in the direction of the future that we had planned. That of course was not alone enough. We had to build our portfolio of offerings very carefully and very thoughtfully in the digital coming era. We had of course a good experience in the mission critical digital transformation as I said but that was not sufficient.

We also had to put our act together in US because Majesco was in US and that was the revenue went with them. We acquired a front-end company, D2X company as we call it now, digital marketing company to fill up that gap on the front-end side of the company's digital transformation. That has proved well, US is growing quite well as we speak today. But that alone was not enough. We had to also take care of a backend, digital transformation and also movement towards Cloud which was happening very fast and that's where the Evosys came and Evosys built up that backend which is driving the engine movement towards Cloud and of course building customers as all of you know. I will not get into all those details but I'm trying to tell you the architecting that we are doing for the tomorrows Mastek.

We have a front-end piece well-established by a backend piece with the partnership that we are now getting into like Oracle and many others. The third piece is really on our partnership that we are focusing on now as we move forward and Hiral and Arun will talk maybe few things about that too. And we are moving towards the data now. I think digital transformation is moving fast towards data being resourced and we need to put our act together.

I would like to only tell all of you here, that we are architecting a company for tomorrow. We are last 4 years growing quarter after quarter, doing better than the industry. We will continue to do that. There may be quarter that sometimes continuously movement may not happen at the same pace, some quarters are very good, some quarters are okay quarters. What we are more looking at is the annual growth. I think we have done quite well. We are in the direction to build capabilities, build partnerships and create product portfolio for tomorrow's Mastek. Thanks, I'll stop here. I will leave it to Hiral to explain this quarter and future ahead in this year. Thank you.

Hiral Chandrana: Thank you Ashank and good day, good morning to everybody. As Ashank mentioned, this is a journey, a medium to a longer-term journey that we've been on and over the next 10 minutes or so I'd like to focus on not just our quarterly results but some of the planning and the vision 2025 that we are charting and then Arun will cover the detailed financial results as well. It's been about 100 days and a very productive 100 days for me. I want to take this opportunity to thank all of you on the call for your ongoing support as well as the Mastek team for welcoming me as part of the family. We're seeing a very high growth demand environment. The industry is going through fairly large-scale business model transformations. I'll talk about some of the things we're doing to be better positioned to grow in the coming quarters.

Let me start with the Quarter 2 results:

We delivered $72 million which translates to about Rs 533.9 crores. That's 30.3% year-on-year growth. Again, we continue to demonstrate consistent performance. Same with EBITDA margin which stood at about 21.1% and also our profit after tax which is 15.1% for the Q2; quarter grew 37.8% year-on-year. Again, these are as Ashank pointed out industry leading growth numbers. The client base that we are seeing is quickly changing. While we have always had a very solid momentum and when it comes to new logo acquisition, we have started to see the nature of those clients also change, lot more Fortune 1000 clients, lot more enterprise clients. This is a very positive sign for us. We are also focused on account mining. We are on our way to get our first

$10 million account, $10 million per year in the US market which is an important milestone for us. This along with our co-sell and cross-sell with the Oracle Cloud business, the D2X offerings and some of the other digital offerings around data and DevOps is starting to give us lot more momentum when it comes to both account mining as well as large deals.

I'm very pleased with some of the interesting trends that we are seeing in some of the wins we've had. I'll talk about some of them. There's a lot more detail in the press release as well as the investor presentation that has already been shared. We had our first win in Canada. This is a life sciences company where they provide laboratory information systems and results for 100 million Canadians. We are going to be delivering their entire direct to stakeholder strategy which in their case is patients and customers, delivering a single platform for their mobile experience so that all their lab results are there in one place and easily available. Another interesting example is a win which is a large win in Europe in Finland. This is a company which is in the business of providing a sustainable enterprise, zero emissions world as you know the trends in climate change. This is becoming critical for manufacturing companies, telecom companies and many other industries. This particular organization we are partnering with them to deliver an end-to-end business transformation program across multiple towers whether it's HR, supply chain, ERP as well as front office. These are examples of deals that we'll continue to see with the integrated capabilities that we now have across the company with our Evosys acquisition. There are multiple other wins. I want to mention one particular win in the UK. As you know we are doing some mission critical projects in the borders, in immigration space, in the biometric space but we are excited about one new logo in particular which is in the vehicles and driver’s space. This is the entire organization that manages this for the UK geography and very interesting element of DevOps and Agile squads that we are delivering for them as part of their digital program. Again, these includes multiple service offerings that will continue to grow, including managed services down the road. There are a few other wins in Asia Pacific, in the US, in the UK sector that are available in the results.

Let me change gears and talk about what we're seeing in the industry as well as how we are planning the next few quarters. As I mentioned earlier, the nature of the demand is definitely changing. Our pipeline is now composed of lot more greater than $5 million deal. We have about 25 of them that are going to be decided in the next two quarters. We'll obviously not win all of them but we are very bullish about our prospects in some of them for sure. That will change the nature of how we are approaching some of these large deals in the future.

Our supply and talent situation are always an important piece of the puzzle. As you know industry is going through a challenging time when it comes to people. Several different initiatives we have put in place when it comes to employee experience, recruiting, talent management, skills transformation. Those are starting to see some encouraging signs where the fungibility of resources is helping us deliver a lot more flexibility when it comes to delivering to our customers in various geographies.

When it comes to managed services, this is one area that we've been focused on in building. This is one of the points Ashank made, we are building for the longer term and we are starting to see elements of what we're calling Cloud managed services which is very different from the on-premise managed services that historically has been present. As you know we've been delivering Cloud implementations for the last 7-8 years and about 1,200 Cloud implementations that have been delivered. We've mastered the art of value-based delivery which came from our Evosys acquisition in the Oracle space. We're taking that same approach towards the broader Cloud managed services across digital and across Cloud in many of our customers.

Our US strategy is starting to show some interesting results. We are very focused on a few industry verticals, our healthcare and life sciences sector in particular we're very excited about in the US market. We're also looking at data automation and the AI continuing that Ashank alluded to but here very specifically we see this as a big longer-term opportunity, not just in healthcare and life sciences but also in retail, consumer and manufacturing and even state and local government in the US market.

We have made progress in our M&A strategy. There are multiple assets that we are evaluating as we speak. We're in the process of narrowing down a few very high potential assets in the digital and Cloud space that we've been talking about last few months with you all. We feel confident that we'll get into next level discussions in the next couple of months and you should hear more about that in the next quarter.

One very important initiative which I want to point out before I turn it over to Arun, is in the area of ESG which is Environment Social values as well as Governance. Mastek has always been known for very solid governance practices. We're doing a lot of things related to social value not just in India but also in the UK and US markets. We've created a separate focus team across the globe to deliver on that promise. That is becoming a very important element not just for us, our suppliers but our customers as well. The demand environment like I said is fairly strong. We're very bullish about the prospects next few quarters. The vision 2025 strategy that we are putting in place is going to be cutting across not just geographies which is Americas, UK, Europe, Middle east and Asia Pacific but also across very specific growth verticals as well as specific service offerings whether it's in the digital engineering space, whether it's in the data automation space or whether it's in the digital customer experience space. Our Oracle Cloud business continues to show strong momentum and we continue to deliver multi-tower, multi-year deals in multiple geographies across industries. With that let me turn it over to Arun for more detailed financials.

Arun Agarwal: Thanks, Hiral. A very warm welcome to everyone on this call. Detailed deck has been circulated already ahead of this call. So let me take you through key financial and business performance snippets for the quarter and half year ended September 2021. Our Q2 of FY22 was another quarter of our consistent financial performance. It's roughly eight quarters back-to-back where we have grown sequentially and also year-on-year. Our US business has demonstrated strong growth this quarter with new logo wins. We have added logos from Fortune 1000 list in the US. Oracle business continues to grow healthy across geographies we operate in. We saw some softness in the UK business specifically coming from the NHS side which was more driven by some of the implementation part of the engagements getting concluded. While there are good deals in the pipeline which are up for adjudication in H2 and we feel optimistic to convert those deals into order book and revenue as we move on. Our 12 months order backlog was $155.5 million versus $127.5 million as of Q2 of last year. It is up 18.8% in constant currency terms. On a quarter-on-quarter basis it is flat. Our operating revenue stood at Rs 533.9 crores, up 30.3% year-on-year and 3.4% quarter-on-quarter. This reflects constant currency growth of 25% year-on-year and a 3.9% sequential. Operating EBITDA stood at 21.1%. It is 71 bps lower quarter-on-quarter.

Let me draw your attention here. We have done increments effective 1st of July across the organization. Additionally, we have continued to make investment in sales and marketing, building our capabilities as Hiral alluded into, to drive a future 3-year growth by augmenting our delivery capabilities. Despite those investments we have been able to maintain healthy EBITDA margin of 21.1% and this is on the back of operating levers which has worked intentionally and effectively on the back of utilization and other operating levers which we track on a monthly and quarterly basis and fixed cost leverage supported by the growth. Consequently, our PAT stood at Rs 81.5 crores, up 37.8% year-on-year and 1.6% sequentially. Our gross cash stood at Rs 944 crores versus Rs 960 crores in the previous quarter. We have repaid one installment of our long-term boring as it became due during the current quarter. Consequently, our net cash is Rs 719 crores versus Rs 703 crores in the previous quarter. Our borrowings stood at Rs 225 crores as of 30th September.

We added 45 new customers during the quarter which encompasses multiple geographies and verticals, both digital services and the Oracle services as well. Our headcount stood at 4,510 for the quarter which reflects net addition of 208. Let me draw your attention again. As industries grappling through higher attrition, we are no different. We have seen our LTM attrition at 24.2%.

Taking you further to the multiple geographies and the business where we operate in. On the UK side while we have witnessed steady growth both in secured government and in the private sector, we saw softness in NHS as I alluded to. Couple of implementation and other engagements coming to conclusion while there are good deals in the pipeline as we believe they get adjudicated to in H2 under $800 million framework where we have been onboarded last year. We believe those conversion will bring this back in the coming quarters. Quite delighted to inform you that we have opened a new department in the UK which is an engagement of couple of million dollars. After successful completion and delivery as contemplated under the agreement, we believe the engagement will further augment with larger deals as we move to H2 and early part of next year.

Quickly moving to the US geography; our D2X strategy which we laid out last 2 years had started paying good results. Early signs are encouraging. We have added three non-retail customers and couple of them are in Fortune 1000 list in the US market. The strategy is showing the results and we believe as we are adding the customers will further drive the growth in the US market quarter-on-quarter. On the Oracle Cloud side, of the ERP Implementation and Managed Services business, we are seeing continued growth across the geography including UK and Hiral alluded to Europe deal. We are growing in the US as well. We are seeing good momentum in the Middle East as well. Our joint Go-to market strategy is working well and since we are now bidding for lots of integrated deal, we are seeing our gradual uptick in average deal sizes. Let me take a pause here. I would like to thank all of you for your continued support and trust in Mastek. Let me open the house for Q&A and address your specific questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Jain from Anand Rathi.

Mohit Jain: My query was related to UK, UK government particularly. So even outside NHS, it appears that there were some weakness during the quarter despite us I think winning good logos in the last few quarters. If you could help us understand what is happening in UK government and what kind of growth outlook do you have for the rest of the two quarters, specifically in the near term? Are you facing any challenges related to budgets or any of the things where we might not have anticipated deterioration in the UK government? That's one and second on the US side, like how much of the deal pipeline or looking at things wherever you look at because we only get your 12-month order backlog, which was down sequentially. How much confidence do we have on US growth sustaining at these levels? And you also spoke about one large client, which you have signed up in the US? Should we now assume that US will continue growing?

Hiral Chandrana: Let me start with the UK public sector and the government business as a whole. We have seen some delays when it comes to decision-making. There are multiple large deals that are in play and some of the deals that we expected earlier on the year, have still not been decided. But we have not lost them. We are still very much in the race, and we expect to win at least some of them. That has caused a little bit of a quarter-on-quarter softness when it comes to UK public sector, but our pipeline is the strongest it has ever been. In fact, not part of Q2 particularly as such but early in October we have won a fairly large deal which we will announce in the coming months, which includes a multi-year framework, which will potentially lead to about $40 to $50 million worth of business, just in one particular customer. If you look at UK government also trying to look at the education in the local government sector through our Oracle services and we are starting to see some momentum there as well in certain councils and certain local authorities. NHS while it has been slow and there are couple of projects that Arun talked about, which have completed. We actually have about five or six deals across three or four divisions of NHS, which we feel, we have a good shot at winning. As far as the US is concerned, absolutely we are doubling down on our efforts, not just in the D2X space, which is been our growth engine for the last one or two quarters but also in the integrated deals and co-sell with Oracle Cloud. We are also seeing some multi-tower deals like I mentioned earlier, which includes data, microservices based API work on the integration side,front to back-office work, end-to-end across the value chain in certain industry verticals. The deal sizes are increasing as well. Account mining is starting to show some results and you can definitely expect lot more growth in the coming quarters from the US market.

Mohit Jain: So, this last deal you spoke about, this is from UK government, is it?

Hiral Chandrana: That is correct.

Mohit Jain: One for Arun sir. If wage hikes are behind, should we expect operating leverage to play out in favor for the rest of the year?

Arun Agarwal: Mohit again as we said, our full year view is more in line with last year and this is just to give a quick stat, the wage impact is roughly 200 bps for the quarter but what you are seeing is the 70-bps impact which has been due to leverage of fixed cost and also operating levers which we consistently work upon driving the offset. But we need to invest into the growth as well Mohit, as Hiral alluded to because we are seeing good momentum in the market, our pipeline is strongest. As we speak, as we have seen in last couple of years, quite interesting deals. We need to keep spending for building our capability, our delivery, our sales so that we can continue to drive year-on-year growth as we have been doing in past quarters.

Mohit Jain: I was more looking from utilization and wage hike perspective. Like it appears you have built enough capacity in the system, because both like wage hike is behind, utilization is lower this quarter and growth turned out to be little slower. So, from that perspective, I was hoping that in the second half, you may just turn out better on the margins but you guys are saying you may invest in SG&A or maybe in headcount to maintain margins at current levels, is that correct?

Arun Agarwal: Correct, couple of things more, it’s just incremental, your thoughts are right because when we are seeing the growth, we have to invest into the people as well, right? We have to build the bench, the kind of growth pipeline we are seeing, it cannot be just in time hiring. We know the madness in the market in terms of the digital skill force shortage. We are building the freshers, getting associated with large universities and the institutions, not only in off-shore but in on-shore as well. So, we are building the talent, we are building the capability, investing into hunters and the account management team, as we are talking about the managed services to grow, the formers become too critical for us at the same time. You have to keep investing into the business but yes 21% is a good range for us in the short term and in the long-term maybe 100 bps, we have to invest back into the business to ensure and drive further growth in the long-term.

Moderator: The next question is from the line of Debashish Mazumdar from B&K Securities.

Debashish Mazumdar: Two questions I have. One is around the order backlog that we report 12 months order backlog. If we see for last three quarters, there is a kind of stagnation that we can see in that number. It is hovering around $150 to $155 million run rate. So, I understand that you are saying that the pipeline is very strong but it seems to be that is not percolating into the order addition more than what we are delivering as far as revenue is concerned. If you can help us to understand that dichotomy, that is first question. Second question is, if I see your attrition level, it is 24% which according to me is reasonably high number. On the other side, my employee addition is comparatively muted. Do you see that attrition is reaching at the level of peak and you can expect a fall from here on in next two to three quarters?

Hiral Chandrana: Let me start and then Arun if you want to add, feel free to jump in. So, when we look at order book, I just want to make sure that we communicate we have always been very transparent and when we report order book, we are very careful in stating only the confirmed signed business that we have in the form of contractual frameworks and agreed on SOWs. As you know, some of these framework deals in the UK government or even in some of the other areas in healthcare are larger long-term deals and unless we have a signed SOW, even though we have maybe 90%-95% confidence of getting them, we are not reporting that into the order book. I mentioned that because when you look at it holistically, our order book is actually looking very positive but we have not necessarily included that in the backlog because we want to make sure that we have signed SOW so that is point number one. Point number two there is been some delays for sure. As we get into some larger deals, the decision making, the competitive environment is going to be stronger, we have actually won a few deals against Tier I competition across the geographies, not just in UK but across geographies. We feel comfortable that we can compete in some of these larger deals but those deals are taking time when it comes to decision making. As far as attrition is concerned and employee addition, it's very difficult to predict, just based on a quarter-to-quarter, where it is going to peak but three things that we have done in the last month, 1.5 months as well as talked to what about six or seven different initiatives that we are running in the next 60 to 90 days. We feel that we will be able to mitigate some of the risks involved there. I want to tie back to the previous question from Mohit as it relates to headcount because one of the things that we did change in the last month, 1.5 months is looking at the bench itself. Given the strong demand environment in the pipeline, we have taken a call of having a slightly larger bench because that's going to be critical in terms of fulfilling quickly, customer demands are changing and the expectations of how fast we can fulfill those demands is also changing. Making sure that we have a continuous skill transformation plus a healthy bench, which is slightly above the levels that we have been maintaining last one or two quarters is important. And with that, you will see a definite improvement in the headcount addition in the current quarter as well as the next few quarters. We feel that we have a good equation of new fresher, higher skill training as well as attrition management and a recruiting engine that is going to fire in all cylinders to help us improve; the speed at which we are fulfilling the demand which will help us in the headcount addition going forward as well. So, hopefully that answers Debashish.

Debashish Mazumdar: One last question around the UK scenario. If I see what ISG is talking about, there is a loss of deal momentum in the UK-Europe market. If I corroborate that with the Tier I and their mid-size IT companies Europe and UK growth; that is significantly positive. So, this question I also had previously and I have still that question in my mind because UK and Europe is one area which is the biggest growth driver for us. Is it like that, are we kind of losing certain level of market share because other peers, much bigger in size become very aggressive in that market in terms of pricing point and in terms of deal sizes?

Hiral Chandrana: Yes, so Debashish I think, let me break that up into two parts because the way we look at Europe market, it's starting to show some very encouraging signs and it is slightly different because it's multiple countries as you know. So, we are focused on three specific country clusters. One is the Nordics, which includes Denmark, Sweden, Finland. Second is France, where Oracle is fairly strong and is going all out and taking us along with them. And third is the Netherlands market.

Now the public sector experience that we have in the UK actually can be leveraged in a very significant way in the Europe market and countries as well. We have not even scratched the surface when it comes to looking at that space but we are starting to see some demand cropping in and we feel that the base and the foundational elements that we have built over the last 20 years in UK can be leveraged in Europe as well. As far as UK specifically is concerned while you are seeing some level of quarter-on-quarter softness, we are really not lost any major deals. There are certain deals that have been delayed like I said but it is going to be a competitive environment because there is a lot more competition that is looking at that same space. But we are part of multiple framework deals, way ahead of time and we have an opportunity to cross sell into multiple divisions, whether it is NHS, whether it is Home Office, whether it's HMRC and some of the institutions that we are present for the last few years. It's a combination of how we approach our UK strategy as well as how we leverage those lessons learned and our teams and our experiences to grow in the Europe market as well.

Arun Agarwal: If I can just quickly add, Debashish if specifically, you are referring to UK market and the public sector, again I will reflect that to the pipeline. There are good deals in the pipeline and we have very strong credentials to operate in the public sector and we believe we are able to give tough competition to large SIs. We don't feel in our space where we are confident is anything for us to worry about.

Debashish Mazumdar: Arun, my question was little more linked to the Europe and UK private sector because that is also a space where we have a good amount of mind share and a large amount of growth has also come from that segment. I am completely with you in terms of your presence and strength with the government business. But where I am little bit worried about that whether the private part of the business which is comparatively smaller as compared to the other competition. Are we kind of losing some amount of share or some amount of momentum there because others become very aggressive and strong there?

Hiral Chandrana: Debashish I am glad you clarified that. So in private sector actually we have grown quarter-on-quarter fairly well and in fact we will be announcing a couple of deals next quarter, in the Fortune 500 space where we are getting into few new accounts that, that is very encouraging. UK private sector itself is a big opportunity. We have built a team in the last quarter or so which is now starting to fire and grow the pipeline. So, whether it is retail, manufacturing sector as well as certain microfinance companies that we are part of, we see a healthy growth there. Europe on the other hand is actually a much bigger opportunity when it comes to private sector. The two or three wins that we have announced in the results presentation, speak to that all of them are private sector wins actually as well as if you look at our pipeline; in some of the large deal momentum both on the Oracle Cloud side, as well as more integrated deals, they are actually also in the private sector. We see that as a definite opportunity to grow both in UK as well as certain parts of Europe. We are not going to dilute ourselves to too many different countries but again go with a very focused, integrated value proposition in few countries in Europe.

Moderator: The next question is from the line of Sahil, an Individual Investor.

Sahil: So, one thing is we have a very strong presence in the UK government market and even in the Army if you were able to I think sign a deal from what I could see in the presentation. Have we also explored opportunities of doing contracts for the US government or the rest of the Europe government and for example our capabilities and the proven track record of working with the UK government, do they kind of enable us to do that kind of exploration with the other world government and what sort of challenges or opportunities do we see in that space?

Hiral Chandrana: I mentioned this briefly but on leveraging our UK presence for Europe, that's definitely an opportunity because we have security cleared, onsite experts, digital experts, architecture experts, DevOps experts, who have been through this journey. So that leverage of looking at how we can replicate that success in the Europe is definitely happening. There is some initial discussions that were having in terms of which countries to focus on for the government sector in Europe. But it's a combination of both private and public sector there. Now, US government and Federal sector is very different. We don't have necessarily a plan to go after the federal space in the US but having said that local and state government is a pretty big opportunity and it's also much easier to get into those city authorities or state and local authorities. We have actually won a few deals in the last 3 months in the state and local government space. It is going to be a selective strategy when it comes to few different states and then we will replicate that success across the board in the US. Mostly this is coming out of our Oracle Cloud business but once we get into some of those authorities, there is an opportunity to cross sell our broader digital services as well. I would say a very focused strategy on Europe in certain countries and then a state and local government strategy in the US.

Moderator: The next question is from the line of Ravi Naredi from Naredi Investments.

Ravi Naredi: Respected Ashank, Arun and all prestigious employees of Mastek. I am the shareholder since long. My request is that you have declared result at midnight 12 o'clock. Now you are making con-call at 9 o'clock I am not even going through your highlights what you have tell in your highlights. My request please give enough time to investor to do analysis of the result and then make the question. Hence, I'm not making any question now.

Arun Agarwal: Sure, we have taken the feedback. Kindly just to inform you a couple of challenges we have, we have board members who join us from the US and unfortunately in this COVID environment, some of the travel looks to be difficult and hence the board meeting and the results happens on the night but taking your feedback I'm will ensure going forward we will keep enough time gap between results and the call.

Moderator: The next question is from the line of Aditya from Arctic Lights Capital.

Aditya: I have few questions; the first one is regarding the $40 to $50 million deal that you're supposed to get from one company in the next few months. That will be recognize over what period of time?

Hiral Chandrana: It's over period of 3 years.

Aditya: My second question is, you're looking at 25 clients which will be more than $5 million. My question is that how many of these clients will be $10 million or plus?

Hiral Chandrana: Let me clarify that, I was talking about 25 deals not clients. 25 deals which are greater than $5 million which will be decided in the next 6 months. Some of them obviously we will win some of them we will not win, but that will translate into a good solid order book which will of course translate into revenue. As far as the accounts itself is concerned, we've always been providing greater than $1 million accounts, which is part of the investor sheet that has been shared. We are starting to track greater than $3 million accounts and greater than $5 million accounts, so those roughly stand in the 15 to 20 range today. That's another area of focus where we want to look at least over the next couple of years 40 to 50 clients where we will have greater than $3 million per year per client. But what I was referring to earlier was the deal sizes of greater than $5 million for those 25 customers.

Aditya: So, will any of them be $10 million? Is it possible that out of those one that we are looking for the new deal will be any of them be $10 million?

Hiral Chandrana: In about seven or eight of those deals, which I referred to those are actually greater than $10 million deals. In a few of them it's actually greater than $25 million as well. So, I was giving a little bit broader perspective in terms of greater than $5 million, but there is across the spectrum in some cases $25 million, in some cases $10 million. We are also starting to look at certain customers in US where we can mine them to appoint where we can be at a $3 million run rate per year and there's about 10 clients that we've identified where we have the potential to be there in the next 1 or 2 years, so that itself is a good strategy because we would rather go deep when it comes to account mining. Now we have set of offerings which are much more comprehensive than we did a year back and that is helping our account mining strategy as well.

Moderator: The next question is from the line of Rahul Picha from Multi-Act.

Rahul Picha: My question is on the health segment. Last year we saw a sharp increase in business strong health and we grew over a 100% last year and this quarter we are seeing some normalization coming in this segment. What do you think of the base that we have in this quarter? Are we expecting to sequentially now grow from this level or do you think some normalization is still to take place?

Hiral Chandrana: So, let me actually provide a perspective on how we are looking at the healthcare and life sciences sector, because it is actually one of our top three big bets for the next 3 years. When we look at the 2025 strategy, we feel this industry cluster will provide us the fastest accelerated growth. Now what you're seeing in Q2 is a very specific situation with NHS where we had certain projects that came to an end. Where we have a certain program that are tapering which is expected, but we're also seeing some deals coming in that'll set us up for the future. If you exclude the NHS just for a second, because that is a pretty big client for us in a good part of our number in the healthcare is coming from there, the number of deals that we are winning in the provider space, which is the hospitals and the provider segment both in the US as well as in the middle east market as well as in the life sciences space which includes medical devices is fairly strong. In fact, we have 60 to 70 customers where we have done business in the provider space. Many of them are active customers and we plan to take very specific solutions to them, so that we can help their journey over the next 2 to 3 years. If you look at a year on year view for our healthcare life sciences that are still very strong, we will see some amount of tapering in the next quarter when it comes to healthcare life sciences primarily on the back of certain programs running in NHS, but starting Q4 and beyond into next year you'll see a much bigger growth trajectory across that cluster across multiple Geo's particularly in the US market and the also our investments in data and automation is going to power that growth as well in addition to the Oracle cloud business.

Rahul Picha: Just one small clarification of the health segment how much will be coming from NHS?

Hiral Chandrana: Arun, do we have the exact breakdown?

Arun Agarwal: We don't provide the exact breakdown.

Moderator: The next question is from the line of VP Rajesh from Banyan Capital.

V.P. Rajesh: Can you comment on your any plans in the US or in the company you've talked about that in the previous call that you are looked to apart most so if you can update us on that?

Hiral Chandrana: So, I mentioned this briefly in the opening comments, but when we look at M&A in the US, we are looking at three different areas specifically in the data automation space is one area. We see an intersection there with AI and a few other industries where we are very bullish on, it is complementary to our service offerings where we have certain accounts and certain growth opportunities. Second area is in the platform space particularly cloud platforms like Microsoft Azure and Microsoft Azure DevOps as well as on the AWS side. Now we have hired a new leader, to lead the Microsoft practice. We believe that that itself has an opportunity to do 5X growth in the next 2 to 3 years. So that would be another area that we're looking at and the third area is in the customer experience and service design space, which is around design thinking CX where we already have some good capabilities in the e-commerce and digital experience space, but we want to further enhance that. So those are the three areas. I mentioned that briefly that we are very aggressively short-listing a few candidates, as we speak, we're having discussions with few of them are to take it to the next level and we'll keep you updated next quarter in terms of progress that we're making. But we're hopeful that in the next 4 to 5 months we'll be able to conclude something when it comes to US acquisition.

V.P. Rajesh: Secondly, on the order book you talked about that some of the projects in the UK government got delayed and it's just because of the way you account for your order book you did not include them. So, my question is, let's say if you were to include them which are yours almost in the sense that it's just a matter of contract signing, what could have been the order book like?

Arun Agarwal: Again, these are the framework deals, what happens in the UK government in lot of the contracts just to give an example; one framework of $10 million was awarded to us and the initial SOW was $1 million only. So, we report $1 million because we need a contract in hand before reporting, so that's the internal practice we follow and for offsite reporting as well. That's one of the examples, but there are other examples as well. We don't report that number unless it's committed in the documents.

V.P. Rajesh: My question is that if you were to look at all that extra which has not been put into SOW but which is yours, meaning it's a matter of timing. What is that shadow order book if you win looks like?

Arun Agarwal: Again, there are multiple of those engagements, very difficult to call them out separately but we believe and the past track record is those frameworks typically we have won 95% at least. But I'll stick to the practice where we don't report that, to be honest.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra: My first question is on the NHS weakness for you had mentioned that there were requisite completions and delay in decision making. So, I want to know what is actually causing the slow down and delay in the NHS and is it only limited to NHS or other home office and HMRC and other departments are also seeing the similar kind of delays? And in terms of the average duration and size of the contract that is coming from the UK government, has that changed incidentally or is it more like project based or annuity-based contract. And the second question is on the US recovery, so it has been strong and I know how much of that is sustainable and we are planning for head start in the US but the valuations across the sector are very rich. So, on what kind of price valuations, we are comfortable to pay and will it be in terms of size similar to Evosys or lower?

Hiral Chandrana: I think there are three-four questions, let me try to go quick. The clarification on the NHS is there are a couple of projects and programs that were coming to an end in Q2 and Q3. That is a very NHS specific phenomenon. That is not something that is applicable to home office or HMRC or any of the other government public sector institutions that we're working in. Since we are participating in larger deals across the board in UK particularly in the public sector, the delays in terms of decision-making are there in multiple pockets including NHS. Now NHS while we have seen some slow down at the same time it's a very strong foundation for us because we've worked with them for multiple years as you know and across multiple divisions of NHS whether it's NHS digital, NHS improvement, NHS England, and the shared services divisions, we see a fairly significant size deals across the board. Some of them of course will take time and some of them we'll take time in terms of converting to revenue as well. Now project versus longer term is an interesting point, we have just hired someone from PWC, who is going to be leading our managed services business and this is very encouraging because we starting to see a lot more pipelines in managed services on the back-off implementations as well as in the back of some of our project and development work both on the digital services side as well as on the cloud implementation side. That same applies even to the U S market and as far as it goes even in the Europe market where we start some projects and we were seeing managed services being added to those programs.

The US recovery definitely is on the right path. These are investments that we're making with a medium to longer term view, so it's not going to be an overnight turnaround but we are clearly seeing signs and you'll see that in the quarter-to-quarter results as well and the size of deals, the type of nature of clients, the type of discussions that we're even having with some of the existing clients has been changing. So, we are very bullish across D2X which is our direct to stakeholder strategy or Oracle cloud implementations as well as we have created four new value propositions, which are integrated value propositions for across all offerings that we believe apply to the US. You're right about the valuations when it comes to M&A and acquisitions, but that's why we've taken a little bit longer time to make sure that we are evaluating the right assets. We'll be focused on good quality earnings, but we'll also be focused on high potential companies which will take us to the next 3 to 5 years when it comes to accelerated growth, so I talked about some of those areas already and we'll keep you posted on M&A.

Moderator: The next question is from the line of Sujoy Paul an Individual Investor.

Sujoy Paul: My question is on the Asia-Pacific, I don't see much focus on the Asia focus. Are we planning for more investments in the Asia-Pacific even there are more public status spending on the background of the pandemic by governments across Asia-Pacific. So why can't we use our experience of the public sector to expand on the Asia-Pacific?

Hiral Chandrana: Good question. I think when we look at the entire geography which is a combination of Middle East plus ASEAN countries and Asia-Pacific and of course if you include ANZas well in that with Australia being the big focus area, we are not necessarily going to be investing in a very big way. Because we feel that market size and potential in US as well as in Europe is much larger. Having said that, our Middle East business is very strong and from a pipeline perspective again, we're seeing some large deals there. We almost handle about 25% of Oracle's ARR which is their business in that sector. In Australia in that market and specifically for Asia-Pacific, we are definitely seeing some deals and we're working together with a set of partners including Oracle and Microsoft in particular and we have actually won a couple of interesting deals. We cannot name the client, but this is a very large hospital chain, which has a presence in Malaysia, Vietnam and multiple other countries including Singapore. We starting to see some demand in the digital services space when it comes to Asia Pacific, but these are going to be very focused bets and very focused clients that we'll go after. Because of our presence in Middle East, we see an opportunity to cross sell digital services in those clients which is already a very big customer base. So, we want to make sure that we leverage that potential first before spreading ourselves too thin in multiple Asia-Pacific countries.

Sujoy Paul: Just one follow up on that, regarding the Canada deal that you mentioned in the results. Canada deal is that a sub-Canada deal or are we just expanding on the Canada as an expansion of the US or are we having a good investment in Canada as well?

Hiral Chandrana: Good question. There is a presence that we've had in Canada from a people perspective. In fact, we incorporated there a specific entity and also have certain people who are based out there. But as far as the customer is concerned this is our actually first win in Canada, with the Canadian customer. We like the win. It's a decent size win, it's in the life-sciences space, which is also something that we are bullish on, and we believe it's a first of many more to come in Canada as part of our overall America is a good strategy.

Sujoy Paul: If I'm not interrupting, can you share the deal size if you don't mind?

Hiral Chandrana: It's greater than $1 million with some potential for follow on services for a couple more million in the next 6 to 9 months.

Moderator: The next question is from the line of Ashis Dash from ShareKhan by BNP Paribas.

Ashis Dash: Though you have talked about the UK government business regarding the pipeline, I just a few questions on that side. You mentioned that one large multiyear deal of $40 to $50 million size when that would ramp up to contribute to the revenue? Second on the 5-6 deals can be all in the NHS segment, when you're expecting that will give flow into the order book? The margin also in the UK business has improved sequentially that can be sustainable.

Hiral Chandrana: Good question. So, let me actually start with the last one because we have taken a very conscious call where we had some pass through in licensed revenue which we did not want to take in our books and partly the dip you're seeing in NHS as well as the improvement that you're seeing in margin is a result of that. We believe in the medium to longer term it's a good division. Even though it impacts some near-term revenue, it improves our margin that you're seeing in the UK as well. As far as the larger deal that I spoke about that is a deal that is going to get finalized in this current quarter. We're starting to see some ramp up already in that, but a good part of the revenue will come in the next 3 years like I said, we expect revenue to start flowing in Q4 which is that the next quarter in a significant way and then it'll continue based on the milestone-based projects that we have with that organization. As far as order book in general the deals that I talked about some of the larger deals it's tough to predict the closure timeframe to be frank, but we do believe that many of them will get decided in the current quarter and the revenue will start flowing in Q4 and beyond. So, hence we have cautiously optimistic but we're also bullish about the pipeline when it comes to going forward some of these deals convert that revenue will start flowing in early part of our Q4 and in the early part of 22 to 23 as well.

Moderator: The next question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: Just one question, during this quarter we have reclassified certain practice lines from the factors that we followed from earlier point of view, can you just highlight the same?

Hiral Chandrana: This is an important part of our strategy because as we build certain capabilities for the future. What we look at when we say digital engineering and application engineering is all the application development work, all the cloud native development, all the DevOps work that we do. So that's classified under that practice. The second practice is in the digital customer experience and digital commerce space. This is our direct to stakeholder strategy with not just the commerce work, but also our CX work that we do across multiple platforms. It could be in the Oracle space, but it could also be in the Salesforce or Adobe Magento space. There are certain other elements of digital experience which go hand in hand because when you look at the front office transformation that many customers are going through, the supply chain is also have to be revamped and the integration and the API work that we do goes hand in hand as well, so that's part of that practice.

Oracle cloud and the enterprise applications is really about the implementations business that we have, where we are very strong. We have about 175 businesses process KPI's, our value-based delivery which is coming from the Evosys acquisition that we made is very strong. We are more and more comfortable in terms of delivering to business outcomes versus just based on fixed price or time and materials, so that's a very encouraging thing. That's part of the Oracle cloud and enterprise applications business and then last but not the least the data automation and AI spectrum, this is where we feel we'll make a lot more investments both in terms of people potentially, even inorganic elements and while this is a single digit kind of percentage today we believe this has the potential to again grow 5x over the next 3 years and we're seeing strong customer demand in this area, so broadly these are the four capabilities and service practice offering areas. Managed services cuts across all of them, so when we look at the cloud managed services as well as a broader next generation managed services, each of these practices have elements of managed services while we are seeing integrated deals in many cases across all these four offerings as well, so hopefully that clarifies.

Moderator: Thank you. Ladies and gentlemen as this was the last question for today. I now hand the conference over to the management for closing comments.

Hiral Chandrana: All right. Let me take this opportunity once again, thank all of you. It is very encouraging to see the momentum that's in the market, but I want to highlight maybe one or two things before we close. The teams that we are building are going to be the teams for the future. While we are at a point in time today, we're looking at this from a medium to a longer-term perspective as to what are those next generation leaders that will build this company to a billion dollars in the future. So, you see a lot more candidates and leadership coming in from the market. We are already in the process of getting a few onboard and some of them have joined, some of them will be joining this quarter and next quarter. Development, leadership transformation is a key part of a strategy and employee experience in our Mastekeer experience is very critical as well. When it comes to customers, we are the trusted partner in the customers that we are participating in. They trust us to deliver well. We have a very focused strategy as you know we'll continue to stay focused on the areas that we are really good at, while branching out into few surround spaces when it comes to verticals as well as geographies and you're starting to see some early signs like I said in Europe, in Americas, in data, in healthcare where we starting to invest those things might take time a quarter or two to truly build, but you'll start seeing results for that next year as well. And lastly, I really want to appreciate your support everyone on the call and the investors and analysts that are covering us. We'll continue to keep all of you updated. We've been a very transparent organization and we'll share parts of our vision 2025 strategy and continue to keep you updated on our M&A progress as well. Thank you once again.

Ashank Desai: As Hiral rightly said, we are building for tomorrow. As I talked at the beginning, that from where we came from Rs 560 crores revenue we have grown at almost 31% on the year-on-year growth on revenue and almost 50% plus on profit and that has happened because of active bold and the architecting of the company that we have done over last 5 years. So, when I look back building of product portfolio, service portfolio, acquisitions, capability building as Hiral said, is something that we are committed to and we'll continue to do that at a fast pace. The pace that we have embarked upon last 4 years will continue to have it in the new leadership under the leadership of Hiral and board is fully committed to the larger vision and a long-term vision of the company to grow with a billion-dollar kind of vision over a next second half of this decade. Thank you.

Moderator: Thank you. On behalf of Mastek Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.