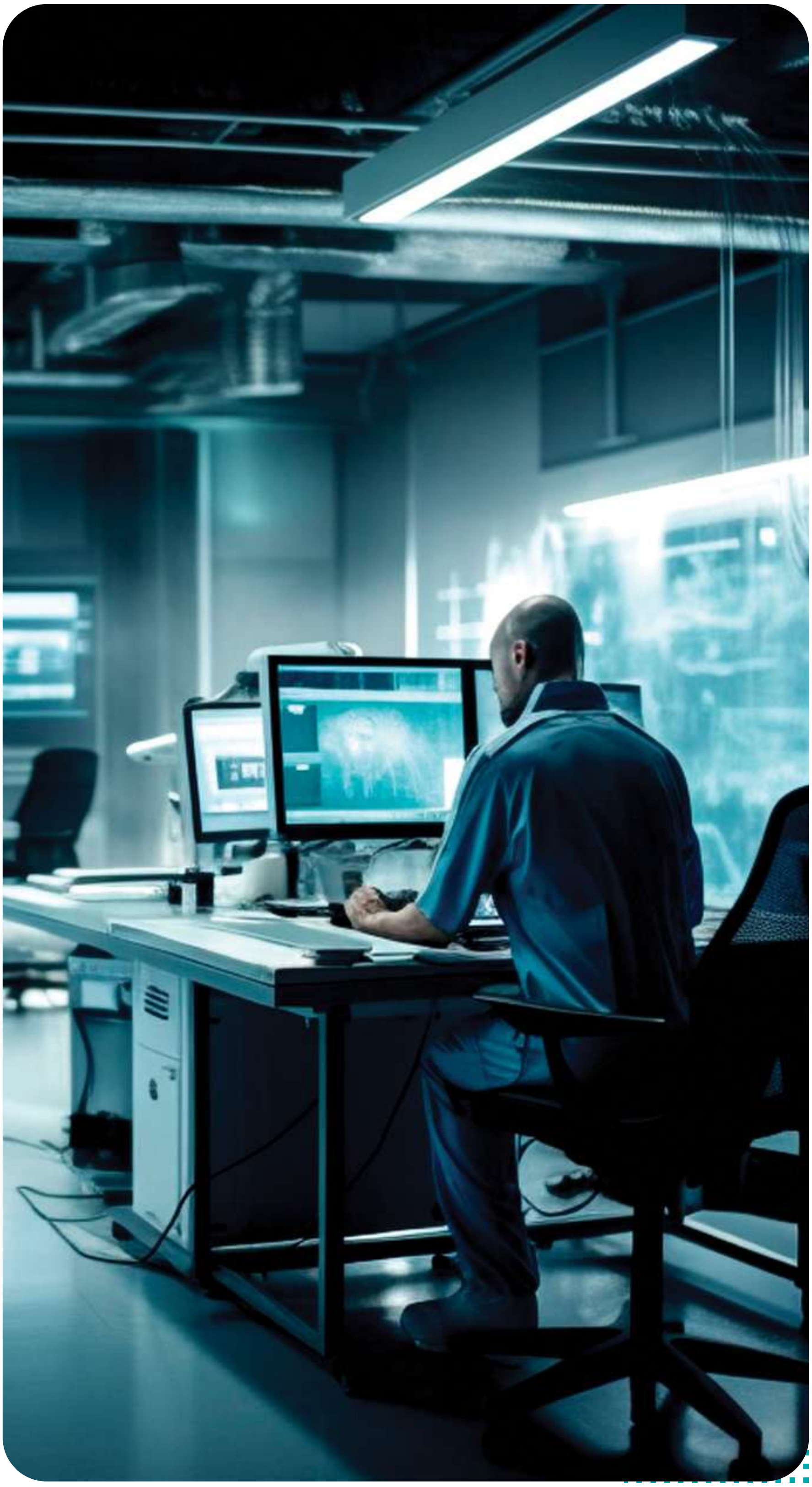
Management Discussion and Analysis



Macroeconomic Review

Global Economy

Global economic growth moderated to 3.4% in 2022, as escalating geopolitical tensions, continued dislocation in supply chains and historically high inflation levels weighed down heavily. Although inflation pressures had already built up owing to the massive liquidity injected into the system to tide over the pandemic, the outbreak of the Russia-Ukraine conflict further pushed energy and commodity prices sharply higher. Further, the imposition of economic sanctions on Russia, one of the world's leading oil and gas producers, pushed the Euro Area to the brink of an energy crisis, given the region's excessive dependence on Russian gas. In addition, China adopted a stringent 'Zero Covid' policy to curb the relapse of the Covid-19 spread for most part of the year, keeping supply chains in disarray.

To rein in runaway inflation, central banks of major economies led by the US Fed undertook an aggressive and synchronised monetary tightening, pushing interest rates to multi-decade highs and further dampening the expansion of global economic output. It also raised fears of a financial crisis, with a few banks in the US and Europe collapsing. However, China's earlier-than expected re-opening in November 2022 helped recoup some losses in economic output, while a milder winter in Europe helped avert a near-term energy crisis. Growth was driven by emerging market and developing economies, especially India and China, while advanced economies stagnated.

3.4%
Global economic growth in 2022

Global GDP Growth Trend (%)

	2022	2023F	2024F
World	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
US	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
UK	4.0	(0.3)	1.0
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.0	3.9	4.2
China	3.0	5.2	4.5
India	6.8	5.9	6.3

Source: International Monetary Fund (IMF) World Economic Outlook-April 2023

Outlook

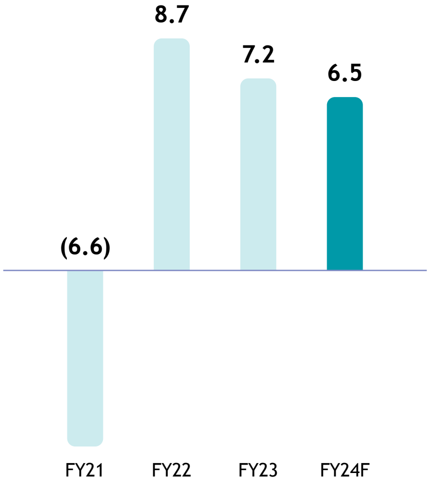
The IMF expects global GDP growth to bottom out to 2.8% in 2023, before stabilising at 3.0% in 2024. The reopening of China's economy has paved the way for a faster-than-expected recovery. Although global inflation is expected to fall from 8.7% to 7% in 2023, and 4.9% in 2024, but still remain above the pre-pandemic levels of about 3.5%. Easing inflation and strong employment data point to a softer landing in the US, while the Euro Area is likely to witness muted growth, with the UK expected to be in a technical recession in the near term. This could prompt the central banks to keep interest rates higher for longer, and any reversal in the 15-month rate hiking cycle will be 'data dependent.'

Indian Economy

The Indian economy grew at a faster-than-expected rate, at 7.2% during FY23, as the domestic tailwinds far outweighed the global headwinds. India also became the world's fifth-largest economy in the world and remained the fastest-growing among the G20. Although India too confronted high inflation, prompting the Reserve Bank of India to undertake a series of policy rate hikes, the intensity and magnitude was much lower that of other major economies in the world. With robust corporate balance sheets and well-capitalised banks, the higher interest rates were not detrimental to consumption or investments. The Indian rupee weakened relative to the US dollar, which strengthened owing to its 'safe haven' status, but it continued to perform well vis-à-vis other major currencies. Fiscal deficit remained under control.

The Government's continued thrust on massive public capital expenditure to attract private investment and boost demand bodes for its long-term fiscal health. Further, supportive industrial policies such as the Production Linked Incentive (PLI) are playing a major role in enhancing the competitiveness of domestic manufacturing and services. With global business looking at diversifying their supply chains away chronic China dependence, India could very well emerge as a preferred destination for sourcing. Further, the country's robust digital infrastructure, focus on clean energy transition, and multimodal logistics development have started to boost productivity and improve efficiency. In addition, India has been digitalising at a rapid pace, with growing broadband penetration and falling data usage costs. It is not only revolutionising last delivery of government schemes, but also fuelling entrepreneurship and the emergence of a vibrant startup ecosystem.

India GDP Growth Trend (%)



Source: CSO Estimates/RBI

Outlook

According to the RBI, the Indian economy is projected to grow at 6.5% in FY24, driven by a rebound in rural demand, steady growth in contact-intensive services and easing inflation. The central bank has already taken a pause in its rate hiking cycle, expecting inflation to average 5.1% in FY24, within its comfort range of 2-6%. Strong manufacturing and services PMI point to robust economic activities while buoyant tax collections provide the Government ample headroom to continue spending on infrastructure and logistics development. If the global economic headwinds dissipate earlier than estimated, it could further bolster India's growth prospects.

Industry Review

Global IT Industry

Despite the macroeconomic challenges like high inflation and interest rates, global IT spending is expected to grow by 5.5% to USD 4.6 trillion in 2023, according to the latest Gartner report (April 2023). Businesses are expected to continue on their digital transformation journey to optimise costs, reimagine revenue streams, enhance value proposition of their products and services, though the growth is likely to be divergent across segments. The software segment is projected to grow at 12.3%, as businesses continue to spend on sharpening their competitive edge through increased higher productivity and automation, among other initiatives.

The IT services segment will continue growing through 2024, largely driven by 30% growth in the Infrastructure-as-a-Service market in 2023. At the same time, spending on devices is likely to contract by 4.3%, as buying decisions are deferred on account of lower purchasing power and the absence of incentives. Further, enterprises will continue spending on maintaining existing on-premises data centres, but new spending will be directed towards cloud options. The cloud services market is experiencing a notable shift, with price driving incremental spending, rather than increased usage.

Emerging technology like IoT, robotics, and mixed reality are driving additional spending, with IDC projecting that new technologies will hit USD 1.36 trillion[1] in 2023, adding nearly 30% to the expected spending on traditional items.

1 CompTIA Research Report Nov2022

Global IT Spending Forecast (USD million)

	2022		2023		2024	
	Spending	Growth (%)	Spending	Growth (%)	Spending	Growth (%)
Data Centre Systems	216,095	13.7	224,123	3.7	237,790	6.1
Devices	717,048	(10.7)	684,342	(4.6)	759,331	11.0
Software	793,839	8.8	891,386	12.3	1,007,769	13.1
IT Services	1,250,224	3.5	1,364,106	9.1	1,502,759	10.2
Communications Services	1,424,603	(1.8)	1,479,671	3.9	1,536,156	3.8
Overall IT	**4,401,809**	**0.5**	**4,643,628**	**5.5**	**5,043,805**	**8.6**

Source: Gartner (April 2023)

Indian IT industry

The Indian IT industry accounted for nearly 7.4% of India's GDP in FY23, which is expected to grow to 10% by 2025. Gartner forecasts India's IT spending to grow 0.7% in 2023 to USD 108.5 billion, as Indian enterprises embark on cautious cost optimisation and efficiency programmes, leading to a lower spending on data centre systems and increased spending on IT modernisation and growth initiatives. This typically involves investments in applications and Software-as-a-Service (SaaS), which will ultimately drive software spending growth in 2023. The acceleration in cloud migration is projected to fuel IT services spending to reach USD 21.9 billion in 2023.

India IT Spending Forecast (USD million)

	2022		2023	
	Spending	Growth (%)	Spending	Growth (%)
Data Centre Systems	3,682	15.3	3,549	(3.6)
Devices	46,397	(3.9)	44,139	(4.9)
Software	12,804	14.1	14,483	13.1
IT Services	20,539	6.9	21,860	6.4
Communications Services	24,427	0.2	24,517	0.4
Overall IT	**107,848**	**1.5**	**108,547**	**0.7**

Source: Gartner (April 2023)

According to Nasscom, FY23 was a year of sustained revenue growth for the Indian IT industry. The current volatile and uncertain global economic environment fuelled the demand for digital acceleration, making it a strategic imperative to drive innovation, transformation, and cost-efficiency. Nasscom estimates Indian tech industry revenue to have grown to USD 245 billion, reflecting an addition of USD 19 billion over FY22, driven by IT services, BPM, Software, among others. Exports are expected to have grown by 11.4% in constant currency to reach USD194 billion, driven by growth across all major markets—the US and APAC—and core sectors such as BFSI, Manufacturing and Telecom/Hi-Tech. The industry remained a net hirer with additions of ~300,000, employees, taking the total employee base to over 5.4 million.

Powered by its robust digital infrastructure and growing digitally skilled workforce, India has emerged as a 'Digital Talent Nation'. Globally, India has the largest pool of AI skilled talent, the second largest AI/ML BDA talent, and ranks third in terms of availability of Cloud professionals. Further, with continued investments by the government and enterprises in emerging technologies, domestic revenues are witnessing a sustained uptick.

Outlook

India's robust technology ecosystem has a significant role to play in sustaining its higher economic growth trajectory in the next decade or so. Further, its new-age skilled talent pool with a strong entrepreneurial mindset, coupled with cost competitiveness and conducive business environment, provides a springboard to propel future growth. Nasscom estimates that the Indian Industry revenue could accelerate to USD 500 billion by 2030.

Company Overview

Mastek is a trusted digital engineering and cloud transformation partner that delivers innovative solutions and business outcomes for clients across industry verticals: Government/ Public sector, Healthcare and Life Sciences, Retail, Manufacturing and Financial Services. We enable customer success and business change programmes by partnering with enterprises to unlock the power of data, modernise applications to the cloud, and accelerate digital advantage for all stakeholders.

Our strong engineering mindset and solutions-based approach enable us to expand rapidly and provide clients with innovative capabilities to help them achieve their goals. To drive growth in our front-to-back office digital transformation capabilities, we are focused on expanding partnerships with major technology companies such as Oracle, Microsoft, and Salesforce.

We are on a mission to Decomplex Digital and make businesses future ready.

Business Review

Revenue by Service Offerings

Service Offerings	FY23		FY22	
	Revenue (₹ in lakhs)	Share (%)	Revenue (₹ in lakhs)	Share (%)
Digital & Application Engineering	111,071	43.3	99,428	45.5
Oracle Cloud & Enterprise Apps	81,619	31.8	72,000	33.0
Digital Commerce & Experience	46,263	18.1	25,789	11.8
Data, Automation, and AI	17,386	6.8	21,167	9.7
Total	**256,339**	**100.0**	**218,384**	**100.0**

Revenue by Geography

For the year ending on March 31, 2023, operating revenue for UK & Europe was ₹ 158,761 lakhs, representing a growth of 6.9% compared to the previous year's operating revenue of ₹ 148,485 lakhs. North America contributed ₹ 62,576 lakhs to the total revenue, showing an increase of 62.3% from the previous year's contribution of ₹ 38,556 lakhs. The Middle East contributed ₹ 23,350 lakhs to the total operating revenue, showing an increase of 22.9% compared to ₹ 19,006 lakhs in the year earlier. The Rest of the World, which includes India and Asia Pacific operations, contributed ₹ 11,652 lakhs to the total operating revenue, down 5.6% from ₹ 12,337 lakhs in the year-earlier period.

Geography	FY23		FY22	
	Revenue (₹ in lakhs)	Share (%)	Revenue (₹ in lakhs)	Share (%)
UK & Europe	158,761	61.9	148,485	68.0
North America	62,576	24.4	38,556	17.7
Middle East	23,350	9.1	19,006	8.7
Rest of the World	11,652	4.6	12,337	5.6
Total	**256,339**	**100.0**	**218,384**	**100.0**

Revenue by Customer Segment

Customer Segment	FY23		FY22	
	Revenue (₹ in lakhs)	Share (%)	Revenue (₹ in lakhs)	Share (%)
Government & Education	107,132	41.8	82,023	37.6
Health & Life Science	42,482	16.6	51,247	23.5
Retail & Consumers	37,398	14.6	32,548	14.9
Manufacturing & Technology	39,124	15.2	28,254	12.9
Financial Services*	30,203	11.8	24,312	11.1
Total	**256,339**	**100.0**	**218,384**	**100.0**

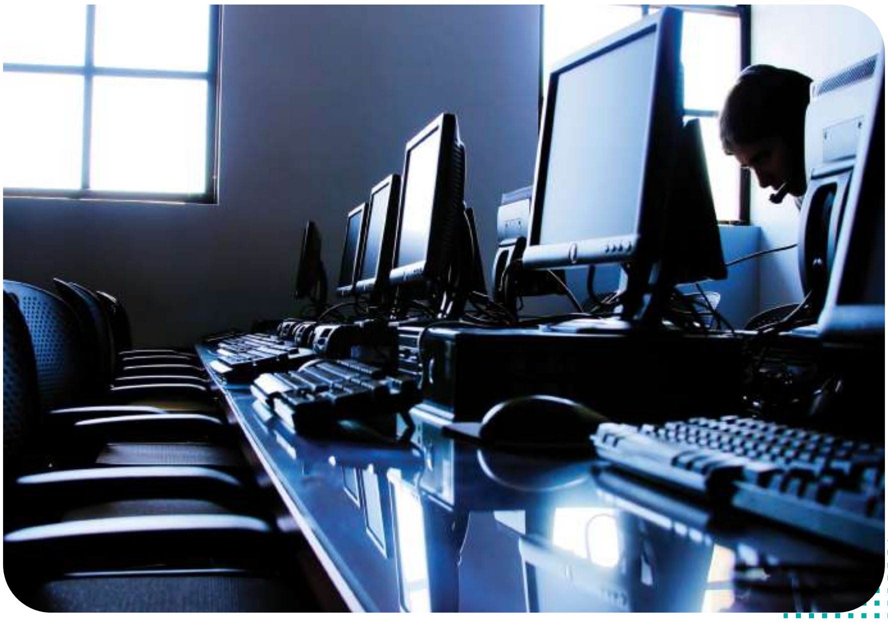
*Financial Services includes consultancy/ professional services

Key Highlights for FY23

- **Acquisition of MST:** Mastek acquired MST Solutions, a Salesforce consulting firm, in July 2022, which is expected to bolster our presence in the healthcare and public sectors in the US and further diversify our revenue streams geographically. We aim to expand our Salesforce capabilities to other regions, such as the UK and the Middle East, thereby creating a global Salesforce practice. The acquisition was financed by USD 30 million in debt and the rest from internal accruals.
- **Strategic investment in Volteo Edge:** An Edge Intelligence SaaS Company in the Connected Enterprise Space and ServiceNow ecosystem, Volteo Edge will accelerate Mastek's ability to penetrate the emerging connected enterprise market. We aim to strengthen our customer service management and field engineering services to a more secure, intelligent, responsive, and connected ecosystem.

UK and Europe

In 2022, the UK's technology industry was valued at USD 1 trillion (€942 billion), significantly above Germany's at USD 467.2 billion, and France's at USD 307.5 billion. This makes the UK's technology industry the top ecosystem in Europe[1]. The UK IT spending is expected to grow to USD 218.7 billion[2] in 2023, despite the turbulence in the global market. This is attributed to the UK's favourable approach to tech regulation that encourages innovation, ongoing support for start-ups, and the government's ambition to enhance the digital skills of its citizens. IT vendor prices are increasing due to inflation compounded by the weakening of the British pound and the Euro relative to the US dollar. The UK's government, education, and healthcare sectors are experiencing significant growth due to increased IT spending, on the back of the rise of remote work, remote education, and telehealth services.



USD 32 million+
Multi-year deals with the Home Office

Business Performance

Mastek has been present in the UK for over three decades and has established presence across key areas of national infrastructure, such as borders, immigration, defence, custom and security. We are a trusted Digital Engineering and Cloud Transformation Partner for both public and private sector enterprises. Despite the macro uncertainties, we have demonstrated significant resilience, given our strong positioning in digital transformation initiatives. We have been working with top civil servants and the private sector, with the UK and Europe contributing 61.9% to our total revenue.

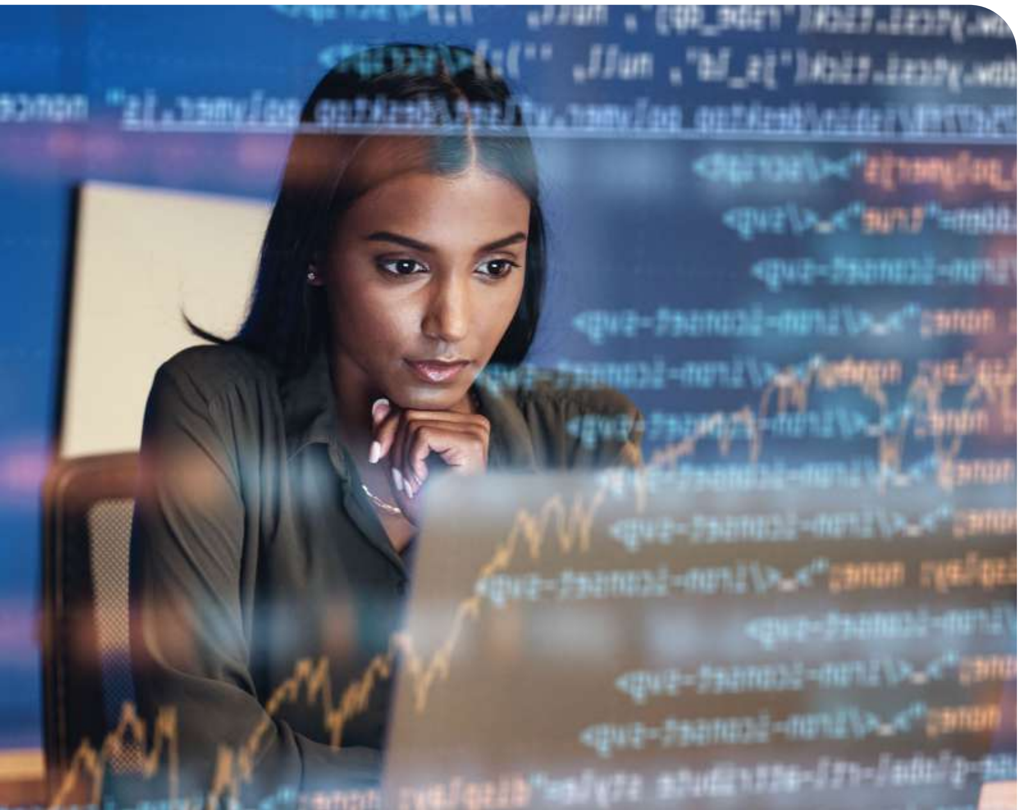
We offer our services to four of the five major IT spenders in the market and one of the strongest in SaaS offerings. Our UK public sector business, particularly digital services, has a considerable portion onshore. We have successfully transitioned several engagements into reasonably long-term ones, providing us with more visibility and predictability in terms of future revenues. The DSP programme is a multi-phase initiative in the UK government that spans several departments. Mastek is one of the 20 suppliers chosen for the programme. Nearly 70% of our revenue comes from mission-critical, public-sector businesses, which demonstrates strong momentum, with larger framework and strategic downstream deals. We are emphasising deeper account mining and cross-selling through our service line strategy, with a target to increase the share of Healthcare & Life Sciences.

1 https://www.gov.uk/government/news/uk-tech-sector-retains-1-spot-in-europe-and-3-in-world-as-sector-resilience-brings-continued-growth
2 https://www.gartner.com/en/newsroom/press-releases/2022-11-09-gartner-forecasts-it-spending-in-emea-to-grow-3-percent-in-2023

Key Highlights for FY23

- We won USD 32mn+ multi-year deals with the Home Office. This vertical is expected to be a growth driver in FY24 as well.
- As a strategic partner, we won a multi-year contract to deliver Integration services for migration under Borders Portfolio's Future Borders and Immigration Services (FBIS) programme. FBIS allows the UK government to deliver points-based immigration services.
- Mastek will be a leading MIS provider for 15,000 schools across the UK, providing the tools to efficiently manage daily school life and drive improvement in learning outcomes. We are the sole development partner for the SIMS7 platform, enabling UK schools to comply with statutory changes.
- Working with the Health ALB to build and deliver their new jobs service, we will build a new platform using open-source technologies—more cost-effective than off-the-shelf licensing models. This would improve the quality of applications and reduce the time it takes to hire for new roles in the NHS. This will be used by 6,500 GPs and trusts across the UK.
- Anticipating challenges in securing government service orders due to the volatile environment in the UK. However, the core public sector service business has demonstrated resilience despite these circumstances.
- Participating in some large framework in the area of border security, immigration, and trade related services, which are likely to drive growth, going forward.
- The UK public sector's significant healthcare project is still experiencing delays. Despite this setback, there is a positive outlook on the overall growth potential of the healthcare vertical. We have won multiple deals with the customer, however, we see consistent delay in commencement and hence impacting revenue realization in the short term. We expect this trend to reverse by the end of FY24 with project commencement/ramp up notifications where contracts have already been awarded to us. Additionally, we are building capabilities to drive expansion into private sector healthcare and life sciences vertical to augment growth in line with our global strategic priority.

24.4%
US market total revenue contribution



United States

According to Forrester, the US' technology spending growth will moderate to 5.4% in 2023 due to the ongoing macroeconomic challenges, from 7.4% in 2022. Businesses have slowed down their spending, as the 450 bps cumulative hike in policy rates by the US Fed to curb inflation has increased the cost of capital. Software has been the largest contributor to the growth in technology spending in the US, accounting for 34% in 2022 and projected to reach 42% in 2027[3]. Going forward, US businesses are likely to direct their IT spending on increasing productivity, enhance their competitiveness and optimise their domestic and international revenues.

Business Performance

In the US, Mastek has gained market visibility and recognition as we have been acknowledged as a disruptor in the Oracle cloud space and recognised by top advisors and analysts in the US. Our account mining strategy has started to deliver results, with our top 25 clients accounting for 70% of our revenue in the market. Instead of relying only on channel-led pipeline, we are now directly connecting with clients, with an aim to acquire and mine more Fortune 1000 customers. With Acquisition of MST, we have got relationship with state and local government, with deep regards and acknowledgment for the work we do for them. This opens up significant account mining opportunity for Mastek as a group.

We recently introduced Glide 4.0, a framework and platform that will help accelerate cloud transformation and innovation acceleration. We recognise the significant spending and talent gap within the Salesforce ecosystem and are optimistic about medium to longer-term growth prospects. Post the Meta Soft Tech Solutions (MST) acquisition, our integrated offerings across cloud, transformation, architecture, customer experience, data and business intelligence have strengthened significantly. Our focus is on the Healthcare, Hi-tech, Manufacturing verticals, along with the new vertical of

3 https://www.forrester.com/report/us-tech-market-forecast-2022-to-2027/RES178714

local/state government solutions, to accelerate growth.

The US market contributed 24.4% to our total revenue in FY23, progressing in line with our strategy.

Key Highlights for FY23

- Mastek was recognised as a 'Product Challenger' in the ISG report 'Oracle Ecosystem 2022' for the US market.
- Appointed Mr. Vijay Iyer as President of Americas who will be driving the entire Americas business leveraging Mastek's differentiated portfolio of offerings in Cloud, Enterprise IT and Digital Engineering and Experience.
- Salesforce Business (MST) and Banner Health launched self-service Medicare shop & Enroll portal. Case Study recognised as 'Standout by ISG'.
- We were chosen as the strategic partner for providing Oracle Financials Cloud and Oracle HCM Cloud support to a government administration in Florida responsible for public services and utilities. Mastek will provide tailored support and flexible services to address the client's most demanding application challenges. We will help optimize technical, staff, and security operations with configurable service options tailored to the organisational needs.
- We will set up the first-ever Offshore Development Centre in India and provide Managed Services for a client that offers individual, family, group, Medicare, and Medicaid health insurance and related services to its nearly 2 million customers in the US. In addition, Mastek will enable the customer to deliver SLAs to their business stakeholders and enhance transparency to their leadership team.
- The acquisition of MST has exceeded expectations according to the acquisition plan, and we remain highly enthusiastic about the potential for synergies. We are currently capitalising on cross-selling and co-selling opportunities, pursuing multiple integrated deals, and experiencing an upward momentum in overall growth.
- Over the next 2-3 years, Mastek would be doing few more acquisitions in areas like cloud platforms (Azure, AWS, etc.) and data/automation to fill gaps in the offerings.

MENA

According to Gartner, IT spending in the Middle East and North Africa region is expected to reach USD 175.5 billion this year, a 2% increase from USD 171.9 billion in 2022[4]. The transition towards a knowledge-based economy was hastened by the increased adoption of renewable energy and the subsequent drop in oil prices. Further, the advent of 5G, the rise in the digitally skilled local workforce, and the rapid digitalisation of banking and retail sectors are creating a conductive environment for growth in IT spending in the region. Communication services will experience the highest IT expenditure in the MENA region in 2023, with an estimated spending of USD 115.13 billion. Meanwhile, software is expected to record the highest growth at 9.8%, with an estimated spending of USD 13.34 billion. In line with global IT spending trends, spending on devices is expected to decrease by 6.4% from USD 26.68 billion in 2022 to USD 24.97 billion in 2023.

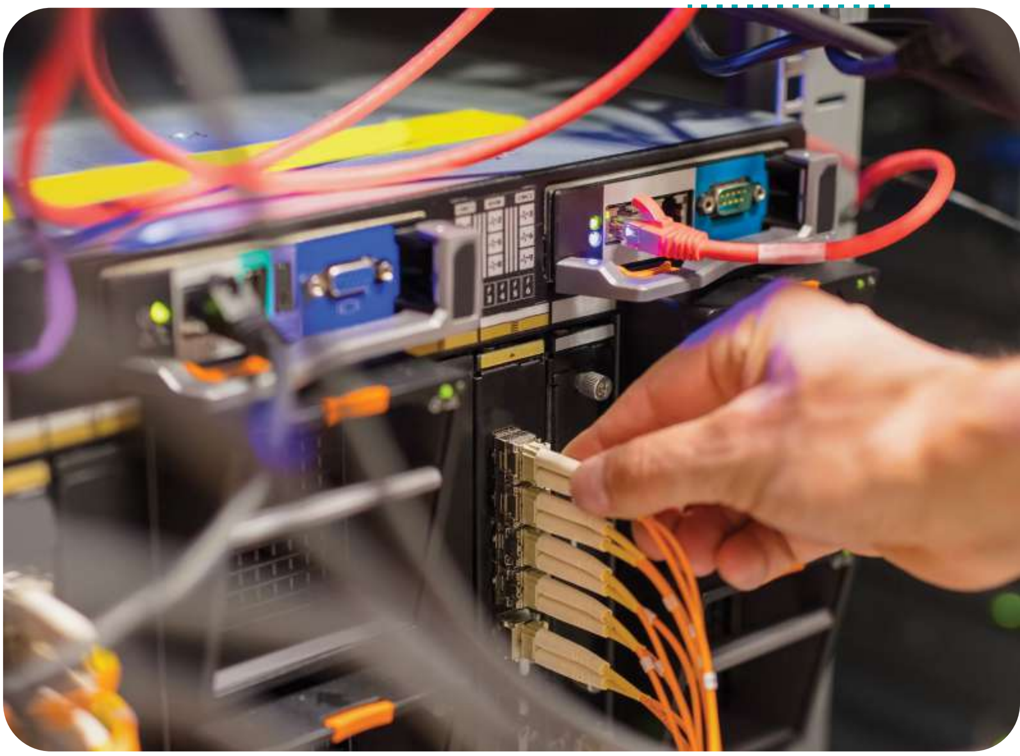
4 https://www.khaleejtimes.com/business/gartner-forecasts-it-spending-in-mena-to-grow-2-in-2023

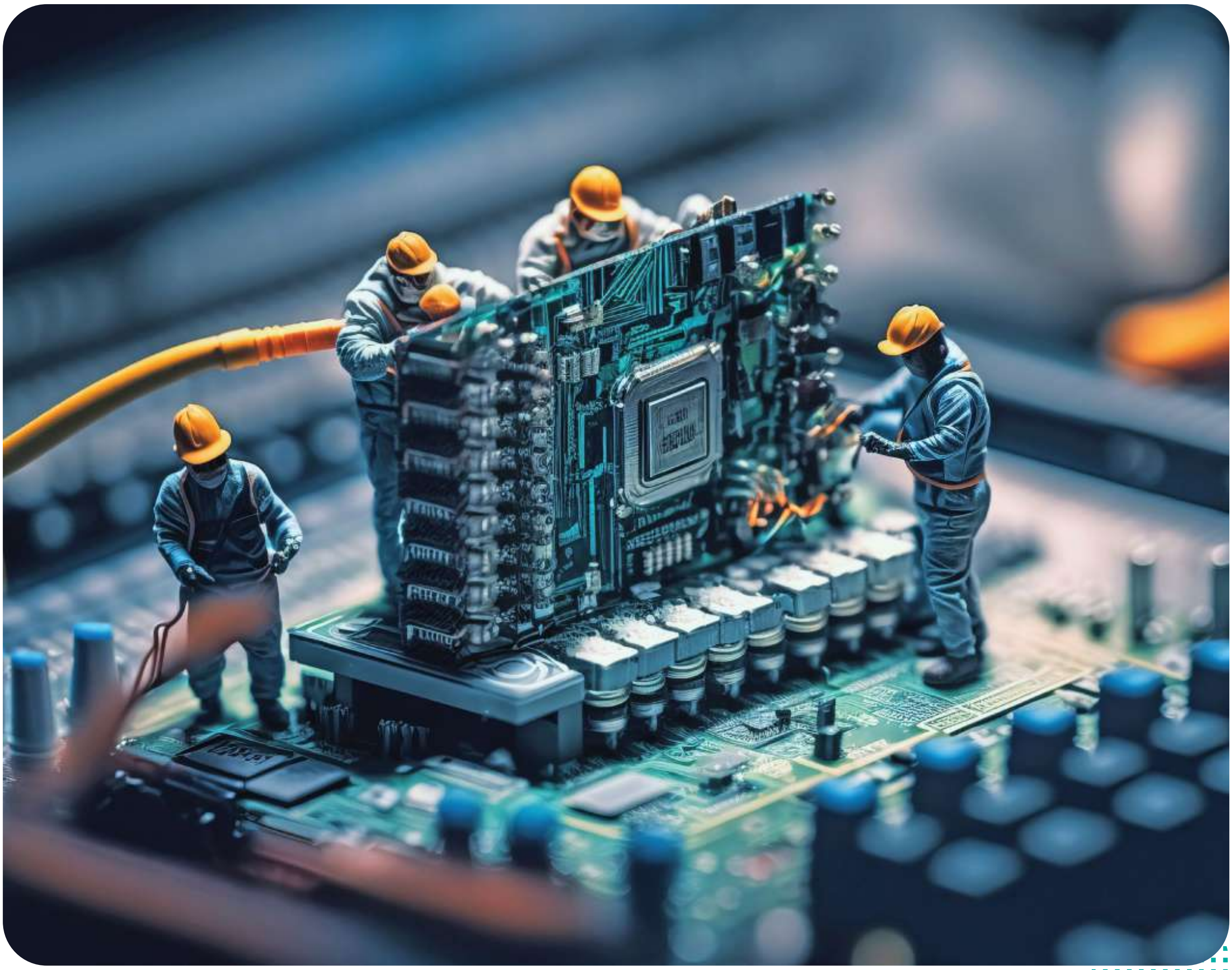
Business Performance

Thanks to our successful partnership with Oracle, our strong focus on industry-specific solutions, and our utilisation of digital services, we are now in an excellent position to compete for and win major deals across various practice lines and industry verticals. We are confident that, besides our Oracle service line, we will expand into digital services and application engineering. Rising tech start-ups as well as increased IT spending is viewed as positive for Mastek providing us growth opportunities. Our operations from the Middle East, and APAC including Australia and India contributed ₹ 35,002 lakhs, representing 13.7% of the total operating revenue in FY23.

Key Highlights for FY23

- Mastek has been involved in a unique endeavour by one of the world's largest sovereign wealth funds, offering a wide range of commercial helicopter transportation services, air ambulance services, as well as luxury and sightseeing trips. We will implement Oracle EPM and





HCM Cloud solutions, and manage support for Oracle Financials, SCM, and HCM Cloud. This will enable the client to achieve a more unified user experience and simplified administration across different business functions, accurate and transparent reporting along with a more productive workforce, better customer support, and higher profitability.

- Mastek partnered with a company that is the largest integrated network of hospitals, clinics, diagnostics, insurance, pharmacies, health tech, procurement and more. We will completely transform the client's homegrown ERP system. Mastek will implement an Oracle Cloud solution which will simplify the client's financial processes, enable it to gain better control over data quality and consistency through Cloud ERP as well as provide better support to its workforce using Cloud HCM.
- Mastek is selected to implement Oracle ERP Cloud, 5 years managed services contract, and 9 years of Mastek Warehouse 360 contract. Through this implementation, the customer will leverage a contemporary system supported by a fit-for-purpose Target Operating Model, promote best practices to achieve efficiencies and cost saving benefits and uplift financial management capabilities to support current and future business needs.
- As a result of the war situation in Europe, we made the decision to reallocate some of our investments from European countries (excluding the UK) to the Middle East. This strategic move yielded significant growth and positive results for us.

Business Outlook

We are optimistic about the strong momentum in business, led by our three year strategy, especially in the healthcare and public sector pipeline, and promising accounts in manufacturing and retail. Demand for Mastek's services across service lines remains healthy, and we expect to continue adding value to our investors. We have several large and integrated deals lined up for FY24, in addition to joint activities with MST Solutions which we acquired in FY23. In terms of order book and revenue, we are seeing momentum building up in our US region together with UK public sector and AMEA region. Our Account mining playbook is deployed in 32 identified accounts globally which will help strengthen our relationship and expand average revenue per customer in FY24. Our Salesforce unit is also expected to experience high growth across various geographies.

Opportunities and Threats

Despite potential challenges on the horizon, there are compelling reasons to believe that the technology industry will successfully navigate the uncertain business landscape. Technology has evolved from being important to being indispensable in our daily lives, and this trend is expected to persist, especially with the rapid growth of emerging technologies like artificial intelligence (AI). During economic downturns, companies often turn to technology to enhance productivity and reduce costs. This places technology-focused enterprises, particularly those offering cloud computing, SaaS solutions, data cloud modernization and cybersecurity solutions, in a favourable position to capitalise on the ongoing digital transformation, which gained momentum during the pandemic. While the technology sector might not be entirely immune to economic downturns, its resilience is likely to surpass that of many other industries. Its capacity to meet the growing demand for innovation positions it well to tackle economic challenges effectively.

Update on Board of Directors

During the year, Mr. Suresh Vaswani was appointed as an Independent Director of the Company w.e.f. December 11, 2022, which was approved by the Members of the Company on January 11, 2023.

Mr. Atul Kanagat (DIN: 06452489), Independent Director of the Company resigned on January 17, 2023, from the Board of Directors and Board Committees of the Company due to personal and other professional commitments.

Mr. S. Sandilya (DIN: 00037542), Non – Executive Chairman & Independent Director of the Company resigned on March 3, 2023, from the Board of Directors and Board Committees of the Company.

After the end of the Financial Year - on April 19, 2023, Ms. Priti Rao (DIN: 03352049) Independent Director of the Company submitted her resignation which will be effective May 1, 2023 from the Board of Directors and Board Committees of the Company.

Update on Management

- On January 30, 2023, appointed Ms. Prameela Kalive as Chief Operating Officer. In her new role at Mastek, Prameela will spearhead all global delivery, operational excellence and CIO functions. Prameela will work in proximity with the executive leadership to implement the strategic vision and values of Mastek. Prior to joining Mastek, Prameela was the COO at Zensar Technologies and an integral part of their growth story for the past 22 years. During her tenure she handled a wide range of responsibilities, including Software Delivery, Sales & Marketing, Strategy, Innovation, and HR & Practice Development. She started her career as a scientist at the Defense Research & Development Organization (DRDO), where she was part of flagship missile development programs AGNI and AKAASH.
- Mr. Vijay Iyer was appointed as President of Americas, effective February 24, 2023, at Mastek. Spearheading our business strategies, processes, and operations, he is responsible for Mastek's growth, as well as customer success & experience across the US region. Vijay is an industry veteran with over 30 years of diverse global experience in creating, growing & stabilizing new lines of business across various industry verticals in the Digital Engineering and Enterprise IT Services domain. He began his career as the CIO of SRF, a manufacturing company, and has had successful stints as the Industry Vertical Head at HCL Technologies & DXC Technology, Chief Sales Officer at Hexaware Technologies and CEO of Cignex Datamatics Inc. Before joining Mastek, Vijay was with Persistent Systems. His extensive experience includes strategy development, marketing & sales, organizational development, advisor relationships, leading large deals and delivery execution.

People Strength

As on March 31, 2023, the Group had a total headcount of 5,622 as compared to 4,977 employees at the end of March 31, 2022.

Financial Review

Financial Performance Review

The UK and Europe operations contributed ₹ 1,58,761 lakhs in total operating revenue for FY23 as compared to ₹ 1,48,485 lakhs for FY22, resulting in an increase of 6.9%.

USA operations contributed ₹ 62,576 lakhs in total operating revenue for FY23 as compared to ₹ 38,556 lakhs for FY22, resulting in an increase of 62.3%.

Middle East operations contributed ₹ 23,350 lakhs in total operating revenue for FY23 as compared to ₹ 19,006 lakhs for FY22, resulting in an increase of 22.9%.

Revenue from Rest of the World (ANZ, APAC etc.) is ₹ 11,652 lakhs for FY23 as compared to ₹ 12,337 lakhs for FY22, decrease of 5.6% YoY.

For the year ended March 31, 2023, the financial and operational performance in revenue saw decent growth while pipeline and order book momentum builds confidence for FY24. However profitability contracted due to GBP depreciation, increasing salary cost and higher attrition, however, operating discipline will help us consistently improve margin profile in coming years.

Financials

On a consolidated basis, the Group registered total operating revenue of ₹ 256,339 lakhs for the year ended March 31, 2023, as compared to ₹ 218,384 lakhs in the year ended March 31, 2022, an increase of 17.4%. The Group registered a net profit of ₹ 31,027 lakhs in the year ended March 31, 2023, as compared to ₹ 33,342 lakhs in the year ended March 31, 2022, thereby registering a decrease of 6.9%.

Profitability

During the year ended March 31, 2023, the Group earned a net profit of ₹ 31,027 lakhs as compared to ₹ 33,342 lakhs for the year ended March 31, 2022. The decline in profit was on account of the following:

- depreciation of GBP impacted overall profitability for Mastek, as UK is a significant market for the Company;
- significant increase in talent cost and increase in cost per hire, led by higher demand for niche and skilled resources in the market; and
- continued investment in sales and capability building.

Balance Sheet

Assets

1. Property Plant and Machinery:

Tangible assets including investment property as on March 31, 2023 were ₹ 8,890 lakhs as compared to ₹ 7,198 lakhs in the previous year. Variance is explained as below:

- Gross additions ₹ 5,241 lakhs and deletions of ₹ 403 lakhs towards Computer, furniture and fixtures and office equipment
- Depreciation charge of ₹ 3,268 lakhs
- Foreign Exchange translation adjustment (net) of ₹ 122 lakhs

2. Other Intangible Assets and Goodwill

Intangible assets and Goodwill as at March 31, 2023 were ₹ 1,65,135 lakhs as compared to ₹ 76,905 lakhs in the previous year. Variance is explained as below:

- Gross additions of ₹ 11,138 lakhs and deletions of Nil lakhs towards computer software, customer contracts and customer relationships
- Gross additions of Goodwill of ₹ 73,108 lakhs
- Depreciation charge of ₹ 3,469 lakhs
- Foreign exchange translation including other adjustments (net) of ₹ 7,453 lakhs

3. Non-Current Financial Assets

A) Investments

Non-Current investment comprises of Investment in Venture and Investment in Bonds. Investment in Venture as at March 31, 2023 were ₹ 1,241 lakhs. Investment in Bonds as of March 31, 2023 were ₹ 53 lakhs.

Under Ind AS 109, financial assets designated at fair value through other comprehensive income (FVTOCI) are fair valued at each reporting date with changes in fair value reported through Other Comprehensive Income (OCI).

B) Other Financial Assets

The loan and other current financial assets as of March 31, 2023 were ₹ 3,130 lakhs as compared to ₹ 4,156 lakhs in the previous year. Decrease is on account of margin money deposits with banks against performance bank guarantee for certain contracts and Foreign exchange forward contract.

4. Other Non-current Assets

The other non-current assets as of March 31, 2023 stood at ₹ 147 lakhs as compared to ₹ 153 lakhs as at March 31, 2022. The increase is primarily on account of capital advances and prepaid expenses.

5. Income Tax Assets/Liabilities

The current Income tax assets balance as of March 31, 2023 was ₹ 323 lakhs as compared to ₹ 322 lakhs in the previous year. The income tax assets represent domestic corporate tax. The current Income Tax liabilities balance as of March 31, 2023 was ₹ 6,192 lakhs as compare to ₹ 6,225 lakhs in the previous year. Current income tax liabilities majorly represents estimated income tax liabilities relating to overseas geography.

6. Deferred Tax Assets/Liabilities

Deferred tax assets as of March 31, 2023 were ₹ 10,485 lakhs as compared to ₹ 7,050 lakhs in the previous year. Deferred taxes assets primarily comprise of deferred tax on MAT credit entitlement, liabilities relating to employee benefits and bonus, exercise of share based options (OCI) and provision against doubtful debts. Deferred tax liabilities were ₹ 2,961 lakhs as compared to ₹ 2,214 lakhs in the previous year. Deferred tax liability

primarily comprises undistributed profit of subsidiaries, amortisation of goodwill, fair value of investments and cash flow hedge.

7. Current Financial Assets

A) Investments

Investments comprised of unquoted mutual fund units and fixed deposits. The Investments balance was ₹ 5,577 lakhs as of March 31, 2023 as compare to ₹ 1,488 lakhs in previous year. Under Ind AS, financial assets and financial liabilities designated at fair value through profit and loss (FVTPL) are fair valued at each reporting date with changes in fair value recognised in the statement of profit and loss.

B) Trade Receivable

Trade receivables as of March 31, 2023 stood at ₹ 50,663 lakhs as compared to ₹ 43,557 lakhs in the previous year. Day's sales outstanding was 93 days compared to 82 days in the previous year.

C) Cash and cash equivalents

The cash and Bank balance as on March 31, 2023 was ₹ 20,764 lakhs as compared to ₹ 72,658 lakhs in the previous year.

D) Other current financial assets

The other current financial assets were ₹ 1,209 lakhs as compared to ₹ 1,381 lakhs in the previous year. The decrease was majorly driven by Foreign exchange forward contracts.

8. Contract Assets

Contract assets were at ₹ 35,080 lakhs as of March 31, 2023, as compared to ₹ 20,181 lakhs in the previous year.

9. Other Current Assets

Other current assets were at ₹ 10,648 lakhs as of March 31, 2023, as compared to ₹ 8,213 lakhs in the previous year. The increase was driven by advances to suppliers, R&D credit receivable and input tax credit.

Equity & Liabilities

10. Total Equity

We have one class of share- equity share capital of par value ₹ 5 each. The issued, subscribed and paid-up capital stood at ₹ 1,526 lakhs as of March 31, 2023, which was ₹ 1,501 lakhs in the previous year.

The Board of Directors of the Company, by virtue of a special resolution passed by the shareholders of the Company through postal ballot on December 11, 2022, approved for allotment and the Company has allotted through the Preferential Allotment Committee 320,752 equity shares of the face value of ₹ 5 (Rupees Five) each at an issue price of ₹ 1,856 per share (including a premium of ₹ 1,851 per share), aggregating to ₹ 59.53 crores on a private placement basis and the preferential allotment was made on January 17, 2023.

11. Non-Current Financial Liabilities

A) Borrowing

The Non-Current borrowing as of March 31, 2023 was ₹ 26,904 lakhs as compared to ₹ 12,080 lakhs in the previous year. The increase is on account of term loan taken during the year.

B) Lease Liabilities

The Lease liabilities as on March 31, 2023 was ₹ 2,249 lakhs as compared to ₹ 804 lakhs in the previous year.

C) Other financial Liabilities

The other financial liabilities as of March 31, 2023 was ₹ 27,617 lakhs as compared to ₹ 23,717 lakhs in the previous year. The increase is on account of contingent consideration payable.

12. Provisions

The long-term provision balance as of March 31, 2023 was ₹ 3,357 lakhs as compared to ₹ 2,720 lakhs in the previous year. The increase is mainly attributable to employee benefits liability.

13. Current Financial Liabilities

A) Borrowing

The current borrowings as of March 31, 2023 were ₹ 10,174 lakhs as compared to ₹ 6,946 lakhs in previous year. The increase is on account of term loan taken during the year.

B) Lease Liabilities

The Lease liabilities as on March 31, 2023 was ₹ 1,007 lakhs as compared to ₹ 453 lakhs in the previous year.

C) Trade Payables

The trade payables as of March 31, 2023 were ₹ 18,294 lakhs as compared to ₹ 18,718 lakhs in the previous year. The decrease is mainly attributable to decrease in Subcon expenses and software purchases.

D) Other Current Financial Liabilities

The other current financial liabilities as of March 31, 2023 were ₹ 20,410 lakhs as compared to ₹ 36,480 lakhs in the previous year. The decrease is attributable to current portion of Put option liabilities-Derivative, employee benefits payable and capital creditors.

14. Other Current Liabilities

The current liabilities as of March 31, 2023 were ₹ 8,223 lakhs as compared to ₹ 7,344 lakhs in the previous year. The increase is attributable to higher statutory dues payable.

15. Contract Liabilities

The contract liabilities as of March 31, 2023, were ₹ 5,927 lakhs as compared to ₹ 6,256 lakhs in the previous year.

16. Provisions

The short-term provision balance as of March 31, 2023 is ₹ 3,324 lakhs as compared to ₹ 2,780 lakhs in the previous year. The increase is mainly due to employee benefits provisions.

Key Financial Ratios

In accordance with the SEBI (Listing Obligations and Disclosure Requirements 2018) (Amendment) Regulations, 2018, the Company is required to give details of significant changes (change of 25% or more) as compared to the immediately previous financial year) in key sector-specific financial ratios. The Company has identified the following ratios as key financial ratios:

Particulars	Consolidated	
	FY23	FY22
Revenue Growth (%)	17.4	26.8
Net Profit Margin (%)	11.9	15.0
Operating Profit Margin (%)	17.8	21.2
Debtors Turnover (No. of days)	93	82
EPS Basic (₹)	97.2	106.5
Return on Equity (%)	20.7	29.5
Interest Coverage Ratio*	15.7	54.6

* Interest Coverage Ratio decreased as a result of term loan for MST acquisition

Information Technology

Mastek views digital transformation as the process of incorporating digital technology throughout every aspect of its business, thereby revolutionising operations and enhancing customer value. This approach entails not only adopting new technologies but also fostering a cultural shift that encourages constant questioning of established norms. The ultimate goal is to generate distinct value for the company, its employees, shareholders, and customers.

Research and Development

At Mastek, research and development plays a pivotal role in anticipating market trends and fulfilling the demands of our customers, providing us with a distinct advantage over our rivals. For more details, please refer to page 38

Risk and Concerns

For Risk Management details please refer to page 58

₹ 256,339 lakhs
FY23 Operating revenue

₹ 31,027 lakhs
FY23 net profit

Internal Control System

The Company believes that internal controls are a necessary prerequisite of governance and that freedom should be exercised within a framework of checks and balances. The Company has a well-established internal control framework, which is designed to continuously assess the adequacy, effectiveness and efficiency of corporate, financial and operational controls. The management is committed to ensuring an effective internal control environment, commensurate with the size and complexity of the business, which assures compliance with internal policies, applicable laws, regulations and protection of resources and assets. In response to the COVID-19 pandemic, we initiated our remote working model as a part of our business continuity plans. This has facilitated our employees to work remotely/ work from home wherever customer-location deliveries are not contractually required or waived by customers during these tough times. The design of our processes allows for such remote execution with accessibility to secure data and ensures there are no events that have materially affected or are reasonably likely to materially affect internal controls over financial reporting during the period. As a group, we have a presence across multiple geographies and a large number of employees, suppliers and other partners collaborate to provide solutions to our customer needs. Robust internal controls and scalable processes are imperative to managing the global scale of operations. The Management has laid down Internal Financial Controls to be followed by the Company. We have adopted policies and procedures for ensuring the orderly and efficient conduct of the business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

Internal Audit

An independent and empowered Internal Audit Firm at the corporate level carries out risk focused audits across all businesses (both in India and overseas) to ensure that business process controls are adequate and are functioning effectively. These audits include reviewing finance, operations, safeguarding of assets, and compliance-related controls. Areas requiring specialized knowledge are reviewed in partnership with external subject matter experts.

The Internal Audit functioning is governed by the scope of audit duly approved by the Audit Committee of the Board, which stipulates matters contributing to the proper and effective conduct of the audit. As the business expanded with new acquisitions, the scope has been widened to include the internal control framework of the new entities. The corporate-level process controls, including the ERP framework and operating processes, are constantly monitored for effectiveness during such Audits.

The Company's senior management closely monitors the internal control environment and ensures that the recommendations of the Internal Auditors are effectively implemented. The Audit Committee periodically reviews key findings and provides strategic guidance. Internal Auditors report directly to the Audit Committee.

Cautionary Statement

Statements made in the Management Discussion and Analysis Report describing the Company's objective, projections, estimates, expectations may be forward-looking within the meaning of applicable laws and regulations, based on beliefs of the management of the Company. Such statements reflect the Company's current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual result to be materially different from those projected in this report, including among others, changes in the general economic and business conditions affecting the segment in which the Company operates, changes in business strategy, changes in interest rates, inflation, deflation, foreign exchange rates, competition in the industry, changes in Governmental regulations, tax laws and other Statutes and other incidental factors. The Company does not undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.