# "Mastek Limited Conference Call"

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**MODERATOR: MR. DIWAKAR PINGLE – MANAGING DIRECTOR, CHRISTENSEN INVESTOR RELATIONS PVT. LTD.**

**Moderator**: Ladies and Gentlemen, Good Day and Welcome to the Mastek Limited Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Diwakar Pingle. Thank you. And over to you, sir.

**Diwakar Pingle:** Good Morning, Good Afternoon, Good Evening to Participants from this call. Welcome to the call hosted by Mastek Limited to discuss the Corporate Development relating to the Demerger of the Insurance Products and Services Business.

To discuss the key development and give you a broad overview of the transaction we have with us today Mr. Sudhakar Ram – CEO & Managing Director; Mr. Ketan Mehta – Founder Director; and Mr. Farid Kazani – Group CFO.

We will start the call with a brief overview of the transaction by Sudhakar and then we will throw open the floor to Q&A. With that I hand it over to you, sir.

**Sudhakar Ram**: Thank you, Diwakar, and thank you, all for joining this call. As you would have seen, this is related to the Demerger of our Insurance Products and Services business from the base Mastek. I am going to run you through a presentation. For those are in video conference/webcast you will see the presentation on your screen, the others the presentation is available on our website, so I am going to use that as a reference but not really cover each slide, because many of them are self-explanatory, but you can follow along if you have the presentation in front of you.

So let me go to the agenda which is Slide #3 and essentially what we are going to cover today is a brief of the company itself and many of you who have followed Mastek for some time, you will not need too much brief on overview assuming that people are familiar with Mastek, and we will talk about the specific "Restructuring Proposal", what is the "Rationale" for it, what kind of "Proforma Financials" are there for the two parts of the business and some kind of "Timelines" and the consultants involved in this sole transaction.

So Mastek overview – as you are all aware, Mastek is a high end Products and Solutions company, we work on verticals; Insurance is a pretty large vertical, almost 55% of our business last year came from Insurance. Our US operations predominantly is focused on Insurance, it is called MajescoMastek in the US, popularly referred to as Majesco, which is why we are looking at that being a part of our brand. So we have invested in intellectual property over a period of time and that is actually paying up in terms of the opportunities available in the US (P&C) Property & Casualty space. While both business is in North America and in UK, we do have presence across 7 different countries, we have 4 development centers, and a talent pool of about 3,200 people. And after the pickup, once the economic meltdown happened, we have been growing at about 15-16% on a compounded basis over the last four years.

If I drill down specifically into Insurance, the key business segment and look at the Insurance Products and Services on the left, you are all aware that this is largely an IP and domain intensive business, we do most of our business, here almost 85% in the US, we have invested substantially in IP in terms of acquiring companies as well as building our IP over $90 million in the last five to six years. And this part of the business is a profitable business inherently, it has high gross margins because of the license revenue. Even our service rates are high, but we have a policy of writing off all our products R&D investments being overall a Solutions company and to that extent EBITDA gets reduced to some extent. The kind of professionals we need in this business are largely Insurance, Domain Experts, Product Builders, Product Managers, and so on. Last year this part of our business was more than Rs.500 crores; so if I take the March 2014 results, it was Rs.507 crores in this part of the business.

The Solutions business has been the traditional business in terms of building larger complex applications, business is predominantly centered around UK and in fact, for the Solutions business, UK could be almost 95% of our total revenues. This gives a good gross margin and moderate growth kind of a business; we do not have much investment here, so it all translates to a better EBITDA and a better bottom line. The kind of people here are, people who can co-create and vision and architect and deliver large cognitive programs. And this part of the business was about Rs.415 crores last year.

As we look at the market, there is a big opportunity where people are going through replacement cycle for the code system which is a part of the administration, the billing and claims systems. And in this opportunity, with this kind of market momentum which is there, we feel that we need to invest a lot more than we have, though we have been investing a substantial part in R&D, we need to do more from accelerating our product development, especially in the policy admin area, we also need to invest more in brand building. That would help us capitalize on the growing opportunity which is out there. There is just one leader which is Guidewire and there are opportunities for a company like us to be in the top three and we think we are well positioned to be there as long as we play our cards right.

With this opportunity, today, already fortunately we spent a lot of money investing in R&D over the last four years, and we spent money even during the downturn when we were not really profitable which has actually helped us position ourselves right. So while in the last few years we have already been billing leaders, now we are also getting there in terms of policy admin system. People like Gartner already rate us pretty high; they think we are one of the top three policy vendors. Celent rated our technology as the most advanced and top most in terms of the technical process of our platform, Novarica has also acknowledged us for our billing expertise. We also have a good client track record that we have almost 80 customers in Insurance in the North American market. 7 out of the top 25 P&C players are our customers. So we have the market opportunity, we already have a track record; we have made investments which analysts have already recognized thus far. And we have delivered a business impact just like next slide on business impact talks about all the things we have done in different client organizations in terms of a number of agents that we have covered, money saved and so on, as well as leading analysts in Insurance how they rate us.

So what is the opportunity now? The clear opportunity is that Majesco already owns the IP for our Insurance, especially the P&C business; it uses India as a delivery center on a cost plus model. If we can build the balance sheet, if we can increase the financial margin around the US operation and MajescoMastek US, we will probably rename as Majesco Inc. then we have an opportunity to raise capital, use that entity with its balance sheet strength to acquire companies to raise further capital and make the necessary investments and grow this business, which we find it difficult to do in spite of the Mastek umbrella.

When I take Solutions, we all know that, we have a strong track record in Solutions, we have done very large projects, build the largest data warehouse, we are a leading provider in the UK government under the G-Cloud platform which is what they use to procure from medium size companies, and we have very satisfied customers who give us a lot of repeat business. In the UK, again the strategy has been to grow around different verticals, Government and Health is the major vertical, where we have been very successful, constitute to a significant part of our business, there are market opportunities there because of platforms like G-Cloud and the fact that the government wants to go digital in servicing its customers, because there is a huge cost advantage in serving citizens through electronic platforms rather than through call centers. And we have a very good track record having delivered larger complex programs, we have invested a lot in agile which has been recognized by government department, so we have been successful in all the G-Cloud platform, we have invested in terms of technology to get there.

In terms of Financial Services and Retail, I think the opportunities are coming because of the digital transformation which is happening, each one has its own flavor. Financial Services is looking at modernizing their legacy system, finding a single view of customers, dealing with the customers in a multi-channel mode. Retailers are again going to grow, traditionally they have never known their customers, now they are going to identify their customers, provide them omni-channels interfaces to be able to deal across mobile, web and physical presence. They want to try and generate customer insight and work that we have done in places like Morrison actually help us build very deep expertise in this area.

If you look at the market dynamics, the Solutions part of the business is unlike traditional services vendors because it is capable of delivering innovative transformative program. So being at the high end, a very few Tier-1 companies are able to compete at the high-end where you require increased domain capabilities around solution architecture as well as program management experience. And the boutique vendors who we typically compete with us who is small. So we seem to be at the right size there in terms of being able to bid for programs in the $5 to $10 million range even up to $20 million, and we have the necessary track record, we have the expertise, and the base of capability to be able to deliver on this. So, we are uniquely positioned especially when government and other companies in Financial Services and Retail are looking at very agile ways delivering transformative Solutions.

In this backdrop, the biggest challenge that we face is we realize that we have two dissimilar businesses with its own business model, with its own investment requirements, with its own growth rate potential, and even the kind of people we need and HR policies that we need. But we have put both under the same umbrella and that has led to cross-funding and actually suboptimal disproportionate investments in the Products business as compared to the Solutions business, but that is still not adequate. So we found that having both these under the same umbrella is creating more suboptimal results rather than actually leveraging any potential synergy benefits which is why the board has been looking at it over the last few months and today the board met and created a restructuring proposal.

In essence, it is a very simple classical demerger. We are looking at the Insurance Products and Solutions business come out from Mastek into a new entity which will be called Majesco, leveraging the Majesco brand which is already well-established in the US in the Insurance segment and it is 1:1 ratio. Every shareholder in Mastek will get one share in Majesco, so that is simply, the shareholding pattern will remain exactly the same for post this demerger. And as part of moving things under the Majesco US umbrella to create a stronger balance sheet there, we are looking at slump sale of all the delivery arm of Insurance to come under the subsidiary of the MajescoMastek Indian subsidiary. And with that subsidiary being set up it will have complete control over its full value chain and complete access to all the markets even the subsidiaries in Malaysia and Canada will move under the Majesco umbrella in some form so that we have a complete structure available there.

So objectives are fairly clear. We are looking at the ability to actually focus on each of these businesses, serve our customers better, be able to access capital, and give shareholders an opportunity to invest in the area of business which suits their risk profile because we recognize that the Products business has a different risk/reward potential than the Solutions business, so shareholders have now an opportunity to hold in either or both of these entities.

A quick look at the structure – the current structure represented has the promoters own about 52%, the public with large institutions holding is about 48% of Mastek and we operate in different entities through our subsidiary model. So we have the UK, we have the US, we have Singapore, Malaysia and Canada, and some of them also have subsidiaries under them. In the new structure the whole intent will be to move these subsidiaries so that all the Solutions businesses come under Mastek which is what is shown here, there will be two public listed companies, both listed in NSE and BSE subject to approval. So Mastek which is going to remain as the Solutions company will have UK which will form substantial part of the business. Indian operations happen through Mastek itself, there is no subsidiary. And the Singapore operations will be a subsidiary under Mastek. The Insurance part is a slightly more complex thing because we operate in more countries, it has a more complex structure. So Majesco will be the listed entity as far as Insurance goes, it will also be listed in India doing the Insurance business. The Indian part of the operations will operate directly under Majesco, while all global operations will operate through the MajescoMastek US wing, and then each of the countries is listed against the MajescoMastek US, then there is a step down subsidiary for the MMISS, which was erstwhile STG business, the P&C business, that will own all the delivery centers in India as MSS India and the UK business, which is about $5 million will move into another subsidiary which we are planning to create within the next 30 to 45 days in the UK, which will hold on the UK Insurance business. So at the end of this, all the Solutions pieces will come under Mastek and all the Insurance businesses will go under Majesco, and these are the complex set of things which are required given our subsidiary structure to help us get there.

So I think the rationale is fairly obvious, but just to reinforce and summarize the benefits for each part. For the Insurance business, I think this gives an opportunity to raise the capital, make the investments, capitalize in the market opportunities, and grow both in top line and in bottom line. The advantage to shareholders is clearly because we are going to capitalize on growth, this is a high gross margin business, and over a period as our license revenues improve, I think the net margins will also improve. Most critical is that it would be comparable to other US product companies which have much better valuation than us today, and much better understanding of the business model since bulk of the value will be either our US subsidiary, we do expect that this part of the business will get re-rated over a period of time. The benefit to customers is fairly clear. We will be able to meet their growing requirements, even we invest more in IP, buy more things that they need so that we can deliver the full value chain to our customers. The unique value proposition we have is we are a one-stop shop for Tier-II and below and with our investments and agile methods of delivery with our single-minded focus on Insurance, getting the right program management and domain expertise, we think we will be able to accelerate the realization of business benefit within the Insurance business.

As far as employees go, I think this is the once in a lifetime opportunity. Very few product companies outside US ever succeeded in the US, so this is one of the few examples where an Indian company has built a product which is very successful in the US, so employees can get a chance to participate in it, enhance and develop this position of ours and helps us to become a market leader here, so that is an unique opportunity. Clearly, the career prospects and aspirations here will be slightly different. There will be domain focus, there will be product management, architecture engineering, and we do expect our salary scales as well as HR policies to align to the needs of our international global products business over a period of time, which will again benefit the employees.

For the Solutions business - I think we have underinvested in Solutions over the last five years, which is whatever extra money we generated, profits we generated, was used in acquiring Insurance IP, was used to build Elixir as well as our technology platforms. Now, it has an opportunity that we will be able to invest more in Solutions, both organically and inorganically, which should help us grow. For the shareholders this is a higher margin part of the business, which has not got really reflected so far because everything was merged under the Mastek umbrella, but we will be able to now separate this part out so it has been more traditional, it is not hockey stick kind of growth. It is a steady growth, high margin kind of business. For customers I think the ability to add product lines, to enhance our service offerings will be of value. For employees the challenges of working on large complex projects across multiple domains, across different technology stacks and platforms, it is definitely a great value for them, which is what they have enjoyed our business aspect.

So to summarize this entire thing the value date for this transaction is retrospective. It will be 1st April 2014 for the accounting convenience reasons. So we have taken a split of the balance sheet as of that date, and we have reflected a proforma, obviously last year we did not cast our accounts on the basis of Insurance and Solutions, so we have done an approximation and a proforma picture of revenue and EBITDA for last year, that is presented in this slide. So, our balance sheet side for Solutions is about Rs.300 crores with net worth at about Rs.200 crores, and the EBITDA for the Solutions part of the business is about 14.4% last year on a base of Rs.415 crores of revenue.

If I take the Insurance business it has a larger balance sheet largely because of the intangible goodwill that we had for our residual purchase, which is almost Rs.195 crores. So out of the fixed assets of Rs.205 crores, Rs.195 crores just comes out of goodwill, so that increases the balance sheet size for our Insurance platform, this had higher revenues last year, the EBITDA on an unadjusted basis was 5.9%, but if we represent it, so this is not an accurate representation because we have not taken the difference between investment and amortization, but if I just add back all products investments done, we would done almost 17% of EBITDA last year, so that is an inherent profitability of this business.

Now, when I look at the timeline here, any demerger has a series of regulatory compliance and steps. We need to get stock exchange and SEBI approvals, then we need to go to the High Courts, since Mastek is incorporated in Ahmedabad, Gujarat and Majesco will be in Mumbai, we would need clearances from both the High Courts and shareholders approvals, after which we will be able to put the deal through, and then we expect another 45 to 60 days to list Majesco, so the entire timeframe as it stands right now looks like up to next June, but we will keep you updated on progress.

Advisors to the sole transaction are Kotak as the deal merchant bankers and Pricewaterhouse helping out in this transaction both from the process perspective as well as from tax perspective. The Legal Advisors are Khaitan and Co., Valuation is done by Grant Thornton in India which is Walker Chandiok & Co, and the Fairness Opinion again has been given by Kotak.

So, with this I complete the presentation, this is just to take you through what is already put up on our website, and now these are available and we will be happy to answer any questions that you may have.

**Moderator:** Participants, we will now begin with the question-and-answer session. We have the first question from the line of Amar Mourya from India Nivesh. Please go ahead.

**Amar Mourya:** Best of luck for this new structure, first question is that, we talked about the restructuring is primarily done for the increasing the balance sheet size of the MajescoMastek, and to do a higher investment into the Insurance business, right?

**Sudhakar Ram:** No, it is actually to unlock value for all stakeholders in both parts of the business. Increasing balance sheet size, it is one part of the whole transaction.

**Amar Mourya:** Okay, one thing I want to know is that, is there a mandatory criterion, that you want to scale over size of the deal from hereon, is it that some specific size of balance sheet is required for bagging a large size deal in US?

**Sudhakar Ram:** Not really, I don't think our customers are interested so much in size, because all the players that we compete with that is in US$ 300 million kind of thing. It is not for customer reasons, it is more for being able to access capital.

**Amar Mourya:** Okay, so it is not only done for increasing investments or increasing R&D investment, but this is also for the value unlocking purposes.

**Moderator:** We have the next question from the line of Jim Lloyd from Lloyd Baughan. Please go ahead.

**Jim Lloyd:** Hello, Thank you for the conference call, we are a shareholder in the company. I would like to know about the rationale of the proforma plan for the split of the two businesses. Has it been considered to directly try and list the business as a US entity on Nasdaq say as opposed to, it appears to be a spinout and listing of an Indian business which is supplier to the US Insurance industry, and then also whether there was a possible neatening up of the ownership of the US businesses as it is, it looks like it is split, roughly 85:15, between the Mastek owned UK business and the new Majesco, those are the two main questions? And then finally do you have any, can you explain a bit further your breakout of the EBITDA margin for MajescoMastek in terms of what it looks like as is, and then another for making an adjustment for potential capitalization of R&D and then what net margins might be for the business?

**Farid Kazani:** To answer your question here, the rationale for demerger is to unlock value and also ensure the right focus for the two businesses, and as Sudhakar would have reflected in his presentation that the two businesses have quite a bit of difference from the way the business model is run, also in terms of the capital required for these businesses, and in terms of the talent pool between the Insurance and Solutions business. We did face certain challenges in running these businesses under the single umbrella, and we did feel that the capital allocation was disproportionate, to that extent the restructuring proposal clearly pans out a pure Insurance company and the entire value chain actually gets reflected under the MM US, which is the US company. There are opportunities for us in the business and we feel is that in order to grow both organically and inorganically, we will have to make further investments in this part of the business, with the risk/reward of the business being different from the Solution business. The options that we would explore will include right fund raising and it could be in terms of either getting a strategic investor use stock to do an M&A, or do a US listing. But none of that is right now planned. We will explore as we go along depending upon how the business picks up in the Insurance side. For the Solutions it was imperative that we also build the growth in addition to what we have actually achieved in the UK where there has been a good amount of traction on the government side and the Retail side, and we do believe that we need to make investments in that part of the business also as it has a pretty steady growth and good margin also. On the second question that the MajescoMastek US is actually held currently 83.5% by Mastek, the current listed company, and there is a 16.5% which is held by UK,. Well, this is the way it has been structured right now, so there is some kind of cross holding or a hybrid shareholding right now, but at a later stage it could be that Mastek UK, depending upon its own decision, it would like to reduce its shareholding ultimately in MajescoMastek US. The third question on the EBITDA, we actually reflected the proforma financials for 31st March, 2014, and the Insurance business is roughly 55% in terms of revenue and the Solutions business is 45%. On combined basis the company did around 9.9%, and the Solutions business on a standalone did 14.4% EBITDA, it has a decent gross margin and it has a lower SG&A and a lower product investment as compared to Insurance, which is why it did 14.4% whereas the Insurance business has done 5.9%,which is after having invested close to $10 million and that actually flows in the P&L account, and if you add that back on an adjusted basis, then the EBIDTA will be at around 17.3%. Over a period of time instead of the 11% or 12% product investment we do believe that we can do with much less, and there would be definitely an improvement in the EBITDA. I would request that you go through the presentation with whatever details are there and I would be happy to kind of receive any questions from you over an e-mail or call also later.

**Jim Lloyd:** Can you please explain the difference when you have 5.9% EBITDA margin, the 17.3%, is this adding back the $10 million dollar expense, you were saying that it should be capitalized rather than expensed and then secondly on the rationale, I was not in any way asking about the rationale splitting the two businesses, which I completely understand, just curious as to why not, or whether you are seeking a listing of the business as a US business in the US rather than in India, and the rationale for my question there is whether you get a much higher rating in the US. I appreciate you getting no rating now, but in the US you have listed peers which have very high ratings, and it might not be appreciated in India?

**Farid Kazani:** The EBITDA, yes, you are right, the 5.9% is after accounting all the $10 million in the P&L account as products development expenditure and the 17.3% is just adding that entire $10 million back. We have not done the calculation around the amortization model, and this is just to reflect both businesses side by side, one does 14.4%, and the other one before the product development expenditure does 17.3%.

**Sudhakar Ram:** The opportunity for US listing is clearly one of the strategic options we have, it is not the only one, but we do recognize that when bulk of the value is the US and it is largely a US centric model, that we are looking at how do we get it compared with other US software Insurance product companies, that is one of the drivers behind this split, but strategic options may not be just the US listing, it could be other options which leverage the potential valuation of that business.

**Moderator:** We have the next question from the line of Srivatsan from Spark Capital. Please go ahead.

**Srivatsan:** Srivatsan here, just wanted to understand the dynamics on the Solutions business given what would be the focus, because 70 odd million dollars of Solutions business is not necessarily of scale, just wanted to understand what is the plan for this business and from a management bandwidth point of view how would you be running, any thoughts on management bandwidth also?

**Sudhakar Ram:** From last year, we have been emphasizing that we want to be vertical, we wanted to be high end in terms of the Solutions business, because clearly in the commoditized services part of the business, where you have industrialized products and services we have are subscale, but when it comes to Solutions we tend to compete. For instance, if I take the G-cloud model in UK, we tend to compete with companies which are 300 to 500 people. So it is not that when you come to transformation programs which involve innovation, which involves work around new technologies, there are many large companies, which are able to deliver, especially taking company's accountability and delivering it on fixed price mode, so we continue to believe there is a niche available for us in high end Solutions which will involve transformation and innovation, and especially with the digital transformation, which is going across industries, that opportunity seems to be getting bigger. So we are very positive and optimistic about the prospectus for the Solutions business, because we are not in a commoditized model, we are not an undifferential business, for us scale is less important, and then we have never lost any deal in the UK, because of scale.

**Srivatsan:** In terms of the focus market, would UK be the predominant focus market for the Solutions business?

**Sudhakar Ram:** For now, because that is the starting point, if I take the current business mix, 95% of the Solutions business will come from UK, but we do want to expand geographically.

**Srivatsan:** In terms of the Insurance business, just wanted to understand, we used to have a traditional Elixir business out of UK, or would the US business be the bread and butter plan?

**Sudhakar Ram:** No, in fact the Insurance business is a global business, like I mentioned in the structure, Insurance contract in the UK would be transferred to a subsidiary of Majesco in the UK, so all the traditional Elixir business which is there, like LNG and so on, will move into Majesco, because that will be our single arm of delivery all Insurance Solutions.

**Srivatsan:** Just wanted to, if it is premature, pardon me, just wanted your thoughts in terms of capital usage, you might look at it, any broad numbers that you are looking at, then also wanted to know where do you see this scope for deploying this capital, what are the areas, broadly wanted your thoughts on this?

**Sudhakar Ram:** We know where we want to deploy, I mean, we know that this entire structure will take till next June to really firm up, so it is too premature to talk numbers, but we want to deploy it in accelerating our R&D, ensuring that we get all the pipeline to market quicker, and we are looking at other inorganic opportunities for which we may need funding. We have to wait and see deal is firmed up.

**Srivatsan:** Sure, your cash breakup is also the broad numbers you give is what, how you think the cash piece will get parceled between both entities. Clearly evident that the Insurance piece will need slightly higher cash given their relatively low profitability, and those are the numbers from here on whatever effective business is making, it gets added up as and when the effective demerger goes, is that the way to understand it?

**Sudhakar Ram:** The opening balance sheet reflects how the cash will be distributed between Insurance and Solutions, and we have done some logic in terms of the requirements in both the businesses, so both the assets and the cash has been split between Insurance and Solutions, so the Insurance will start with a higher cash balance, and it will obviously need that funding for its requirements over a period of time, yes.

**Srivatsan:** Any thoughts on the real estate? How it will get parceled out or is there any specific thoughts you had on this?

**Farid Kazani:** The real estate also, you know, we have a logical split, we have identified two specific units, for insurance business which will house the entire Insurance resources in India, and those two units are also going to be part of Majesco**,** the rest of the real estate will remain with the Solutions business,.

**Moderator:** We have the next question from the line of Shiv Chainani from Sundaram Mutual Funds. Please go ahead.

**Shiv Chainani:** Just wanted to understand Sir, more on the Solutions part of the business, how do we see the prognosis of that particular business going forward, and how much will M&A play a part in the overall strategy in that business?

**Farid Kazani:** The Solutions part of the business like I just explained is leveraging our expertise and ability to deliver transformation Solutions in Government, Retail, Financial Services. There will be some M&A to access basically customer access. Althhough skills and capabilities I think are fairly well covered, but getting new customers and getting further inroads into these verticals, we may look at acquisitions.

**Shiv Chainani:** The reason I am asking is because you know, the former person said, clearly the cash allocations kind of indicates that we are not really building a whole amount of resources for the transaction business, or the Solutions business, which is kind of indicating that you know, we are probably looking at more of an organic growth rather than inorganic growth in the Solutions business, is that the right way to look at it?

**Sudhakar Ram:** No, that's not the right way, for the simple reason that even today the Solutions business generates a lot more cash annually, so even while these transactions are happening, we will have cash accruals there, and that itself should help us find any acquisition that we may need to have, and we are debt free, as a balance sheet we are debt free, the other part that I think Farid mentioned, is we still have some level of holding in Majesco**,** at some point we may decide to unlock that and use it for further investing in the Solutions business, there are leverages is available make into flow the business.

**Shiv Chainani:** Fair enough, and any thoughts in terms of, if you are going to frame any dividend payout policy for the Solutions business?

**Sudhakar Ram:** I think Mastek itself has a dividend payout policy, and we suspect that we retain the same for Solutions, but that is premature, each will reconstitute the board and it will be to the board to decide either thing, they have given much thought to it.

**Shiv Chainani:** Fair enough, on the Majesco business, again going forward, clearly I think whatever cash balance that we have got into the company, I think that kind of provides a fodder for let us say next one year or so, so what I just wanted to understand is that as a strategy, will we be looking at inducting a strategic partner into that particular company, or we will be looking for something like a listing, which is more preferred way?

**Ketan Mehta:** So both options are on the table, as you can see, we would need some additional capital infusion, and for that we can explore all the options including strategic partners or the M&A, or possible listing for this debt.

**Shiv Chainani:** Any timeline, when you will be clearer on the strategy?

**Sudhakar Ram:** First this deal has to happen, and we know that this is an eight to nine month process, so we will be definitely clear by that time.

**Moderator:** We have the next question from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.

**Abhishek Shindadkar:** The first question is, you talked about the two facilities which would be dedicated for the Insurance piece or for the Solutions piece, could you just highlight which two facilities are we referring to?

**Farid Kazani:** Abhishek, we have two specific units in Mahape, which is our main operating center, one of them will be dedicated to Insurance, and then we have two separate operating centers in Pune, one of them will be dedicated to Insurance. So these two put together will house the entire requirement for Insurance at this point of time.

**Abhishek Shindadkar:** Fair enough, the second question is regarding the acquisitions in the Solutions space, could you just highlight what is our sweet spot and what is the revenue run rate that we are looking at in terms of the size of the acquisition?

**Sudhakar Ram:** I think typically we don't do very large acquisitions, it will be something which we can easily digest, and synergies well size will probably be in the $10 to $15 million range.

**Abhishek Shindadkar:** You mean the revenue run rate?

**Sudhakar Ram:** Correct.

**Abhishek Shindadkar:** Any particular area that we are looking at?

**Sudhakar Ram:** Any of these verticals, so any company which has a strong base in government or retail, or financial services, or it gives us a geographic entry into a new market, those will be the considerations for an acquisition.

**Abhishek Shindadkar:** Okay, and Sir, would we also look at raising debt given that the Solutions business, the cash component is almost only Rs 42 crores, so in case if we go for a $10 to $15 million size, would we also look at raising debt?

**Sudhakar Ram:** One thing you have to recognize, given the mechanics of a deal like this is, while the opening cash in Solutions is Rs 40 odd crores, there are parts of the Solutions business which are being sold into the Insurance business, like the deal that we are doing in UK, transferring the contract and so on, so even in this the end cash will be higher, it will be closer to Rs 100 crores, by the time all the transactions get over including our accruals for Solutions during the year.

**Abhishek Shindadkar:** Fair enough, this could be repetitive to the second question, but what were the inhibitions that we did not go for a US listing, at the current juncture for the Insurance piece, because that could have given us a substantial value in the hold-co company, in the Mastek itself?

**Sudhakar Ram:** Right now the way we have structured, we cannot actually list our US entity because it is only a front end, and it does not control the entire value chain. If you have seen our current structure slide, you will get that, there is nothing that can really list there, because it does not control the full delivery chain and the full value chain.

**Moderator:** We will take the next follow up question from the line of Srivatsan from Spark Capital. Please go ahead.

**Srivatsan:** Part of the Products business or Insurance business that you wanted to do, would you look at adding up system, integrating from other things, or would you continue to be the solo implementation partners for the business?

**Sudhakar Ram:** Even today we work as partners.

**Farid Kazani:** Currently we work with the partners for the larger clients, so we work with IBM and Deloitte, and both of them are investing, building the practices around our products.

**Moderator:** We have the next followup question from the line of Amar Mourya from India Nivesh. Please go ahead.

**Amar Mourya:** Post this merger is there any kind of spillover revenue which is going to come probably from the Insurance space to the Solutions space or it is completely solo entity and there will be no synergies which will be flowing from here on.

**Sudhakar Ram:** There will be no market kind of synergy because Insurance business will handle all Insurance customers and Solutions business will handle the others, obviously from the backend perspective we are demerging the companies, and we would leverage, share knowledge, we would share capabilities.

**Amar Mourya:** Why I am asking is, secondly because you know we have our intentions to expand over P&C business in UK, and I believe the Solutions business which we are demerging today had a good presence, even though it is in government, but we had a good presence, and we also have Elixir, which was in UK, and so a lot of experience is there for expanding the business in UK, is in the Solutions business, so that was my reason, to ask whether there will be some synergies going ahead also?

**Sudhakar Ram:** So all the people involved with that business, both Elixir and other partner, the business in UK will move into the Insurance business, to maintain that continuity and maintain that synergy. So we said we will carve out the Insurance contract and move it to the subsidiary called MISS UK, that is what is represented, now it is not just the contract, it is also the relevant people who move into that subsidiary.

**Moderator:** As there are no further questions from the participants, I now hand the floor over to Mr. Sudakhar Ram – CEO and Managing Director at Mastek Limited. Thank you and over to you.

**Sudhakar Ram:** Thank you all for your sustained interest in Mastek. I know that this is a development which many of you would welcome, because it does help unlock inherent value in Mastek and give each entity an independent opportunity to grow to their full potential leveraging whatever market opportunities there are. We will keep you updated every quarter as we go along in terms of progress on this deal, but you need patience because we have to go through the regulatory compliances and clearances, so we are looking at eight, nine month period to consummate this whole transaction with all its different steps and flavors, so thank you once again and we will speak to you in October at the end of our Q2 results. Thanks very much.

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