



“Mastek Limited Q2 FY15 Conference Call”

October 22, 2014



MANAGEMENT: **MR. SUDHAKAR RAM – CHAIRMAN, MANAGING DIRECTOR & CEO, MASTEK LIMITED.**
MR. KETAN MEHTA – FOUNDER DIRECTOR & CEO OF NORTH AMERICA OPERATIONS, MASTEK LIMITED.
MR. FARID KAZANI – GROUP CFO, MASTEK LIMITED.

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



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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. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you.

Diwakar Pingle: Thanks Mohsin. Good Afternoon and Good Evening to all of you who logged on to this call to discuss the Q2 FY15 results for Mastek.

Today with us on the call are the management of Mastek represented by Mr. Sudhakar Ram – Founder & Managing Director; Mr. Ketan Mehta – Founder Director and CEO of North America Operations and Mr. Farid Kazani – Group CFO and Director Finance.

We will start the proceedings by Sudhakar giving a brief update about the business which will be followed by Ketan giving an update on the North American Insurance Sector and that will be followed up with Farid just finishing up with the financials in a greater detail. We will then open the floor to Q&A where you will have the opportunity to ask questions. I do hope that all of you have got the results that were mailed out today. In case any of you have not got the results or are not on our mailing list, let us know and we will do the needful. With that said I will hand over the call to Sudhakar to take it forward from here. Over to you sir.

Sudhakar Ram: Thank you Diwakar. Thanks for joining the call. I think Q2 FY15 has been a better performance all round than Q1 FY15, the top line has grown at around about 10% Q-o-Q which we are pretty happy with, the profitability has improved, although it is not as much as where we intend our margins to be, definitely we are moving in the right direction. The only metric where we still have to do some catch up is some large orders which are in the pipeline and which we need to close is the order book where our backlog did drop this quarter but we do expect it to get back on track in terms of large orders in the next couple of quarters.

Overall from a business outlook I think we did announce the demerger plan of Mastek and Majesco between our solutions business and our Insurance business, that entire process is on track, we have made the necessary applications and we do expect that in about 6 - 7 month period we should be able to see a culmination of that entire process.

From a performance perspective while H1 FY15 has been relatively muted performance, we do expect H2 FY15 which is the October-December and January-February-March quarter to be much better in terms of both revenues and bottom line and we look forward to that both from a solutions business perspective in the UK as well as the Insurance business. So with that let me hand it over to Ketan Mehta who is going to lead the Insurance business going forward and currently incharge of all our North American Operations. Over to you Ketan.

Ketan Mehta:

So on the North America Insurance business we had a much better Q2 FY15 as compared to Q1 FY15. The business momentum was good and we plan to continue this momentum moving forward in next two quarters. We have some really exciting opportunities in the pipeline, like Sudhakar said there has been a delay in closing but we feel that we continue to get good traction in the market place and our core Insurance business is seeing good traction and we expect to see improved closures in the next couple of quarters. So overall, we see good traction in the Insurance business, and we are seeing progress over the last quarter and we will continue to build the momentum moving forward. Back to Farid.

Farid Kazani:

Thanks Sudhakar and thanks Ketan for the quick update. I will be guiding you through the financials for the quarter and I will be referring to a presentation that is the investor presentation we have put up on the website. So if you guys have the presentation in front of you I will guide you all through that otherwise I will try and be as explanatory as possible.

As Sudhakar and Ketan did mention, we had a much better business performance and it is reflected in the financials for the quarter. In summary, the total income has grown from Rs.227 crores to Rs.251.7 crores, so its up almost around 10.6%. The operating income has grown from Rs.220.9 crores to Rs.246.9 crores, so that is up by around 11.2% in rupee terms. In constant currency, the operating revenue has actually increased by 10.7% so that's quite encouraging. In terms of profitability, the total EBITDA in the quarter was at Rs.16.1 crores which is up by 230 basis points as compared to Rs.9.3 crores in the previous quarter. Overall, we have seen good business traction and that's reflected in the overall margins for the three geographies. One encouraging sign is that all the three geographies have grown pretty well, we have seen UK growing by 7% odd in rupee terms, US growing by almost 20%, the 20% is an anomaly because last quarter we did take a slight hit on our business. And even the India Asia-Pacific geography has grown almost around by 2% odd. So overall, it was a good performance across the three geographies.

From a business stand point we added 4 new logos and that's been in the India and in the North America geography. Headcount also has increased pretty well to 3,425 people at the end of Q2 FY15 which is up by almost 200 people which is 6.3% as compared to the previous quarter. Billable utilization has also seen an improvement to 87% as compared to 85% in the previous quarter. Our product development expenditure has been more or less in the same range, this quarter we had spent Rs.15.4 crores which is approximately 6.4% of revenue versus Rs.16.7 crores in the last quarter which was at 7.6% of revenue. Sudhakar did mention that our backlog has reduced, the 12 month backlog has ended at Rs.519.8 crores, a drop of 5.5% compared to the previous quarter, it is a drop from the Rs.549 crores that we had during the last quarter.

The top 5 clients accounted for almost around 39% as compared to 42% in the previous quarter and the top 10 clients accounted for 56.6% compared to 58.4%. This quarter also saw a couple of items which we have classified separately as exceptional expenses and this is with regard to the restructuring or the demerger process that we are carrying out in the organization. There



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have been expenses in the nature of severance cost of approximately Rs.2.6 crores and there has been professional fee for the demerger process of Rs.2.5 crores. So Rs.5.2 crores has been reflected as an exceptional item and even after accounting for these expenses we have ended with an EBITDA of Rs.16.1 crores

Just one more pointer in terms of business, we have seen the JV that we had entered into with the Law Society in the UK and that JV is called the Legal Practices Technologies (LPT) where we are a 40% partner. We have till date invested close to a million pounds and there been a good momentum with the build out of the conveyancing side and hopefully we should see the business going live in the early part of next year.

On the hedges with regard to the foreign exchanges, we are positioned pretty well so we have got \$23 million US \$ exposures which is covered at avg of Rs.67 and we have got 16 million pounds which is covered at avg of Rs.108.5.

In terms of cash and cash equivalent, it has increased marginally from Rs.169.4 crores to Rs.173.5 crores and this is after paying out Rs.6.2 crores on our final dividend in the second quarter, it also includes the investment that we have made in the JV of Rs.5.5 crores this quarter and we have also repaid the short-term working capital loan in the US of Rs.6 crores. So even after paying these Rs.18 crores we ended up at Rs.173.5 crores.

Sudhakar did touch upon the demerger process, it is on track and the application is under review with the stock exchanges and SEBI, we will keep you updated on a periodic basis once we get to next stages.

I am on slide #5 which captures the brief financials for the quarter; I did mention that the total income has grown up by almost around 10.6%. On a H1 basis we have actually ended up with Rs.467.8 crores as compared to Rs.458.9 crores. EBITDA for the quarter was Rs.16.1 crores as I mentioned earlier, up by 230 basis points and if you add back the exceptional items its an increase of 430 basis points. Profit for the quarter was at Rs.1.8 crores, almost double from the previous quarter of around 0.9, although it is not in line with what we would have expected it to be but still we are hopeful that this trend of increasing the profitability will continue. At an H1 basis we ended up Rs.2.6 crores as compared to the previous year of Rs.22 crores.

I now move to Slide #6 that reflects the profit before tax as per the reported numbers and before the exceptional items which includes the demerger expenses and the employee severance cost of Rs.5.2 crores in total, the profit before tax for this quarter would have been at Rs.12.5 crores which is 5% of the total income as compared to 0.3% in the previous quarter. If I also add back the 40% share of the LPT current expenses, our share of the loss of the JV of Rs.3.6 crores in the quarter and add that back to the PBT we would have ended up at Rs.16.2 crores which is 6.4% of total income, significantly higher than the previous quarter which is at Rs.0.8 crores.



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So as compared to our reported PBT of Rs.7.3 crores, adding back these exceptional items and the JV loss, the normalized operational PBT is at Rs.16.2 crores.

I will move to the next slide and this is the information that we had shared at the time of announcing the demerger. We had done the proforma of financials in terms of the operating revenue and EBITDA for Mastek that is the solutions business and Majesco which is the Insurance business. In 2013-14 we had Mastek delivering revenue for the full year at Rs.216 crores with an EBITDA of 14.4%. On first half basis revenue has been much higher at Rs.249 crores with an EBITDA of 12%. The EBITDA has been lower in the first half primarily because we had certain projects which are being delivered onsite where we had to hire additional subcontractors to deliver them. We hope to improve this EBITDA in the second half for Mastek Solution's business. On the Majesco side, last year they had delivered revenue of Rs.507 crores with an EBITDA before exceptional items but after product development of Rs.30 crores which is around 5.9%. The corresponding numbers for the first half in this year for Majesco is Rs.219 crores, and with a marginal loss of around Rs.6.8 crores which is a negative of 3.1% and the reason why it is negative in the first half is because we had project related impacts in the first quarter, Ketan did allude to that and we are hoping that this negative figure would turn positive at the end of the year. If I add back the product development expenditures in both the years, the EBITDA would be at Rs.87.5 crores for the last year full year at 17.3% and in the first half it is at Rs.25.1 crores which is around 11.5%. We will continue to update you on these proforma financials every quarter.

In terms of the other operating metrics we had North America revenue which has been better in this quarter and as a percentage to the total operating revenue it ended with 38.1% as compared to 36.8% in the previous quarter. Correspondingly the UK revenue as a percentage was at 52.4% as compared to 55%. The India Asia-Pacific geography was marginally higher at 9.5%, as compared to 8% in the last quarter. We have also been sharing the business quadrant data for the past many quarters broken up into solutions, the vertical products which is the Insurance business and the IT services. The solutions business has actually seen a drop, at 44.5% on the total revenue as compared to 46.5% in the previous quarter. The Insurance vertical product business is higher at 40.6% as compared to 38.4% and the IT services have been more or less on the same level of 15% odd.

I will go to the last slide which gives you a brief on the manpower. I mentioned that the headcount has grown by 6.3% to 3,425 as compared to 3,223. The headcount has increased both in the technical and technical support, there has been a marginal reduction in the overall onsite but the offshore headcount has increased pretty much. Utilization ratios have gone up to 87% as compared to 85.4%.

That's all from my side and I now open the floor for questions from your side and we will be happy to answer that. Thank you very much.



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- Moderator:** Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Amar Mourya for India Nivesh. Please go ahead.
- Amar Mourya:** My first question is on the Insurance business, Ketan did mention that there is a improvement in overall momentum primarily in the US geography so can you give some qualitative color on how the deal size and overall demand is picking up primarily for the Insurance business and this two deals which we had won in North America and I believe these are into the Insurance domain and if we can give some light on what is the size of the deal and what is the qualitative or quantitative matter into that?
- Ketan Mehta:** Farid, would you just like to talk about the two deals and I will then elaborate the qualitative comment.
- Farid Kazani:** So Amar I just wanted to understand, you are talking about the deals that happened...
- Amar Mourya:** Sir, number one is I wanted to understand more on the qualitative part of the comment that there is a momentum which is picking up. So is it picking up in to the Insurance product business and secondly, the deal which we had won in North America in Insurance, so what was the quantum and size of that deal and what is the nature of overall servicing?
- Farid Kazani:** Yes, so this quarter we added four clients Amar and out of the four clients' three clients were from India and one client from the US. So one client that we added in the US is a P&C client and it is right now in the initial stages and we are hoping that we will be able to build on that client going forward so we are doing some initial work for them and hopefully we should see that growing going forward. Ketan you can add the qualitative deals that are there in the pipeline.
- Ketan Mehta:** Sure. So Amar, the overall momentum as I said is in the Insurance vertical that continues to remain strong, most of that have been in the product business where if you look at our overall platform on policy admin as well as the bidding continues to get fair amount of traction. So one deal which we added this quarter is from an Insurance carrier where we expect... we started with a small engagement but we expect that, that will reach into a much larger transformation opportunity within the same Insurance carrier. Likewise we are also seeing the traction in our Insurance services part of the business where in addition to the Insurance product we have a very domain focused Insurance services which we are targeting to our existing customers and that is also seeing pretty good traction quarter-over-quarter and we had a good growth even in that part of the business this quarter.
- Amar Mourya:** Okay. So sir what would be the mix of the services and the product in overall, I mean I am talking about the Majesco side, if I look into the product and services business what would be the product and what would be the services?



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- Ketan Mehta:** So bulk of the revenue in the Majesco side is what I call a product and product based implementation. So let's say when we take on policy admin system, there is a license fee and maintenance fee but then there is a larger implementation charges which is also services but it is a product implementation work. In addition, what we are also referring to is an Insurance services which is not necessarily connected to our product directly but it is around systems, around our core products. So when we implement let's say policy admin system, there is an overall data analysis, data analytics testing, mobility strategy etc which other opportunities come up around the core systems which an Insurance carrier has. So if I look at it, the bulk of the revenue part of the Insurance business is from product and product based services but the Insurance services part is growing and it is targeted to our existing clients to start with and it is getting good traction as well, but it is a smaller part of the overall business.
- Amar Mourya:** Okay. Can you share on some number into that if you have?
- Farid Kazani:** Approximately 20-22% would be the services component right now.
- Amar Mourya:** Okay. So meaning the service component would be more consistent as compared to the license and other business because license is more lumpy business right?
- Farid Kazani:** License is, when we get a client we account the license not upfront but we actually amortize over the project period. So while from a cash flow perspective it may just come in at a particular time but from a revenue recognition perspective it is accounted over the project period.
- Amar Mourya:** Okay. So in terms of the revenue recognition there would be no fluctuation?
- Farid Kazani:** No, no major fluctuation, obviously it will move as and when you keep adding clients.
- Ketan Mehta:** In addition I will just make a quick comment, we also have what I call a hosted solutions business on private cloud where the license purchasing services are charged to the customers on a monthly basis, sometimes on a transaction or a premium income basis and that becomes a recurring business. It is also a fast growing part of our business so if you look at it at the overall maintenance as well as the private cloud business it is the recurring part of the business which continues to grow.
- Amar Mourya:** Okay. But then I am just trying to understand more into the depth of this business, like when we talk about the cloud because ultimately when we are talking about an Insurance product, product is altogether a backbone of that particular Insurance company so do we see that people would like to keep that on cloud and basically pay per use kind of strategy, is there a market for that kind of product, I mean that kind of service?
- Ketan Mehta:** Absolutely, actually it is a fast growing part of our business, it is still a small base but it is fast growing part of our business with increased security around the data centers and the cloud

offering. More and more Insurance companies are looking at hosted services on the cloud option as a way to launch their new product to the market and so we are certainly seeing that there is a cloud based business and it is growing for our Insurance partners.

Amar Mourya: Okay. Sir secondly my question is primarily on the Majesco side only. Sir, we continue to be into that product development expenditure which is actually impacting the EBITDA margin, so is it a continuous process that I should consider 6-7% kind of product development or R&D expenditure will continue for another three four years or it is going to taper down from here on. Or how my EBITDA margins are going to improve from here on, I mean I am just trying to understand more on that part.

Farid Kazani: So Amar, when you are seeing compared to the last quarter, last quarter was 7.6%, this quarter is much lower, it's a combination of two things, one is that the product expenditure is down by Rs.1crores odd but the revenue is also higher. To answer your question, what is the range that you should assume, I think it will be fair to assume a range of between 6.5% to 7% as normalized product development expenditure at least for the next two years and hopefully as the revenue goes up, it could come down anywhere closer to the 5% to 6%.

Amar Mourya: Okay. But that should be the steady state range which will continue being a product company?

Farid Kazani: Yes.

Amar Mourya: Okay. Farid my second question is more on the bookkeeping side, when we are talking about this Legal Practice Technology JV where it is incorporated into the balance sheet, is it because the investments are very much same so is it into the non-current investments, right?

Farid Kazani: It is there in the non-current investment and for loans also that we have given from Mastek UK subsidiary to them, so that's also reflected as loans and advances.

Amar Mourya: Okay. But then if that is the case then why we are expensing it right now?

Farid Kazani: Because we are a JV partner so whatever Profit or loss the JV has in a particular period we have to take 40% of the share of the loss or the profits, at this point in time it is in an incubation stage there is a loss because they are incurring expenses which are in the nature of set up expenses and hopefully there should be profits in the next 12 to 18 months. And that's the time when we will be able to account the profits for the JV, at this point in time you have to take the loss. So we expect this loss to be in the region of between Rs 3 to 4 crores every quarter till the next three four quarters.

Moderator: Thank you. We have the next question from the line of an individual investor Ganesh Shetty. Please go ahead.



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Ganesh Shetty: My question is regarding demerger of Insurance group and I feel that Majesco is in a good wicket now but as far as the Mastek Limited is concerned which is another demerged part of the company, how we can ramp up the sales of the company and also the profitability because most of the cash balances will go with Majesco Mastek. Can you please explain this sir?

Sudhakar Ram: So the solutions part of the business which is what will remain with Mastek is largely our UK business. Today 95% of that business comes from the UK and this around main segments that we work for is government, health, retail, and financial services. So we do see a continued momentum in all these businesses for transformational projects and our entire focus is our ability to deliver large and complex programs in a very agile manner, in a predictable manner where we can guarantee business impact to our customer. So that value proposition is very much required especially in today's digital age where people are going through major transformations, they want to bet on digitally available through multiple channels so omni-channel interface becomes important, ability to do real time analytics changes the way you deal with your customers up-sell and cross-sell all those become very critical and it's across all the industry. So we see that there is a definite increase in market opportunity for a pure solutions business which is not commodity but which looks at value add, which looks at unique business challenges and being able to architect design and deliver something very de-spoke or customs for specific customers. So that is a hypothesis, obviously it is not a hockey-stick kind of a product but we do expect sustained growth. And as you know we have shared the last year's numbers and solutions business is quite profitable at about 14% - 15% EBITDA, it throws a lot of cash. So even though the early cash balance Majesco start with larger cash balance we would see that there will be enough cash generation within solutions to end the year on a very healthy cash balance, so it is not only going to be able to fund our growth but also provide for inorganic opportunities to grow.

Ganesh Shetty: My second question is regarding our facilities on delivery centers what we have jointly actually owned by Mastek Limited and once the deal merger takes place how we are going to distinguish between the delivery centers of Mastek and Majesco Mastek or how that particular thing we are going to manage in the future? Can you please explain this sir?

Farid Kazani: For Majesco, we could easily demarcate it two distinct facilities, one in Mahape and one in Pune which is going to be actually used by the Majesco group. So a large facility which is in Mahape with roughly 1500 seats will be part of Majesco and another facility in Pune which is roughly around 220 odd seats which will also be used by Majesco. We do believe that these two facilities will be sufficient enough for the current year and some growth. In case Majesco needs additional facilities they will look at either leasing it out form the Mastek group or from any other party which they may require at a later stage. The rest of the facilities are going to be used by the solutions group, so there is another large facility in Mahape, the SEEPZ units, one facility in Pune which will be dedicated to solutions. So we have done a very clear demarcation and it is not going to be a complicated issue at all.



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Ganesh Shetty: Thank you sir. My last and final question is regarding the demerger plan that seems to have really unlocked the shareholder value and I also say a lot of business strategies to be developed in future for the company in both Mastek Limited and Majesco Mastek. So can you please guide us sir whether in near future in a strategic investment from any outside party or any outside company is likely to happen whether in Majesco Mastek or in Mastek Limited? Can you please throw some light on this sir?

Sudhakar Ram: When we announced the demerger, one of the opportunity that is thrown up is the fact that each one can pursue its own strategic options, raise capital, get strategic investors, may be get listed abroad or whatever worthy potential option. So right now it's premature to talk about any tangible proposal, these are all options that we are evaluating and as the demerger happens over the next eight to nine months I think you will get a much better picture.

Moderator: Thank you. We have the next question from the line of Pritesh Chedda from Emkay Global. Please go ahead.

Pritesh Chedda: Sir I just have one question on the demerger, what are the steps that needs to be taken here on, and the timelines for those?

Farid Kazani: Yes, we shared that as part of the investor deck when we announced the demerger so primarily it is an application for the demerger to the stock exchanges which then goes to SEBI for approval. Once SEBI approves we then make an application to the High Court. In this particular case it is going to be two High Courts, one is Ahmadabad and the other in Mumbai. So once the High Court has a detailed hearing on the demerger process they will ask us to call up a shareholder meeting, once the shareholder approve the demerger the High Court will give their final approval on the demerger process. And after that Court approval we need to file with the ROC, once we do that we can then make an application for the listing of the Majesco limited shares on the stock exchanges in India. Now this entire process is a period of almost around 7 to 8 months, we do hope that we will be able to meet these timelines but considering that there is a multiple agencies including the 2 High Courts in the process it could have some delays.

Pritesh Chedda: Okay. And I heard somewhere in the call that a lot of the cash on the balance sheet is for Majesco, is that understanding correct?

Farid Kazani: Since the demerger is going to have an appointed date of 1st April 2014, the company has the ability to split the assets and liabilities between the two companies based on their requirements and their operations. So we have decided to split up the fixed assets and the cash and obviously the current assets is based on their existing business. There is a good quantum of cash that has been kept in Majesco because that is where a large part of the funds will be required. Over a period of time we do believe that good cash generation will be there in the solutions business and then we see that both these companies will be adequately funded at the end of the March

'15 which is the most likely date on us getting the High Court approval. And then as Sudhakar did mention each of the business will carve out their own business strategies, decide their own funding plans, and then raise required funds for their both organic and inorganic requirements.

Moderator: Thank you. We have the next question from the line of Pratik Gandhi from GeeCee Investments. Please go ahead.

Pratik Gandhi: I want to understand the outlook for both Insurance and government segment for the full year.

Farid Kazani: Pratik, we don't give any forward-looking numbers but Sudhakar did allude to that in his opening remarks. We do see good traction in both sides of the business, the UK business has shown some good build up of pipeline, and that business should do better. The Insurance business also as Ketan mentioned that there are some good size deals in the pipeline and hopefully it all depends upon how closures happen that could shape up the momentum. Overall on a consolidated basis we believe H2 FY15 will be much better than the H1 FY15 both in terms of top line and in terms of bottom line.

Pratik Gandhi: Okay. Do we have any seasonality in terms of government business?

Sudhakar Ram: The only thing is that since bulk of our government business is in the UK, UK elections are expected in March-April of next year so we do see that there would be slowdown starting January, they will stop all new projects from December unless it's already sanctioned because no new decisions will be made by the ministers now. So to that extent till about April so there could be a slowdown between Jan and March but that is just because of an election.

Pratik Gandhi: No, the reason why I asked this question and even in the current quarter we have seen some at least on a run rate front I think it was slightly lower so that's why basically I asked whether there is any seasonality to that as well?

Farid Kazani: That's the normal aberration in terms of the delivery of projects or based on the number of days otherwise there is no seasonality factor in the government business. Yes, there could be a key project which gets complete there could be some kind of lumpiness in quarters. But really speaking, there is no seasonality per se.

Pratik Gandhi: Fair enough. Again coming back to the Insurance business, I think some of your larger peers at least for example TCS and you and some of the smaller players let's say like NIIT Technologies, they also indicated some amount of softness actually in the Insurance space. Whereas on your case I think you seem to be seeing better traction and also the commentary indicated better outlook for Insurance business. So I was just wondering whether the kind of work which we do is slightly different hence basically we are seeing good growth compared to your peers or what is that basically resulting into a differential in the commentary and on the growth rate?



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- Sudhakar Ram:** No, most of our Insurance business tends to be the transformation business based on modernizing their core policy admin systems and billing systems which is a different purchase cycle, it is a longer term purchase cycle but it's based on capital expenditure while a normal services business is keeping the lights on based on revenue expenditure. So the cycles tend to be different, obviously there will be a level of overlap between what we do, what TCS does, what NIIT Tech does but that's a much smaller overlap that we don't compete with TCS or NIIT Tech in our core business, we compete with the Guidewire, Accenture and so on.
- Pratik Gandhi:** And sorry just to elaborate on this point, did I hear you correctly that you guys are more on the CAPEX side than the OPEX one?
- Sudhakar Ram:** I mean it depends on how the company is treated but it is more discretionary and long-term transformation programs. Most companies would tend to capitalize them.
- Pratik Gandhi:** Okay. And typically what kind of services we provide in that Insurance space? So is it more to do with the policy admin or underwriting something like that or billing or something?
- Sudhakar Ram:** That's right. So if you look at our website you will get the complete details of what all we do in Insurance.
- Pratik Gandhi:** Sure, fair enough. And Farid one question on utilization rate, it is up to around 87% do you think that you can squeeze a lemon further?
- Farid Kazani:** No, I think this is a good level and I think it could fluctuate anywhere between 85% to 86%. So 87% has been a good during the quarter. So I don't see it going beyond 87%, we should be at between 85% to 86%.
- Pratik Gandhi:** No, so I think when we are seeing that the commentary for the better revenue growth and better margins for H2, now on one hand you will have a headwind at least from a government business where you will see slightly a softer quarter at least from Q4 onwards or partially Q3 and Q4. Similarly utilization rate inching close to your peak level then in that case both commentary on revenue growth and margins will be at slightly risk.
- Farid Kazani:** No, I don't think so, revenue should not be a problem. The reason why utilization could be lower is because we have ended up recruiting fresher's in September and they could be on bench till the time we go into production. So that's why there could be a little impact in terms of cost but that cost is not going to be too heavy for us, we will be able to make up the margins in the other areas where we see good opportunities for us to improve productivity and efficiencies.
- Pratik Gandhi:** All right. And lastly just one on the financial services side, now I think if I look at the numbers more from around Rs.22 crores to around Rs.31 crores on a Q-o-Q basis, is it right? So around 43% Q-o-Q growth based on the number given in the excel sheet?



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- Farid Kazani:** Yes.
- Pratik Gandhi:** So even your IT and other services grew by around 30% on a Q-o-Q basis so what has led to this?
- Sudhakar Ram:** See the base is so small that a couple of large accounts, large projects can tilt it. So I would not look at a percentage growth on such a small base, it is just some projects have ramped up and there are some customers going in for new transmission there.
- Pratik Gandhi:** No, again, is this kind of a run rate sustainable around Rs.30 crores for financial services and around Rs.37 crores for IT?
- Sudhakar Ram:** Yes, it should be sustainable.
- Diwakar Pingle:** I have one question from the investor who has logged in webcast; this comes from a person with a name of Anbarasu. He wants to know what are the strategies that the management is drawing up to make the organization future ready?
- Sudhakar Ram:** All our strategies all the time are towards making us future ready so the investments that we have made in R&D, the facts that we have invested in building strong IP in the Insurance business, we have leading edge component framework relating to data warehousing, relating to mobility to customer insight analytics. The transmission we have gone through within the organization in terms of empowering the people, I think all of them are investments in being future ready and this entire demerger process itself is that we do expect customer, I mean large organizations with completely defused capabilities are not going to be able to serve the customers better, that people do expect a high level of expertise. So our Insurance focus with the domain expertise with ability to deliver quick solutions in both life and in property casualty is targeting a market which we are dedicated which we feel being dedicated to that market will serve us better, will serve the customer better. Similarly when we take high-end solutions we are one of few companies which are willing to take on large transformation program on a fixed price mode, deliberate and in a scaled agile fashion, we are well-recognized in the government through the platforms like G-Cloud so I think all of them are a level of investment for the future that we have always been at the leading edge of service offering, solution offerings to customers and we will continue to be so.
- Moderator:** Thank you. As there are no further questions I would now hand the floor over to Mr. Sudhakar Ram. Over to you.
- Sudhakar Ram:** Thanks attending the call, I know it's Diwali eve and people are eager to go and so thanks very much for your engagement and continued interest in Mastek, I think the demerger is a thing which has actually shown people that there is intrinsic value in Mastek and we do expect that over the next few quarters the results as well as the clarity of our strategy will help people value



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these business better and appreciate our own value and performance and wishing all of you Happy Diwali and see you next quarter. Thanks You.

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