Mastek Limited

Q1 FY21 Results Conference Call

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**MODERATOR:** **MS. ASHA GUPTA, CHRISTENSEN IR**

**Moderator:** Ladies and gentlemen, good day and welcome to Mastek Limited Q1 FY'21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from Christensen IR. Thank you. And over to you, ma'am.

**Asha Gupta**: Thanks Aman. Good afternoon to all of you and thanks for joining Q1 FY'21 Earnings Call of Mastek. The results and presentation have already been mailed to you and you can view that on our website, www.mastek.com.

To take us through the results today and to answer your questions, we have the top management of Mastek represented by John Owen, Group CEO and Abhishek Singh, Group CFO. Also, today over the call we have Umang Nahata, Co-Founder of Evosys. John will start the call with brief overview of the quarter gone by which will be followed by Abhishek who will be going into detailed financials and Umang Nahata who will share his experience with Mastek. We will then take the Q&A session.

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

With that said, I now like to hand over the call to John. Over to you, sir.

**John Owen:** Thank you, Asha. Thank you all for joining us to review our First Quarter Results for FY'21. We appreciate your interest, your support and your analysis. I think your constructive challenge makes us a better company and we thank you for that. The last few months have brought many new perspectives on life. So, I start by hoping you, your family and your colleagues are all staying safe, and they are in good health.

It may only be 45-days ago since we held our Q4 call. However, despite the short window for dialogue, I would suggest that this is probably one of the most important updates in our recent history as this quarter's results follow two key reasons: Number one, Q1 represents the first full quarter of operations under the damaging effects of COVID-19. The effects of which will now unfortunately probably remain with us through at least FY'21 and will potentially blow some companies fatally off course.

The second reason this is an important review is on a positive note. This is also the first quarter where we have got the full consolidation of our exciting acquisition of Evosys and the potential benefits that will fortunately and thankfully also remain with us for the next few years as these are the key strategic enablers that will help accelerate Mastek's growth and continue to help our diversification objective as we scale.

Despite COVID and to help provide some context to this call, I do expect Mastek to deliver a good performance in FY'21 and smash the many glass ceilings that have constrained us over the past 10-years or so including when Majesco was part of the group. On this topic, I do want to congratulate my Majesco friend and colleague, Adam Elster, the CEO and his team on their recent sale to the private equity firm, Thoma Bravo and particularly thank him for helping to monetize our residual investment back into $26.5 million back into the Mastek bank. I think this transaction and consequently the shareholder value is created reinforces the Mastek's decision to divest Majesco back in 2015.

So, Majesco is firmly on our hat and proud part of our history. But it is now time to concentrate on Mastek's future and our potential for value creation, which started under "Vision 2020" and now needs to kick-on to the next level, albeit in the eye of the storm of the current COVID crisis, but we are exceptionally well positioned given the assets that we have.

I described Q4 as a solid performance. So I hope following it up with today's results, you too will now believe in our optimism that Mastek can continue on a positive trajectory in terms of revenue growth, earnings quality, balance sheet management and when we combine these all together, we can deliver sustainable value for all our stakeholders.

Let me be clear, today must not be seen as the high water mark for Mastek, but a very solid and stable base camp to start our journey to become a recognized mid cap over the next few years.

As many of you know, I am a cricketer. And as many cricketers know, form is temporary, class is permanent, so strength in depth is key. So let me share the batting line up with you today. I am once again joined by our Group CFO, Abhishek Singh, who will cover our financial performance and as a solid opener he will anchor the innings. I am also pleased that Umang Nahata, our shot maker who will bat in the middle order and accelerate our scoring, is joining us. Umang will provide the specific commentary on our Oracle Cloud business and also update you on how the integration of Evosys and Mastek is progressing.

In our last call, we shared our belief that Mastek's business was resilient to the full impacts of COVID. This confidence was built on the quality of our customer relationships, particularly in the UK government and the health accounts where we have long established relationships and now with the addition of our new ERP cloud migration business in Evosys we are enjoying those strong pull factors from the market. As we said last time, COVID has driven a significant increase in remote working. And this has brought into sharp focus the need for enterprises to operate today with the more modern, economic, secure and resilient application and support infrastructure. And that is an infrastructure that can be easily accessed remotely.

We also shared our revised Cut & Grow tactical plan for the first half of FY'21 which is intended to ensure that the impact of Covid is shallow on Mastek and our recovery will be faster than many of our peers.

Like every other company, Q1 has been a real challenge as we dealt with the headwinds at the macroeconomic level, which is why I am very proud of our performance and our results. We were quick to reset Mastek's focus away from distressed segments like the UK private sector and the US retail segment and redirect those investments towards areas where we saw significant timeline and traction for profitable growth, namely ERP Cloud migration in the UK government and health sectors.

Despite delays in a number of contracts, which got deferred and will now flow into Q2, we have been able to grow our revenues impressively and a quality of earnings continues to steadily improve. So, although we are far from the end of the Covid tunnel, we are confident this performance can be sustained in Q2 and then we can accelerate in the second half of FY'21 as the market conditions hopefully gradually improve.

Completing the full acquisition of Evosys has obviously made a strong contribution to today's results. But it is also important to recognize that core business and the crown jewels from the UK government and health segment have also contributed with strong performances. Equally, we also acknowledge that our UK private and US businesses remain in the recovery phase. And although we have made good progress rebalancing these businesses throughout the quarter, we will only really see these efforts reflected in our numbers in out the quarters.

Certainly, in the short term, we stand by the elements that we said would probably drive our performance and today's results are a testament to the true potential of these assets.

Importantly, we enjoy strong market fundamentals, particularly as I said from the UK government, the health and the cloud migration segments which provides the bedrock of our results today and our short-term future growth.

Our organization speed and agility continues to help maintain the prerequisite productivity and quality metrics even under a 100% work from home model. And I especially want to thank everyone about 3,500 Mastekers for essentially allowing us to move our company into their homes. They have operated with excellence for the past 120-days and we will certainly continue this model for the balance of Q2. We do not anticipate any meaningful returns to office environment in the short term. And as I have said previously, moving forward I do see a more hybrid work pattern for the future. Given the very real threat of a second spike in many of our geographies and additional lockdowns, we are fortunate that we have the operational flexibility to adapt to the prevailing market and customer conditions without productivity or quality trade-offs.

Q1 also represents another solid proof point for our strong financial management attributes. Not only did we accelerate our cash receivables which enabled us to reduce our debt level by over $6 million and our DSOs reduced by 9 days but last week as I said earlier we received confirmation that we will complete the final divestment of Majesco non-core assets. And certainly, the additional cash receipt of $26.5 million will further strengthen our balance sheet. As we said last time, we will continue to divest non-core assets and reinvest those proceeds into cash-generative assets that accelerate our core business and our value creation.

So on many levels, irrespective of external factors, Q1 was an exceptionally strong quarter for Mastek. And I am confident sets the base for really positive year. Quarter-on-quarter our revenues grew 12% in constant currency terms, which equates to an impressive 46% year-on-year. As I said, the main contributors to this performance were our UK government, our health and our cloud migration segments. And on the Cut & Grow plan, we repurpose more investment to drive better results. That laser focus and agility will remain for Q2.

Our consistent focus on driving a better balanced, sustainable performance also resulted in 35 basis points improvement in our EBITDA levels to 17%. Like many companies we have benefited in the quarter from a reduced travel and living expenses due to the lockdown. However, a lot of these benefits were also offset by higher travel costs repatriating a significant number of our people who were stranded in foreign countries when the lockdown hit. It is worth considering that some of our people have been stranded for over 100-days and I pay tribute to their dedication, their understanding and their trust in Mastek. I am pleased that we have now repatriated most of those people, with the balance are all in process.

Moving forward, I expect us to retain our earnings quality through the year and this performance should further improve once we enjoy a more balanced recovery in our revenues across all our sectors. These earnings improvements will also create some financial headroom to allow us to invest further in transforming Mastek's operational infrastructure to support our goal of becoming a recognized mid cap over the next few years where we see a gap in the market for what we are starting to define and shape as the next-generation services partner. I will explain in more details in our Q2 earnings of what a next-generation service partner is defined by. Margin expansion will also enable us to retain our competitiveness because the effects of COVID naturally drives more aggressive pricing in the market.

As we scale Mastek to support our growth, our cost structure will naturally need to increase as we layer back some of the discretionary costs we removed at the end of Q4. However, rest assured our cost profile will lag our revenue profile and be based on a pragmatic, targeted investment profile as we continue to drive more elasticity into our cost structure.

Our hard work at the end of Q4 combined with the disciplined execution of our Cut & Grow plan has enabled us to establish a solid platform as we rebalanced Mastek to the prevailing market conditions. This policy has enabled us to target additional investment capacity into a specific attractive growth segments of the UK government, health and the ERP cloud migration.

Although, we have good visibility from these segments and strong pipelines , which gives us the confidence for the future, it is also equally important to recognize that a general market recovery will neither be uniform, nor immediate. The market I see has certainly contracted and continues to be economically fragile. The macroeconomics in our core markets of the UK and the US continue to look challenging and this certainly does not feel like a quick V-shaped recovery that many predicted back in March.

So in summary, I am pleased with our performance and I remain cautiously optimistic for the future.

Abhishek will now take us through the financial breakdown to provide more context and Umang will walk us through the Oracle business after which we will be happy to take questions. Abhishek, over to you.

**Abhishek Singh**: Thank you, John. A warm welcome to everyone on this call. I am going to share with you the highlights of our performance for the quarter ended 30th June. You do have a deck circulated ahead of this call, which contains all the details of our financial performance. So, I will be touching just on the highlights and the areas of focus. I think this quarter marks the big milestone for Mastek where our quarterly revenue crossed $50 million for the first time. This is the first ever in the history of Mastek. Q1 financials represent the impact of business consolidation of Evosys business for the full quarter, having said that it is an all around good performance which is reflecting in the numbers here. As you would see in the presentation, our total income stood at Rs.402.8 crores, which is up 13.7% quarter-on-quarter and almost 60% year-on-year. Operating EBITDA grew by 35 bps at 17.6% and almost 436 bps year-on-year. So that is a quality of earning reflected here.

The ongoing operational efficiency measures in the abatement and variable expenses have helped us manage the impact of COVID which was essentially around the ramp down in the projects, the revenue contraction and the bench that came up as a result of that. Total EBITDA stood at Rs.84.8 crores which is up 12% quarter-on-quarter and almost 123% year-on-year and PAT for the quarter is at Rs.46.6 crores, up 19.6% quarter-on-quarter.

John alluded to the cash and the balance sheet story. I think it has been a good story all round. Our DSOs are down by eight to nine days and the cash collection reflects in the healthy cash balance of Rs.458 crores and change which is compared to last quarter at around Rs.414.7 crores. This is after repaying $6 million or so in the debt during the quarter and hence the net of debt, our cash balance stands at Rs.173 crores which was Rs.81 crores last quarter. Our total debt as of 30$^{th}$ June stands at $37.5 million dollar after repaying $6 million during the quarter. And the free cash flow story continues to be very strong, stood at almost 212% of the net income for the quarter. And this is driven by the focus collection across the businesses. We are focused across UK, US, Middle East, emerging markets everywhere and try to be very cautious to avoid any potential bankruptcy that may be also carrying in these geographies. "Cashing the door is the business completed", as the saying goes.

Moving on to the 12-month order backlog story, that stands at Rs.764.5 crores for the quarter, marginally down in constant currency terms. However, I do want to reflect the fact that we have a $5.5 million framework deal with one of our healthcare customers that we have not included in the 12-month order backlog because usually frameworks are a statement of intent, that is the commitment to kind of spend, you still have to back it up with specific statement of work. So we will wait for that to fructify as it gets counted in the coming quarters.

Moving on to the flavors of the geographies. If you look at UK geography, UK remain flat quarter-on-quarter. There was a marginal growth of 0.3% which I will count as a flat quarter-on-quarter. If I break that further between public sector and private sector, our public sector business grew healthy 5% quarter-on-quarter; however, the private sector challenges continued and it degrew by a significant percentage.

Catching on the trend in the public sector, we had shared in the June quarter that we had a seasoned professional in team, Steve Latchem joining us to accelerate our public sector and healthcare story. And that is reflected in our order backlog and the number of new logos that we are chasing, apart from deepening the relationship with existing clientele. So, this is a direct reflection of the credibility that we enjoy in the sector. And our continued investments that we have made there to materialize the opportunities that we see out there. However, private sector continues to be soft and under pressure. Existing customers are contracting back, but in very small tranches, they are being a cautious spender. Offshoring is also a bit in focus. They are looking at reducing the cost without compromising on the quality. So they are kind of recalibrating, how to spend and where to spend so that they can manage their situation and its impact on their business. But it continues to be soft.

The other phenomena that is very obvious is the price pressure. And that obviously being special back on the margins and our continued operating efficiency measures are coming handy to help us drive productivity and offset some of those price impact that is coming our way. Apart from that, in the geography the furlough has been extended to September and that helps the employee base.

Moving to the US geography, COVID continues to have a bearing on the business. Revenues were down quarter-on-quarter in constant currency terms. There is a continued risk of client bankruptcies, hence our aggressive focus on cash collections to help mitigate that. However, on the bright side, we do see some very focused spend that is coming from the clientele base. That is called BOPIS (Buy Online, Pick-up In Store) . This is a very focused spend that customers are planning for. And that is giving us some opportunity. Having said that our sales team is in place and we believe that we will be moving onwards and upwards from here. And Canada and Middle East also provides us with additional opportunities including cross sell.

As we move on to the Evosys business, I think this is a more resilient business and we see continued growth, momentum and order closures. Offshore remote delivery has helped us to continue to service the customers. There is all round good demand and customer pool is experienced in newer geographies, including Canada and European countries. Revenues grew not only on account of consolidation but also organically if you were to just look at it, three months full quarter of Q4 versus full quarter of Q1. Evosys business has grown and grown very handsomely. Order book has been very strong, almost around $25 million in business wins across the geographies and verticals in this business.

We are also looking at doing some local hiring given the travel restrictions. So we have to complement our delivery with the hirings in the geography. And to fulfill the order book that we have won in the quarter and the business growth momentum, we are planning to hire 100-plus trainees during the quarter and train them and scale the business.

The other highlight for the quarter was obviously Majesco decision to go private with a private equity. And as John alluded to it, that brings circa $26.5 million in cash, almost Rs.200 crores. And very obviously, all of you would be interested in knowing our capital allocation strategy. And we would like to reiterate that we are focused on converting the cash, repaying the debt and possibly putting the money back into the business to accelerate our growth. Some of the proof points are there in front of you with the public sector growth that we are experiencing on the digital transformation side, the exponential growth opportunity and the growth secured by the Evosys business. The money plowed back into the business has far better potential, but we would want to be cautiously and conservatively managing our cash and navigating through this COVID situation.

The other highlights of the quarter obviously all round recognition that we have had as an organization. TechMarketView's "Monthly Digital Marketplace Dashboard" recognized Mastek at 3rd place for its work that has been done on the DOS frameworks. This continues to reinforce our public sector credential and healthcare presence in particular. On the Alliance and Partnership front, UiPath gave us elite partner ranking in UK which further cements our RPA credentials. Total three partners are there in UK who are called elite partners with UiPath.

And our exciting acquisition of Evosys and its expertise in Oracle Cloud transformation space continues to be validated by the market. A lot of data points that have come up from Gartner both on Oracle as well as Evosys. And to kind of walk us through, I will hand it over to Umang to give the details. But before I do that, I do want to reiterate what john said, this is not a high water mark. It is essentially a platform from where we are looking to build onwards and upwards it is for Mastek and Mastekers. Thank you. Over to you, Umang.

**Umang Nahata:** Thank you, Abhishek. Hello, friends. I have got three very simple and important messages for you, which I believe are going to shape the future of Mastek as we move forward. The first message that I have is the Oracle Cloud business. So if you look at the Oracle Cloud business, I see there is tremendous headroom for growing in this business. And I say this because inspite of the COVID challenges and a tough Q4 for Oracle, their ERP cloud business still grew more than 30% in the last quarter. And if you look at under this growth, what is largely fueling this growth is transformation of their on-premise install base to the cloud. And this is where we are just getting started, I mean, Oracle has not even moved 20% of their installed base to the cloud yet. So, there is still more than 80%, 85% market, which is yet to be migrated to the cloud. And to add on top of this, in the first time in Oracle history, we clearly are a market leader in the Enterprise Applications business and especially as compared to SAP, all the market rankings place Oracle at a much higher space and you look at Gartner, Forrester, all the other reports. I am sure we all understand that SAP had the largest market share in the Oracle on-premise or in the on-premise ERP business. So, what I am really excited about the Oracle on-premise to cloud business, I am much more ecstatic about the SAP to Oracle Cloud kind of potential that the market has. We already have a headroom start in this and we have invested large specializations in trying to build IP asset called Evosys Glide for SAP, which has already helped us winning some key logos, logos of large and long established SAP customers to migrate to Oracle Cloud. We continue to aggressively invest in this opportunity. And I am sure we will be recognized as the market leader in this space.

As we stand today, we clearly are one of the leading partners for Oracle Cloud applications business. And I say this not just because we have been awarded by Oracle as their global partner of the Year for multiple years in a row, not just because Gartner's their Oracle Cloud MQ for two years in a row, not just because we are one of the largest installed base of Oracle Cloud customers, but I say this because our approach to cloud transformation is far more advanced than anybody else in the market. What we currently follow, what we really ambition to follow towards is an approach called VBD or Value Based Delivery, as we internally call it at Evosys. What VBD means it is more like an outcome-based approach to transformation wherein we look at the customers business today, we look at what is the business ROI that they can get and we try to do an outcome-based contracting wherein we will do a risk-reward based contract to help them deliver the business benefit that they look at. And this is phenomenally different than anybody else doing this kind of business. To deliver an effective VBD program, we have also invested significantly in developing various IP assets that allow us to do benchmarking, differentiating automating our solutions and highly focus on key focus industries that we have wherein we want to grow and expand industries like healthcare, like public sector, engineering and construction and manufacturing. And the beauty of this value based delivery model is that as we deliver more and more value based delivery stuff, our potential of predicting return on investment continues to increase. I am sure who better than all of you guys to value these potential of predicting ROI accurately means. So, that is the Oracle side of the business in terms of why the headroom and what we see.

My second point today that I wanted to explain to you was the cross-sell of Mastek services into the Oracle or the Evosys install base. Now, if you look at Mastek from my eyes, I would see Mastek especially the Mastek digital services business was significantly driven by servicing their existing customers, or a very loyal install base that Mastek had. And this is primarily because once the customer gets a touch and feel of what the Mastek quality is, what the commitment and agility that they receive from Mastek, I think it is literally impossible for them to not become a Mastek customer for life. On the other hand, where I think we were weak was in acquiring new customers and new logos. And that engine is where we were little shallow. This is where the combination of Evosys and Mastek I think will really fly. What Evosys brings to Mastek is a much larger install base. We now together has four times bigger install base of customers to take care of, customers to whom we can take on this journey of Mastek customer for life and the journey has already begun. They have already won our first customer and they are actively pursuing this business in all the geographies, in UK, Middle East, North America and in APAC. Not only are we seeing opportunities in the current install base of Evosys, but we are also jointly building a much more comprehensive digital cloud transformation program, which is not just looking at SaaS, but looking at an overall transformation in terms of platform, in terms of AppDev, Data, Security, all of it. And that I think is a very strong proposition and will clearly elevate us in terms of winning much more net new logos for the Mastek core services also.

The third point that I wanted to talk to you guys about was building a stronger integrated Mastek. In a few months that I have spent being a Masteker, I clearly see that we are growing into a meeting of hearts and not just a meeting of minds. It is an environment, where we are really focused on not trying to adopt each other's or overpower each other but rather work with each other in terms of building the best of the best practices that we could, challenging each other, debating with each other, trying to come back with the right answers in terms of how would we build the gen-next organization, How will we build a team that really looks at the future and is delivering to the future. There will be lots of various healthcare discussion sessions. And what I can tell you truly from the experience that I have had so far, that we are clearly integrating at the highest common denominator. And we are looking at things in a much more open, transparent and dynamic format. The work culture that we are clearly building here will not only harness some of the best talents of the industry, but will also look at grooming some of the most world-class leaders that the industry will have, and I am sure they will help us fulfill our high ambitions but with a very humble and human touch.

So to sum up, the Oracle Cloud business clearly and definitely continues to grow. And we within that business are now moving towards the next league of customers. Install base market opportunity is definitely growing and we have a four times bigger install base to service to go after. And as a joint company, we are clearly building an excellent culture and extend next-gen integrated Mastek. So, that is all from my side. Thank you, everyone.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Amit Doshi from Care PMS. Please go ahead.

**Amit Doshi**: I just wanted to understand on the cloud migration business which has really done well, and which is expected to do well. In the June quarter, what portion of it do you believe would be attributable to a spurt in demand owing to this work from home culture that has been built up suddenly which probably many organizations may not have thought before if something can be shared on that?

**John Owen:** I will let Umang give you more commentary, but I think what is driven is because COVID happens so quickly and lockdown happens so quickly, where you traditionally think there was going to be a cut on discretionary spending, it actually highlighted the gap in people's infrastructure security, remote working. So I think that is where there has been a very quick adjustment. And people have seen the economic benefit, the operation benefit and the strategic benefit moving to cloud. But I will let Umang give you more detail about how much of that drove the pipeline and therefore the order bookings in Mastek.

**Umang Nahata:** Thank you, John. So definitely, if you look at the last four months, the initial reaction was of shock and surprise, and it started with many people postponing their decision-making time. But as things have started to stabilize, as people realize, this is the new norm and as the work from home becomes mandate and as the requirement for much more secure and remote and digital application goes up, the pipe definitely has moved up. We have not had any closure already of such kind of rapid in-quarter kind of transaction because of this. Although most of the closure that we had in our last quarter was largely pipe that we already have had before that. So we were closing those businesses and a good portion of those transactions, the customers, they take their decision, because of which we had a good order book in the quarter. However, as we move forward now, we are seeing many new opportunities, which would have been at a later part of the clients' agenda, but are moving up in their agenda constantly. I do not have a quantifiable value in terms of how much this would be. But there are many opportunities that I can definitely assure you of which were not going to come up so soon, but have started coming up much faster in the clients agenda in terms of transforming from on-premise looking at a digital cloud platform.

**Abhishek Singh:** Umang, I will complement your answers with a data point that will help folks on the call. On the Evosys business, roughly 72% of the revenue is through cloud, whether it is cloud migration work or cloud support work. So that gives you an idea of the cloud focus or the recognition that this entity enjoys in the market. And it is very natural that every other opportunity that is coming our way is predominantly in the cloud space. What has happened over the last three to four months is going to accelerate that demand. And that has what fueled our excitement in this space.

**Amit Doshi**: In the press release, there is a mention that you are planning to hire trainees in triple-digit. So just wanted to understand, was this opportunity there earlier and probably the Evosys pre-Mastek was probably waiting for this acquisition to get over and invest in there or it is because of the COVID and that is why there s such a large skill force is being planned to hire, so if you can just share your thoughts on that?

**Abhishek Singh:** Actually, it is a business model at Evosys where we hire trainees, train them, and then deploy them on the project. Predominantly if you recollect, it has got a significant offshore component. It has the repeatable and scalable model and hence trainees become a very integral part of fulfillment. This is not the first that we are doing at Evosys, it was done earlier as well and it reflects the confidence in the business and the growth opportunities for which we need to create the fulfillment.

**Amit Doshi**: And vis-à-vis the cash conservation policy or, selling more non-core assets to fund the growth, so where that capital would be required to probably kind of spread on more geographies or invest on more people or acquiring more skill set or something else if you can throw some light on that?

**John Owen:** Yes, I will try and help you. All the above. If you want to grow your business in simple terms, you have got to increase your coverage, you have got to improve your order, values got to go up, you have got to improve your win rate and you have got to expand your scope. And we need to put a lot more working capital into the business on all those aspects because the average order value for Mastek is going up. I think a zoom enquiry only said, we have got a fantastic customer acquisition engine in Evosys with the cloud, but we need to take those customers on a journey for a customer for life which is cross-selling, upselling, account management. So though, it is skill, its capacity, and it is new markets, but the markets are big enough for us to deliver our plans, we do not need to find new markets, we just need to execute in the markets we got and that is going to need investment.

**Moderator:** Thank you. The next question is from the line of Ravi Sundaram from Sundaram Family Investment. Please go ahead.

**Ravi Sundaram**: Just have two questions. So on slide #13, looks like you have added 48-clients in Q1, it was 436 last quarter, now it appears 504. So, what exactly contributed to the addition? And how should we as investors look at this addition in terms of translation to revenue?

**Abhishek Singh:** You are right that 48 new customers we have added during the quarter, and that is a healthy split across the geographies. 23 of those were out of US, eight in UK and Europe, six in Middle East and 11 in the rest of the world, that is Australia, New Zealand, Singapore and India markets put together. And these are the customers who we have signed up, which will be delivering over next 12 to 18-months. So that represents the revenue potential or the revenue opportunity that is coming from these customers. And it is also a very healthy spread across the sectors or verticals as we may want to call it, which also gives you the fact that the very basic reason why we acquired Evosys or we wanted to do this transaction was a customer acquisition engine, and geography access to newer verticals and sectors. All of that is reflected in the count of 48 that you are looking across here. So this is good news for us as an organization and it represents the revenue potential on a cross-sell basis, apart from the first past being delivering the Evosys services and Mastek services to the respective customers.

**Ravi Sundaram**: My second question was on the cash balance. I think it has gone up from Rs.81 crores last quarter to Rs.173 crores this quarter. Did we have any one-offs that contributed to a significant jump because I am looking at annualized how much can the cash generation improve, that was the line of thought?

**Abhishek Singh:** So first thing is that this is the net cash, the gross cash is much higher. And this is on account of the collection effort and very synchronized effort made in all the geographies that has resulted in the collections, there are no major one-offs to call out here.

**Ravi Sundaram**: Annualized, can we look at about Rs.60 crores net cash per quarter?

**Abhishek Singh:** Different areas have got different cyclicality and seasonality. So, kind of hard to just multiply it here. But this gives you a good base. You can do your discounting on these numbers.

**Moderator:** Thank you. The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

**Baidik Sarkar**: A couple of questions. We understand the market for Oracle Cloud and ERP is doing rather well. And to that extent, as a service provider, we had proxy theoretically. But how would you articulate Evosys right to win in this space? And what is it really in our proposition that adds to that? I understand you touched upon the transformation IPs you built in your opening commentary, but how exactly is your right to win?

**Umang Nahata:** So like I said, there are a few critical things that a customer looks at whenever they are choosing a partner. The few basic ones which would be, have we done it before, are they really referenceable, can they bring us more right references to them. And we have one of the largest installed base of Oracle Cloud customers, our reference is 1,000 plus customers that we have already done it for. The IPs that you have touched upon, so do we have the tools and the resources that can deliver this. Again, with this experience, we have got people who have had more cloud experience than most of the competitors in the market out there. And they have also developed and continuously invested in tools. But last, and the most important one that I mentioned, is our ability to look at the ROI that we can deliver to the customer, clearly and explicitly explain to them what is the value benefit we are going to deliver and go to an extent of signing a contract which has a certain portion say 5% to 10% or 20%, linked to that kind of an ROI and commit to the kind of an outcome that they will get by migrating to cloud. So, once you put all of these together, it makes an extremely powerful proposition and that has been one of our secret source of success so far.

**Baidik Sarkar**: I recollect the momentum with Evosys only connected in May last year was significantly high YoY after the Q4 call. But then if I look at the order book now it seems kind of flattish, maybe with 3%, 4%. So, do you have a sense for the near term on the order book, is that still uncertain?

**John Owen:** What I will say is people are working for home, some of our biggest customers, including the government are working from home. So, the simple answer is we have had deferral and some of the deals and move to the right. So I do expect us to make up the order position in Q2 and we balance that with a good strong first half order position, and then we pick up momentum in the second half. So it is more a deferral than a cancellation or losing projects.

**Baidik Sarkar**: Abhishek, the beat on your other income has been quite significant. If you could help us split the Rs.17 crores between your rental and other income?

**Abhishek Singh:** Three components; treasury income, rental income and we have gotten R&D credit for the work that we do in UK. So partly 50% of this total number is on account of R&D credit and the remaining 40% is on account of routine treasury and the incomes every quarter.

**Moderator:** Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

**Madhu Babu**: On the UK Government, could you talk us about what is happening on the NHS and Home Office, how the ramp ups can happen in these accounts?

**John Owen:** First of all, I go back to the government decision-making process or their ability to make decisions has absolutely been impacted by COVID insofar as they are working from home and the infrastructure does not support it. So I will start with, if you think about being a government customer and the process they went through six months ago, government employee would go to a government building, switch on a government computer and go on to secure network and application. And they are all their sign-offs and their approvals always within that private cloud of government class. Now, they are all working from home. So it naturally puts a delay in the system, in the process. So that is where delay in just velocity getting deals out is impacted. Regarding the Home Office, some of the coms what they done is they just bridged some of the contracts for the rest of the calendar year while they go through bigger procurements for the next three to five years. So we do expect deal flow to be a bit like a hockey stick in the Q4, Q1 next year because what they have done is given us some bridging contracts just to keep the teams in place while we are at work from home. The key for our government business and our health business with the NHS is broadening our customer base and deepening those customer relationships. So I think we have always said NHS, we have been there for a long time, we build credibility and we are continuing to grow that business because we are seen as reputable, trusted, easy to do business with. In the Home Office, we went in with our IPT project, we then expanded to the biometrics project. Those have all scaled up. We have inserted in the MoD, I think it was probably 18-months ago, two years ago that is starting to be a material contributor to the business. So, the key is winning new departments and basically replenishing that conveyor belt and also the mining of those accounts of the NHS, the Home Office, the MoD and some other accounts that will come in line or come on stream in the next few quarters, that is the bedrock of the growth. But again, although it is our crown jewels, we are still a rounding era in how much addressable spend UK Government does on digital. So there is plenty of headroom to grow. And then I think about the UK government, they have very strict payment terms. So we are not tying at working capital. This is that paying within 30 to 45-days. So it is a solid customer, good growth potential, we have got a good reputation, it is now about just executing that, which is why Abhishek said the acquisition of Steve Latchem coming into the organization gives us a little bit more scale, we are also working with a gentleman called Rob Forster, who used to be the NHS Deputy Chief Executive. So he has been retained by Mastek to give us some more health attributes as we scale the business. So, the bedrock of our growth from the Mastek will be around the UK government and the UK health and they are solid, but there is plenty of headroom to grow.

**Madhu Babu**: I guess one more on the cross sell, let us assume, how many of the Evosys clients would be where we can potentially do multiservice because there will be a lot of pay like only when you say 1,000 customers, and how is the incentivization happening for the Evosys sales came to pitch in Mastek as well, so how the sales will be incentivized for the whole cross-sell.

**John Owen:** I think we used when we did the acquisition, one on one has got to equal three. And I think lots of acquisitions, one on one become one and a half. So we have had a very clear pillar one, pillar three and pillar two is the cross-sell. So if you think about it, whenever you put in a new infrastructure application, it creates opportunity because you got to integrate it with your legacy applications and it creates opportunity for analytics, for BI, for automation. So I think where Evosys used to be very good at doing implementations of cloud, they can now stay in that customer, and help that customer go on this digital transformation journey and become a more valued customer. So, to put it in simple terms, we increase the scope of services we can provide to that customer which means our revenue goes from a transactional more to an annuity-based as we move with that customer for years, not just for two to three quarters as we implement. So that is the strategy. As Umang said, the logic is very sad. It comes down to people. So, the Evosys sales people are basically incentivized and there is a financial incentive to drive that behavior. But as Umang said, they are skilled of selling cloud migration around ERP, HCM, supply chain management, whatever the application. And we need skills of how to sell Mastek digital services. So, it is a different experience base. But at the moment we are running to sales. But both are incentivized. But it is about combining skills and combining reach, not about sort of turf war and fighting, but there is a financial incentive to drive the right behavior.

**Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

**Sachin Kasera**: Just one question on the other income. So Abhishek, you mentioned it is almost 60% is from R&D incentives that you got. So is that a sustainable number or is it like a lumpy number which comes one quarter in a year?

**Abhishek Singh:** It has two components to it, Sachin. the first one is that it is equated through the year and the second part of it, then it gets adjudicated, the differential comes in whenever it gets decided. So, this kind of number would be once a year.

**Sachin Kasera**: So, for us, for the full year, what is the type of this R&D incentive we should build – it is like Rs 15, 20 crores for the full year.

**Abhishek Singh:** No, it would not be of that order of magnitude, usually around Rs.12 crores to Rs.13 crores. It is not an assured number, Sachin. It is based on the type of work you do and you have to go through a very clear accreditation process. It could very well be that in a flat year you could have done more of those work which qualifies for it vis-à-vis a growth year where a lot of work would not qualify for it. So there is no clear arithmetic to it. Having said that over the years, we have definitely had good traction on this one.

**Sachin Kasera**: Second question was on the cash that we are expecting from this Majesco transaction. So, the number that you mentioned, we will have to pay some taxes on that or we have some tax benefits because of which we'll be able to monetize the entire gain?

**Abhishek Singh:** The way it is structured, this is the net number. We do not incur any taxes on it.

**Sachin Kasera**: And now that the cash balance will go up significantly post this money coming in, are we looking at any sort of further acquisitions or are we looking at increasing the dividend payout ratios going ahead?

**Abhishek Singh:** I think we have a healthy dividend payout ratio, Sachin. The first target obviously is around $36.5 million worth of debt that is there on the balance sheet, that is the first protocol, followed by the fact that acquisitions though not on the horizon, we are looking to consolidate and build on what we have right now, but it is never said never because if there is an exciting asset or there is something that we need to invest in, then we would absolutely look at it. Having said that, there is nothing on the horizon, it is about navigating the COVID, repaying the debt and maintaining consistency in these environments.

**Sachin Kasera**: Just a last one question on DSO. So where we stand as on June, you think it can sustain, it will go up or you think there is further room for improvement?

**Abhishek Singh:** DSOs are at very healthy level of 71-days. My sense is that it will flex between that 70 to 80 range barring any unforeseen event.

**Sachin Kasera**: So you are already almost at the lower end of it?

**Abhishek Singh:** Yes.

**Moderator:** Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

**Vaibhav Badjatya**: So on the broader theme of acquiring Evosys which is cross-sell potential, this ERP cloud implementation, on-premise implementation business we have seen in couple of other cases as well, for example, KPIT built this ERP business for a long, long time hoping that they will acquire customers through this method, but ultimately did not work. So, just wondering whether we should focus on customer acquisitions or selling our capabilities. Why do you think that if other company is not able to do it, we will be able to cross sell to clients based on just customer acquisition philosophy?

**John Owen:** I think it is a fair point about acquisitions. I think we have been very clear with our M&A strategy is, you cannot buy your way to success, you got to operate and integrate, but acquisitions can accelerate that. So why did we look at Evosys is because if I look at Mastek's history, we came from a very indirect sales model. And over the last four years, we have built a more direct go-to-market. But, you got to go with the compelling proposition as Umang said, and you have also got to sell in a market, that is already buying. And I think that is where the cloud migration is a big time. So, if we are too conservative, and we do not fuel that growth, as the market expands the cloud, we will be very deep, but very narrow. And I think if we want to meet our aspirations of being the true mid cap, I think we need to broaden our base which we have said strategically for a number of quarters or a number of years and we need to deepen those relationships and basically take more customers on what we have done with the UK government, you have an insertion, you stay with them, you implement, you build your reputation, you expand. And that means as we go forward, we have a real solid base for any economic eventuality of growth market, declining market. And I think that is where we are at the moment is we have got a robust business, because we have got some very nice client segments in the UK public that are well, they are growing and they are paying. But I think as we go forward, we need to broaden that base. Why will we be successful when every other company has not? I think it comes down to execution. As I said that, because we brought the companies together, does not mean we will be successful, but integrating them, working as a team, going back to some of the questions about incentivizing the right behavior between the two organizations. And both organizations looking at the bigger prize, not the short-term bronze. I am confident we have made a good start. But I think the only success we will have is when we have driven the value out of one-on-one making three, but then that I am confident because I think we know why we are doing it. This is complementary. It gives me more coverage. It allows both companies to increase their order value. I think it increases our value and our win rate. And I think to a customer through a customer's lens, we are seen as providing more scope, and therefore we got more value to them. So that is why I am confident this is working.

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

**Mohit Jain**: What was our revenue rate last quarter for Evosys?

**Abhishek Singh:** We were circa $16 million give or take for the last quarter for consol basis Evosys, consol like-to-like.

**Mohit Jain**: $16 million has become $18 million, is it?

**Abhishek Singh:** $17.5 million, roughly 9%-odd quarter-on-quarter growth is what we are looking at.

**Mohit Jain**: And second sir, when you say cash balance this is money to be received from Majesco stake sale?

**Abhishek Singh:** Yes, this is $30^{th}$ June number.

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

**Nirmal Bari**: My question is on the EBIT margins or the segmental margins in the Middle East business. So last quarter, we reported around 26% and that has dropped significantly this time to around 11%. So what has led to this?

**Abhishek Singh:** So on that, last quarter was a very truncated view of the numbers. And as a result, a lot of factors were not reflected there. What you see here is a better reflection, though it is a little bit muted, but our sense is that it is closer to the early teen on a stable basis.

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

**Sarvesh Gupta:** From your commentary, I think I gather two things; one is you are saying that $50 million should not be considered as a high water mark, but should be considered as a base from which we can build in. And secondly, you have also written that there are some pricing pressures that we are seeing. So broadly on these two points, what would be the broad guidance in terms of revenues and the margins going forward for the business in totality?

**John Owen:** I let Abhishek give you not guidance, but what we endeavor to hold, but I think as an organization, there is absolutely no point celebrating 50 million. It is a milestone on somewhere. And if I look at the market potential for us particularly in the UK government, the UK health and the cloud migration, these markets are starting to really move. So we got to capitalize on that. And I think if we are too conservative or too complacent, that is a real worry. We have to compete for every dollar and we will. But I think our mindset is we want to build something, we do not want to celebrate where we are. Pricing pressure, that is the natural consequence of a recession, is everybody gets tighter, and it flows through the supply chain and we are seeing it in all our all our accounts. However, I think in both the Evosys and the Mastek, there is a great opportunity to leverage our operating model. A lot of our revenue comes from onshore, we can take a lot of that business offshore, because we are now seen as a trusted partner, and customers are starting to look at things they never used to look at on irrelevant, they did not use to work from home, but now companies are putting 100% of their people working from home. They did not used to like offshore delivery. Look at the economic reality, that is a really viable option. If you have already got the confidence that you can get the same quality, productivity and velocity from your digital services partner. So I think we can manage the margin pressure that we will come under from a pricing perspective, because we have got a more dynamic operating structure. But yes, I expect us to hold our revenue. Now, what is the trajectory we are going from 50? I let Abhishek give you more commentary on that. But I am confident we have pipeline, we have market access to support growth. And the margins, it has taken us a long time to get predictable margin control and revenue control in the organization, put the systems in. We are not going to let that go. So, I think we will endeavor to maintain our margin quality as we grow the business but I will let Abhishek give you a more sort of detail point.

**Abhishek Singh:** Thanks, John. I guess you covered it all. We do not delve in the forecasting or guidance well, but yes, this is the base and as the audience on the call have seen and heard the 12-month order backlog and the last quarter order booking, both have been fairly robust. So, that gives us the confidence that we will be able to build on that. Having said that, in the Q4 narrative, we did share that we expect this year to be flattish for the organic business and a healthy growth for the inorganic business. So, put together that should give the audience an idea of net-net it is going to be a growth with the better quality of earnings, that is reflected in the Q1 performance.

**Sarvesh Gupta:** Abhishek, on this Rs.134 crores Evosys number for Q1 FY'21, what part of Evosys business which will come through demerger is not included in these numbers, can you quantify that number and if possible the EBITDA margin for Evosys business?

**Abhishek Singh:** It was last quarter where we had a truncated part of the business in our numbers in this quarter 100% of the Evosys business is consolidated.

**Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investments. Please go ahead.

**Ashish Kacholia**: I heard that you have added 40 clients in this quarter. I imagine that the size of these transactions will be very small individually, maybe $100,000, $200,000 kind of number. So I just want to understand what has been your initial track record of converting these into more mineable client accounts?

**John Owen:** Your analysis is right. A) Evosys typical sales start in that 200, 250, 300K dollar region. And it is a point solution, either it is a human capital management system or supply chain management or an EBM, whatever it is, it is a point solution, but it is an enabler of other things. And that is where we got to make sure that the cross-sell, we stay in that customer and we grow. So I think it is about how we use that insertion and build on it.

**Ashish Kacholia**: So any track record that we have been able to kind of convince ourselves that these clients are mineable for further business, because I would assume that clients have already given out most of the work to the larger tier-1, tier-2 kind of players. So it would be very difficult for us to win incremental business.

**John Owen:** You are right. So if I look at the evidence, typical sale will be, say $200,000. And if we do not talk about, how we then take them on a managed service, we do our analytics or BI. They are going to do that work with somebody. Why not do it with the same trusted partner that did the implementation? Who knows more about cloud than anybody else? So there is a logic. What we have not been doing historically before we got together was having that conversation. So it was not an option for the Evosys all customers it is today. To give you an idea, Ashish, if these customers, the average order value say, $200,000, how do you scale it up? If I look at some of the cross-selling, the deal we close was about $4 million. Because you are increasing the scope, the insertion may still be $200,000, $300,000 but the opportunity built on that platform is in the millions. Abhishek has the absolute number, but I think of those, something like 20 of them were multi-billion dollar companies. So they do have the budgets and the disposable income to invest in digital. That is the logic. Ours is making sure that the positive experience they have with the client migration, they then stay with Mastek and they do the analytics. So it is all about execution. Pipeline looks good. First order of $4 million. But you are right, the key success is how many of those 200K can we take on the journey of a Mastek customer for life?

**Ashish Kacholia**: This $4 million deal, have you disclosed the name or the sector or kind of…?

**John Owen:** It is a multinational engineering company. I am not too sure who got permission yet to share the name, but it will become public domain in the next few weeks. So it is just timing, Ashish, is why I am not telling you. On the back of that, we also can see sort of two or three other in the pipeline at that region, $4 to $5 million.

**Ashish Kacholia**: But that is a significant number for a company of our size, I mean, $4 million, $5 million deals if we start winning on a regular basis, that can be huge?

**John Owen:** Three years ago, beyond our dreams. Now, yes, it is only $3 or $4 million, why cannot we get to 10? So that is where we are on our journey.

**Ashish Kacholia**: This is the only one deal that we have been able to convert from this $200,000 to $4, $5 million kind of situation?

**John Owen:** That is the biggest. We have probably done around five or six. We are still in the infancy. Again, we have a quite disciplined integration of column-1 Mastek core services, we got to continue to grow column-3, Evosys implementation has got to come, this is in the column-2, which is a discrete segment, but it is getting traction, it is about how we build on.

**Moderator:** Thank you. The next question is from the line of Kaushal Dedhia from Standard Chartered Bank. Please go ahead.

**Kaushal Dedhia**: Just wanted to understand on the backlog. Out of 101 million, how much would be from the Evosys business and how has that grown from Q4?

**Abhishek Singh:** I think the ratio is a little bit improved in favor of Evosys given the win that they have experienced in this quarter. So, I would say it is in the 55% on the Mastek side, 45% on the Evosys side.

**Moderator:** Thank you. The next question is from the line of Ashish Dash from Sharekhan BNP Paribas. Please go ahead.

**Ashish Dash**: Abhishek, I just wanted to know the profitability side. If I see the segmental breakup, I can see that UK has at least 20% margin which is kind of highest in the last three quarters. And you are saying that local ads would be there and Evosys margin would be around 18%. So is there any scope for the improvement in margin or moderate expectation?

**Abhishek Singh:** Thanks, Ashish. I think the biggest point I want to draw attention of everyone is that the margins have got the pushes and pulls of the macroeconomic environment. And as I mentioned in my brief, the first one is that you got projects ramping down, you got people on the bench, you got revenue pressure, and on the other side, the cushion is coming from the variable expenses coming down significantly, especially around travel, hospitality and stuff around that. So, the margins have to be looked upon from multiple directions. I will say that the consolidated view that we are looking at right now are an indicative number of Mastek inching towards the 15% operating EBITDA and Evosys is around 20%, 22% mark this quarter. If I use this as a reference, both sides of the businesses have had a good 50, 75 bps favorability coming from the macroeconomic environment. Having said that, the numbers that we are looking at right now on an aggregate basis, that is the range that we feel comfortable with, Ashish.

**Moderator:** Thank you. The next question is from the line of Ram Bhatt from ICICI Direct. Please go ahead.

**Ram Bhatt:** Just wanted to know two things. One is do you have any timeline for debt repayment, is the Evosys growth sustainable and Evosys standalone margins, just wanted a clarity, is it 22% or 20%?

**Abhishek Singh:** Margins are always in the range one quarter or one swallow does not make a summer here. So obviously, I can give you a number, but that will get impacted over the period of time. It is a range and we stick by the range. On your first question, the standard term loan schedule is one year moratorium, four year repayment. And as we feel comfortable we will keep paying off as we did last quarter with $6 million.

**Ram Bhatt:** And just the Evosys organic growth, is that sustainable, that you have said 9% this quarter on QoQ basis?

**Abhishek Singh:** If we look at our businesses from a very-very myopic lens of only growth, so, growth is the only direction, whether it is 6%-9%-7%-20% overall, can comment on that, but yes, it is growth and there is tremendous market opportunity in which Evosys enjoys very good reputation.

**Moderator:** Thank you. The next question is from the line of Jatin from Alpha Capital. Please go ahead.

**Jatin**: Sir, my first question would be again on delving on the margins because Evosys is growing faster than our Mastek-based business and you see there is a higher margin. So can we expect this 17.6 this quarter to even improve from here?

**Abhishek Singh:** I think I answered that question. It is a classic case of 'Dil Maange More'. Does not matter what we deliver, there is always a desire for more. What we have outlined is a sustainable EBITDA margin, beyond which we will invest back into business. This is not about maxing out on the

EBITDA, this is about sustainable business and accelerated growth. So after anything beyond our threshold, as we generate, we will invest back in the business.

**Jatin**: My last question would be on this dwelling on other income. So you are saying some part is one-off kind of thing. So even in this quarter, as well as last quarter, both quarters other income was close to Rs.17 crores. So, how much can we expect going forward?

**Abhishek Singh:** Barring one off, I think we are in a healthy zone of Rs.7 to Rs.10 crores of other income.

**Moderator:** Thank you. We will take the last question from the line of Sachin Kasera from Swan Investments. Please go ahead.

**Sachin Kasera:** So, you may still look at those acquisitions, so, they would now be more of small type of acquisitions which will be more for building some capability on specific need. You mentioned that you will look at something very attractive, but if something attractive and big is available, do you still have a hunger for big acquisition?

**John Owen:** How our capital allocation will be looked at? But I think let us be pragmatic. We acquired a company two quarters ago and we are in the integration of that. And that was a big acquisition for a company. And it is the capacity to digest, to integrate and to extract the value. My philosophy is very simple -- you do not grow because you buy a company, you grow because you buy capacity, capability, and you got to operate it. So we are still in the early days of that integration and I will say it is going well and we are cautiously optimistic but let us not celebrate too much. So, that being said, two quarters ago, nobody knew about COVID. And I think COVID will have a profound impact on the market. So, there is a logic that may be certain companies need the stability of something like Mastek and that we will look at that through more of an opportunistic lens than a key strategic lens. But at the moment, a big acquisition is not on my radar. In sales to give me complementary skills, services and capacity will, because it accelerates my core business, it is a good use of capital. If it diversifies me into markets, I have not got critical mass, we would not do it. So while we are in the impacts of COVID, we are not going to M&A our way to the mid cap, we are going to operate our way to the mid cap. But to your point, we may have some infill acquisitions just to complement that what we are doing.

**Sachin Kasera:** Just two small data questions for Abhishek. One, what was the constant currency growth for Mastek? And secondly, on the tax rate, how do we see this year and the next year?

**Abhishek Singh:** Constant currency, we were flat quarter-on-quarter around 0.5% degrowth, so I would say it is practically flat 1% in INR terms. ETR would be in the same zone of 22% to 23%.

**Sachin Kasera:** Because this quarter, I think the tax rate is quite high.

**Abhishek Singh:** Yes, that was the one-off event that we have made provisions.

**Sachin Kasera:** For the full year, we can look at 22%, 23%?

**Abhishek Singh:** That is right.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you and over to you.

**John Owen:** Okay, thank you very much. I hope you get as much confidence out of these results as we do. But I think it is confidence, not complacency is the word I will leave you with. And we have a philosophy in Mastek that every quarter, we reset back to zero and that is where we got to be. To the point, $50 million is not the high water mark. It is the baseline that we got to build from. Our earning quality is the baseline we got to build from. I think the other thing is let us not get too carried away.

COVID is still having and will continue to have a profound impact on our business, on our economy, and on our people, and there is massive economic fragility in the world. And we have to operate with that. But I think we do have a very good plan in our cut and grow. And I describe this as it is a bit like antibiotics, you take a treatment. As soon as the symptoms die off, you do not stop taking the treatment or else the symptoms come back. And that is where we are with COVID. We said it is a first half phenomenon, that is the hypothesis. We will cut and we will grow or repurpose, and that is what we are doing. We are not through the woods. I think we have had a good quarter. And I have confidence in Q2, and I have confidence in the second half. But let us not forget, COVID is having a profound impact. So, we will grow. We have certain recovery in the US and the UK private that we have got to execute. We are trying to build elasticity into our cost structure. But that planning for growth is not going to come at the expense of margin dilution. And although we have just had cash in the bank, we are going to continue to be overhead-averse because the market is going to get a lot more competitive. So we have made a good start, I think we are managing COVID probably better than many companies, because we are a lot of smart, a lot sort of more agile and we can navigate and we are not as exposed to some of those segments as other companies. Acquisitions? Yes, if it can complement the go business, I mean, we grow quicker. That is the right way to allocate our capital. But we are not going to buy a company to get us into new markets. If it is not, got synergy with where we are. So good start. And as Abhishek says, one swallow does not make a summer, but it comes down to execution and everything. And we are confident we have the plan, and we have some momentum for Q2 and the rest of the year. So with that, we thank you for your questions. And I wish you stay safe, and we look forward to engaging with you in the coming weeks.

**Abhishek Singh:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Mastek Limited, that concludes today’s call. Thank you all for joining us and you may now disconnect your lines.