Mastek
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SEC/130/2023-24 January 25, 2024

Listing Department **BSE Limited** 25th Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai-400 001 **SCRIP CODE: 523704**	**Listing Department** **The National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **SYMBOL: MASTEK**
ISIN: INE759A01021	

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

Sub: Transcript of the earnings conference call for the quarter and nine-month period ended December 31, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and nine-month period ended December 31, 2023, conducted after the meeting of Board of Directors held on January 18, 2024, for your information and records.

The Transcript of the conference call can also be accessed from the website of the Company at https://www.mastek.com/investor-financial-information/

Thanking you,

Yours faithfully,
For Mastek Limited

DINESH KUMAR KALANI
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Mastek

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Vice President – Group Company Secretary

Encl: A/A

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"Mastek Limited

Q3 FY '24 Earnings Conference Call"

January 18, 2024

4:00PM to 5:00PM IST

MANAGEMENT: MR. HIRAL CHANDRANA – CHIEF EXECUTIVE OFFICER – MASTEK LIMITED
MR. ARUN AGARWAL – CHIEF FINANCIAL OFFICER – MASTEK LIMITED

MODERATOR: MS. ASHA GUPTA – E&Y INVESTOR RELATION

Moderator: Ladies and gentlemen, good day, and welcome to Mastek Limited Q3 FY '24 Earning Conference Call. As a reminder, all the participants' lines will be in listen-only mode. 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Ms. Asha Gupta from E&Y Investor Relations. Thank you, and over to you.

Asha Gupta: Thank you, Muskan. Good afternoon to all of you. Welcome to the Q3 FY '24 Earnings Call of Mastek Limited. The Results and Presentation have already been mailed to you and you can also view them on the website at www.mastek.com. To take us through the results today and to answer your questions, we have the top Management of Mastek represented by Mr. Hiral Chandrana, CEO and Mr. Arun Agarwal, CFO. Hiral will start the call with the Business Update and which will be followed by Mr. Arun providing the Financial Update for the quarter.

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

Having said that, I will now hand over the call to Hiral Chandrana. Over to you, Hiral.

Hiral Chandrana: Thank you, Asha. Good evening, everybody and Happy New Year to all of you. I will cover three topics – a financial recap, update on our business strategy and strategic priority and view of as we look forward how we are well positioned to sustain the success ahead.

On the financials, we reported 17.4% year-on-year growth on revenue terms in US dollars and our EBITDA expanded to 17%. Our order book backlog year-on-year grew 21.2%. We are very happy with the deal momentum as well as the orders that have been booked in Q3, and we see continued demand as we look at the future quarters.

Our operating cash flow as well as our business metrics on utilization improved as well as we have declared a dividend of 140%, INR 7 a share. BizAnalytica has been completely integrated now as part of Mastek family and we are very happy with the momentum that we see in the data automation and AI space.

As far as the overall business is concerned, I am going to break it up into a couple of parts and talk about some of the client wins as well: As we have been communicating for the past many quarters, our UK public sector business continues to be very resilient. We are not only working and expanding our footprint in the existing departments where we are very strong, which includes immigration, asylums, biometrics, but also starting to expand into newer areas and policies. We announced a large deal win last time at the Cabinet office. Pleased to inform you that that has been delivered in the first milestone and we continue to do more with the Cabinet office. As it relates to other departments in the UK public sector, our team is doing a fantastic job in running very targeted campaigns with new policy areas and frameworks and we feel that in spite of various changes in the UK geography as such, we believe the areas that we are working in will continue to be resilient going forward.

Our US business continues to operate in a steady fashion. A lot of foundational work that has been done in the last few quarters is starting to pay off both in terms of demand as well as in terms of types of deals. We closed a large global deal in a 5 billion manufacturing company. It's a truly transformational approach to looking at end-to-end processes from order to cash, procure to pay, record to report. And our global teams came together in Europe and UK and in North America to deliver that win. The Home Office where we do some significant work on immigration is starting to look beyond and we are strategically working with many departments to see how we can align to the ministerial priorities of 2024 in creating more efficiencies and reducing their backlog.

We have had some very interesting wins in the Middle East, and this goes beyond Oracle Cloud as well. We are getting opportunities in ServiceNow, in Microsoft. Happy to report that AWS is another growing partnership. We were recognized by AWS as a top three upcoming partner.

The TechMarketView, which publishes transparently the progress identified Mastek in UK as 'one of the suppliers on the rise'. And our healthcare momentum in the US continues to be very strong both in terms of pipelines as well as the type of wins. We have won a new logo in a Fortune 500 company. We have also made some progress in some subsectors of financial services and believe that there is more to come there.

As we look at the data automation and AI space, now with the amplified capabilities of BizAnalytica and data cloud data modernization, we are starting to see some very strategic plays in Snowflake, Databricks, but more importantly, looking at the customers' entire data landscape and many of the wins that we have had in the last few months included looking at unifying their data platform and making sure that they are getting ready for the Gen AI and AI use case.

We are also working with many of our top 30 clients in not just identifying some of those AI use cases, but also showing them a roadmap in some cases partnering of how we can deliver that roadmap.

As we look at our utilization and operating levers, Arun will cover in more detail our financials, but we are happy to expand our operating margin and continue to focus on making sure that we are repurposing so that we can invest in future emerging areas.

Our confidence level in the US and UK in our strategic priority areas, particularly the public sector in the UK, as well as healthcare in US continues to be very strong. We have also gotten much more razor-sharp focus in areas that we do not want to play in. And as a result of that, we have started to exit certain geographies like Malaysia, Singapore, and India business that has resulted in a little bit of attrition spike, but we believe that will stabilize and keep going down in the future quarters.

Let me shift to the market going forward and how we see FY '25. While we don't provide any guidance and financials, we continue to believe that top three priorities in the company, which is our government and secure government business in UK, our healthcare business globally, and the types of wins that we are having in the healthcare business, plus the data and AI space will continue to be the top three areas that we will focus on.

Having said that, we have made a shift in the last 18 months on how we think about account mining, as well as how we look at our strategic clients. And while we have more work to do in that area, we have started to see some excellent progress on pockets of clients, which have moved from USD 1 million to USD 5 million, USD 5 million to USD 10 million. In many cases, we are building a pipeline of more 1 million accounts so that those accounts can become the future USD 5 million, USD 10 million accounts. And many of them are large brand names, in some cases, Fortune 500, Fortune 1000 clients. So, we believe that now with the enhanced portfolio of services, which is Salesforce in our front office, Oracle Cloud in our back office, some of the digital engineering work that Mastek has always been good at, plus the amplified data capabilities give us a much broader right to win in our chosen markets and verticals.

Having said that, we recognized that there are client decision delays, there are certain macro uncertainties, but our confidence level on the pipeline and our order book backlog is strong. And we believe that the areas that we are focused on in terms of our strategic priorities will continue to grow. There is a shift that is happening in the buying behavior of our clients as well, in terms of value-based delivery, in terms of smaller projects in some cases, very quick wins, much more agile delivery, even in large transformation programs. And we believe that plays to our advantage.

Happy to answer more questions as we get into Q&A. And with that, I will turn it over to Arun.

Arun Agarwal: Thanks, Hiral. A very warm welcome to everyone on the Call. Wishing you a very Happy New Year.

We have circulated the Presentation in advance. So, I will be focusing more on the financial and the operating levers representing our performance for the quarter.

We reported revenue of INR 784 crores for the quarter. It's up 2.4% quarter-on-quarter in INR terms and 19.1% year-on-year. This performance is after taking impact of furloughs, which has happened across the geographies and quite traditional quarterly challenge, which all of us face and the performance is despite that challenge. In constant currency terms, it reflects growth of 2.7% quarter-on-quarter and 13.4% year-on-year. As Hiral mentioned, we have completed integration of BizAnalytica during the quarter and this quarter represents the full quarter revenue of BizAnalytica, which was USD 4.3 million. On the organic basis, our quarter-on-quarter growth represents 0.7% in constant currency terms.

We added 27 new customers during the quarter as our hunting engine continues to add and expand the customer base across our US, UK and some of the Middle Eastern market. As Hiral mentioned, it's a consistent order booking, which we are seeing across our geographies, including US, UK and Middle East and our 12-month order backlog for the quarter stands at USD 248 million, reflecting a growth of 11% quarter-on-quarter and 21% year-on-year.

Our operating EBITDA moved up to 17% during the quarter and improvement of 90 bps quarter-on-quarter. This EBITDA expansion has been led by operating levers improvement, including utilization and other levers, including your grade mix, etc.

I am really glad to inform you that our US profit has moved up significantly, which further supported the overall operating EBITDA at 17% for the quarter. Our utilization has moved to 85.4%, 130 bps improvement quarter-on-quarter. This utilization is excluding leave to represent the actual utilization of the headcount as they join Mastek. Our profit after tax has improved to INR 77.7 crores for the quarter. It is up by 19% for the quarter and 15.8% year-on-year.

Our collection continues to be robust. We are improving our DSO quarter by quarter, reflecting a strong gross cash addition to INR 404 crores for 31st December 2023. Our borrowing stood at INR 464 crores at the end of December, and we are having debt net of cash at INR 60 crores at the end of 31st December.

Our closing headcount was 5,518 at the end of the quarter, representing net reduction of 80 headcount. As we continue to improve our utilization and as we are adding more and more customers, we will be looking to increase this headcount in the coming quarters.

Let me thank all of you again for your patience and continued trust in Mastek. Going back to the moderator to open the house for Q&A. Thank you, everyone.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: I was just asking about organic growth in the US. It looks like that is more than 2% quarter-on-quarter. Is that correct?

Hiral Chandrana: Yes. That is absolutely correct.

Ravi Menon: And secondly, it looks like you described the cross-sell and the strong order win this quarter. It looks like there is already a lot of traction building in the US. Could you talk a bit about how many services we are cross selling on average? Do you have any measure of that across the accounts currently, any examples of BizAnalytica clients where you managed to already cross-sell some of Mastek's services?

Hiral Chandrana: Yes, that's a great question, Ravi. And as I mentioned towards the end, we have been running a disciplined account mining focused initiative for the last 15 to 18 months. While part of it is obviously cross-sell where we measure the service line penetration, we have four kinds of plus one service line and we start looking at even sub practices within each service line. So, the proactive proposal as well as how we shape some of the conversations, within our top 30 accounts, we have now more than one service line in about 15 to 16 of them. And in some cases we now have three service lines operating in some of the accounts. So, that's one dimension.

But then beyond just the service line penetration, we have also revamped some of our account managers and client managers, client partners, also looking at how delivery can contribute to account mining plus getting ready to understand the customer, be more intelligent about the landscape, their spending areas, their new initiatives so that we elevate our position in newer spends and newer strategic areas as well. So, that's for the top 30 accounts we have been very, very rigorous.

Having said that, we are also doing some cross-sell in the next 20 to 25 accounts and as far as BizAnalytica is concerned, it's a little bit early, but we are very happy with the deal momentum even in the data space. We were expecting that the first few quarters would be more focused on the US given that the acquisition is mostly based in the US, but we are seeing really a good demand in UK and many clients outside of US as well. That's been really encouraging because data, having the whole data foundation, the modernization journey of moving it to the cloud is a common topic across all clients. So, yes, encouraged with the cross-sell progress, but there is definitely more to do there.

Ravi Menon: You also spoke about some traction with some Fortune 500 clients now. So, are these new wins over the last 12, 24 months, the new logos that you have managed to add?

Hiral Chandrana: We have been much more careful in terms of the new logos, and you would have seen that trend in the last three quarters, maybe four. It is partly to ensure that we don't get into clients which are USD 500 million or sub billion, right? We are mostly focused on now clients above USD 1 billion, in many cases USD 2 billion, USD 5 billion, USD 10 billion clients. So, the quality of new logos that we are adding is much richer. Obviously, that means that they have higher budgets. There will be more competition in some cases, but in the areas where we have the right to win, where we have differentiation which we do, we feel that that's the best approach.

Having said that, in the Fortune 500 clients I was talking about which is in the US was a new logo. There are a few other logos where we had entered earlier in the year and now we are expanding them through the earlier point that you made on cross-sell.

Ravi Menon: One last question on the UK, if I may. Any sign of revival, we saw that you announced a new win there with one of the UK Government Departments. So, any sign of an improvement in spending?

Hiral Chandrana: We continue to be bullish on overall UK public sector. Again, I am being very specific here because if you look at the government's spending, roughly it stands at about USD 12 billion and Central government defense and health makes up almost about 75% or more of that spend. And those are the areas that we are playing in. In fact, we are playing in even local government and education, but the areas that we are focused on is really that Central government and defense. And in there, there are some very significant and longer-term policy decisions that will continue to be part of their national critical infrastructure activities. So, for example, we have not entered some of the new areas in departments like the Department of Justice and Police Protection where we started to gain lot more traction. So, in general, we believe while the cycles are longer, just by the nature of the adjudication process and the time it takes, but in terms of our ability to win in that market given our longevity, our security cleared resources and our differentiation because we have been managing some of these systems for 15, 20 years is very high. So, yes, we continue to like that sector and will grow there.

Moderator: The next question is in the line from Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Sir, congrats on a good quarter, especially on the margin front. One question is on the Health Segment. Now there is some increase which we have seen in this quarter. So, is it on account of the acquired entity integration and more in the US or should we assume that the issues we face in the UK are now behind and this account has started growing for us? So, that's one and second, now that you have alluded to the fact that government spending is high on the IT side, so what kind of growth rate should we really expect from a Mastek's end point say over medium term?

Hiral Chandrana: Let me first cover the healthcare part. So, see in healthcare, it's one of those verticals where we are present globally. And in fact, Middle East and Australia, where we do business, we have had some healthcare wins there as well. But our biggest focus when it comes to healthcare in terms of just the sheer volume and the size of the opportunity is in the US and that is in the payer and provider space. Very specifically in the payer space, we are going after Blue Cross Blue Shield, and we are going after Regional Health Plans. These are companies anywhere between USD 4 billion to USD 10 billion. In the provider space, which is the hospitals and the senior living facilities, we have some good traction because of our Oracle Cloud and our back-office transformation capability. So, now, as we look at that healthcare space and your specific question, most of the growth that you have seen and that you will see even in the coming quarter is due to the US healthcare and the Middle East and Australia healthcare traction.

On the NHS, which has been a specific account where we have had challenges in the past due to reasons even outside of our control, like I communicated in the last quarter, we now believe it has bottomed out. We have in fact renewed one of our key existing engagements with some small uptick in business in there, which gives us confidence in staying stable over the coming quarters and years in that area. And now, we have hired a new healthcare leader in the UK who has just been onboarded two months back. There is an outside agency that we have hired. We are actually getting some really good insights. I wish we had done that earlier, frankly. And now we have a complete plan for NHS revival and growth paths where the team is plotting not just one area, but multiple areas beyond the central agency of NHS. There are secondary cares, there is arm-length bodies. And so, we believe that NHS accounts will grow in FY '25, but I think I mentioned this last time, we are cautious on that. So, all around healthcare, we feel really kind of bullish about some of the deal momentum and it will grow globally going forward.

Mohit Jain: And second was on the government segment, like if you exclude this the way we report government and education, what kind of growth rates do you expect there?

Hiral Chandrana: Higher education is an interesting sector. It's not obviously a very large spend area, but it has some interesting dynamics that it is going through, and we have had some wins even in this quarter as well as in the last few quarters. So, Nottingham, University of Durham, so we see some momentum out there, but from a prioritization perspective, the secure government services, which is really the central government and defense spend combined is 70% of UK public sector. And so that's where we want to focus on. So, that particular area, which is a very big part of our business, will continue to grow at a company average going forward. There might be other areas that will grow as well, like education, but that may not necessarily be at the same level.

Mohit Jain: On the margin front, now that we have done 17%, is there a possibility that with US profitability coming back, and I think there is more confidence in US growth, that company level margins can move up more towards 19-20% over medium-term?

Arun Agarwal: Mohit, as we have said in the past as well, our endeavor is to operate between 17-19%. So, that will continue to be our effort and that's the direction.

Mohit Jain: But from your standpoint, specifically coming out of the strong quarter, so there is no headwind, so to say, given that wage hikes are behind, US seems to be turning around.

Hiral Chandrana: I think we had pointed out that last quarter was more of an aberration because of wage hike in a couple of other areas. We believe that the 17%+ and 17% to 19% range, we are making some fundamental changes in operating models and efficiency. So, that is definitely going to help. And like Arun said, we feel comfortable in that range. Obviously, we want to continue to invest in the right areas for the future, but yes, that 17% to 19% band is very, very steady and can be consistent going forward.

Mohit Jain: And third quarter has no one-off in margin, right?

Arun Agarwal: No, it's broadly there.

Mohit Jain: Because in one of the footnotes you have mentioned like I think margins could have been higher. It's the onetime expenses would not be there.

Arun Agarwal: That's predominantly because the way accounting happens, your PPA amortization, unwinding of interest, all those gets reported as part of your depreciation and the interest cost, right? So, what we have highlighted is this acquisition, because of this acquisition, it's not the business profit, right? This accounting cost comes, and your business profit starts seeing in a different way. So, that's what we tried to highlight.

Mohit Jain: Everything is below EBITDA?

Arun Agarwal: Yes, it's always below EBITDA.

Hiral Chandrana: And Mohit, the BizAnalytica margin profile, as you know, and might recall, was lower than the overall company. The team has done a really good job in making, not just integrating, but just making them part of the family and it has improved margins, getting very close to the overall company average. So, that has helped as well.

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

Ravi Naredi: Sir, in the last 9 months, we grew 44% revenue in US which is very much impressive. Secondly, from UK and Europe, we grew 11% only, and our profit rises 3.55% only. So, from the above table, we conclude US business is growing while UK and Europe are steady and giving less bottom line downward than US? Is it true?

Hiral Chandrana: I will start and then request Arun to add. See, our UK business is operating at very strong margins already. We have a very differentiated business, particularly in the public sector as you know, and that margin profile is really been consistent and steady.

Having said that, we are starting to participate in some larger deals in larger transactions. So, we are willing to make the right bets and sometimes that might trigger quarter-on-quarter fluctuation. But broadly, it is still in a very healthy range.

Our US margins historically have been on the lower side because of subscale nature of our business and in some cases, a combination of organic and inorganic companies that have come together. But now, last quarter, we crossed kind of a USD 100 million run rate with a quarterly run rate. And now we have a fairly solid integrated business. We hired a new US leader about 10-11 months back and he is doing a good job in bringing multiple entities together as just kind of one Mastek. So, part of it is just that.

But second is, of course, there is a very rigorous qualification process that I was mentioning earlier. So, in some cases, we are actually getting out of accounts which are low margin and making sure that new business that we win is in quality accounts. And again, the team has done a good job in really implementing some of the operating levers. So, we feel good about the margin improvements in the US. In fact, even the Middle East has improved a little bit and they will continue to improve going forward.

So, all in all, we want to make sure that all geographies are firing, not just on the top line, but on the bottom line as well. But the US will have a slightly different margin profile, but we are very encouraged by the margin curve this quarter.

Ravi Naredi: Secondly, is our revenue backlog growing, but not our margin? So, what step is in our mind to reach back 15% profit after tax margin?

Arun Agarwal: Ravi, as we mentioned, again, it's a combination of both improving your operating profit, which is reflected through operating EBITDA. So, if you notice, we have reported 17% now. And as we mentioned in the earlier comment that we want to operate between 17% to 19%.

Unfortunately, what happens because of whenever you make an acquisition, there are accounting related costs, which come into your P&L like PPA or purchase price intangibles, which get amortized, you start getting unwinding of interest from the earnouts.

So, all those notional costs, which are not business and again, it's accounting, I am not saying cost is not there in the P&L. It is more about your accounting related cost, which optically reduces your PAT percentage. So, when you see 9.9% PAT, that would have been far higher had this accounting was not there, right? So, as we start operating and improving our EBITDA, that will get reflected into our profit after tax as well.

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

Amit Chandra: My question is on the strong order book that we have shown, and it has been there for the last two quarters. So, if you can provide more color in terms of what kind of deals we are winning and in terms of mix, whether it is more US heavy or we also seeing good part of UK private in this?

Hiral Chandrana: The order book momentum and the orders that we have closed, like you rightly said, backlog, the 12-month backlog has consistently grown quarter-on-quarter last couple of quarters is actually across the board. So, that's why I am actually more pleased because it's been consistent, but also across all geographies.

One of the deals which I was mentioning earlier that we have reported even in the investor deck, that particular deal as an example, is a USD 10 million deal for a complete Oracle Cloud implementation and a business transformation. It's actually a global account, but to be executed in North America. And the time period for that is 18 months. So, that should give an example of that deal.

Couple of other deals that we announced are in the range of USD 4 million to USD 6 million and some of those have anywhere between 6 to 12 months in terms of timeframe. The public sector deal that we announced is an expansion of the existing work. So, that's a key differentiation. Because our credible delivery and our client intimacy in some of these areas is very strong. And as more enhancements need to be done, as the landscape of the systems that we have built need to be modernized and in many cases, we are now converting the development work and the build work that we do into managed services. So that is also giving us a more annuity, sticky revenue as well.

So, yes, short answer is across all geographies. But the U.S. order book is definitely now steadily growing quarter-on-quarter with net new logos, as well as net new deals, which are larger in size.

Amit Chandra: And sir, on the UK government, so we know that in this quarter, there was a furlough impact. So, apart from the furlough impact, are we seeing any issues in terms of addition making or any delays in ramp up? Can we also see extended furloughs in the UK government for the next quarter? And apart from that, how do you see your penetration strategy in terms of penetrating into other departments within the UK government?

Hiral Chandrana: So, Amit, first of all, we don't see any extended furloughs. I know that a couple of other companies have announced some extended furloughs, but we don't see a risk of that. Point number two Q3 is obviously a furlough quarter, but we will grow in the sector that I was referring to, which is a good part of our business in UK, which is the secure government, including central government and defense. That sector will continue to grow in Q4 and beyond in FY '25. And so that's the first part of the answer.

As far as new departments are concerned, we have a very clear strategy of policy over technology. And when we say that we are aligning to the top policy areas in the UK public sector, the areas that we are present in right now, for example, in immigration, in borders, in biometrics, in asylums are already key policy areas. The new policy areas, the government digital service, the GDS Cabinet office win that we announced last quarter is a new area as an example. Now, within that, we are cross-pollinating because that One Login program, like I mentioned last quarter, it's like your Aadhaar card. It cuts across the entire UK government and all departments like HMRC, Home Office, even NHS use that. So, we are starting to see new areas as a result of that. And there are some common themes that are evolving. One common theme is biometrics because the DNA database that we have built applies to multiple departments.

The second is immigration. Now, immigration is a big problem globally, including Europe and U.S. So, we are looking at that in terms of potential replication. And beyond that, there is a campaign that we are running on new departments. Now, these new departments are also aligned to certain policy areas. For example, there is agriculture, food, rural, environment department, called DEFRA. There is a Department of Justice. And within that Department of Justice, there is many sub-departments. There is police protection where we have actually hired civil servants.

One of the very encouraging signs that we have here, and that's why we are so passionate about this business is that a lot of our ex-customers are actually willing to join Mastek. In fact, many of the civil servants that have joined have made a big difference because they come with that domain knowledge. They have worked in that industry. So, yes, that sector is a massive spend area. And you will continue to see good growth going forward.

Amit Chandra: Final question on the margin. So, obviously, the margin performance has been impressive and it's mostly led by recovery in the U.S. margins. So, how do you see the U.S. margins going ahead from here in terms of, still it's below the company average? So, is it fair to assume that we have reached the optimal level or still there is scope for improvement in the US? And at the overall, is it fair to assume that with the margins in the U.S. recovering, we can be in the higher end of the range that we are targeting?

Hiral Chandrana: There are a few different variables in this question and that's why I will maybe take a minute here because it's an important area. Our U.S. business has definitely branched off now into reasonable size. I mean, it's still small in the grand scheme of things and we believe there is so much more potential even in the verticals and the accounts that we are playing in. But having said that, there is a good threshold of USD 100 million that we have crossed and that's now giving us confidence that, hey, we can aim for the next USD 100 million. So, yes, the simple answer is there is definitely more leverage that we will have, and the margin profile will continue to improve.

But I think it's important to understand that we are going to start competing in larger deals. We will start going after some larger accounts. And even within our own accounts, we believe there is a lot more cross-sell room and upsell room in terms of account mining. And some of that might come at margins which are below in the short term. But as long as we are confident that we can drive operational rigor, efficiencies, automation, and making sure that overall profitability is kept at company level, we will go after some of those large deals.

What we sometimes don't talk about enough is our Middle East business. It actually has great deal momentum and order book. Having said that, the margin profile of that geography is typically low. And there also we see visibility on improving the margins of Middle East. In fact, in the Middle East and AMEA as a whole, we sometimes don't go after certain deals. We could grow much faster in that geography if we wanted to. But we are being very careful. So, yes, the combination of Middle East margin improvement and some continued steadiness in margin improvement of U.S. will bring the overall profile to a fairly, maybe in the midpoint of that range that we are talking about, between 17% to 19%. And then there onwards, we will have to make calculated decisions on which accounts we want to invest in, what newer areas. There is a lot that is happening in generative AI. We have not talked about it as much, but we are seeing some amazing examples of use cases in various functional areas from customer service, even industry specific AI. We talked about healthcare as a priority. Even within healthcare, the specific areas within the payer and provider segment, in the clinical documentation areas where we see tremendous opportunity. So, we will have to look at where we want to invest going forward and still maintain our margins in that threshold.

Moderator: Thank you. As there are no questions, I would like to hand over the conference to management for closing comments.

Hiral Chandrana: First of all, thank you for all the questions and support, your trust in Mastek. We appreciate the interaction and hopefully you have got a flavor of where we are focused on, where we are prioritizing. It's been a decent quarter, like I said, happy with the orders that we have booked, the order backlog visibility that we have into the future demand. And even more encouraged that this momentum is across all our geographies, specifically the UK public sector, the U.S. healthcare business and healthcare as a whole globally and data and AI as a key service line and horizontal globally as well.

Having said that, we have some very strong business in our Salesforce capabilities, as well as in our Oracle Cloud capabilities that continue to give us great differentiation from front office to back office. And combining that with our new capabilities with BizAnalytica in the data space is definitely giving us end-to-end differentiation in many of our clients.

Having said that, we feel that there is much more to do. And as an organization, we are moving the needle in the right direction as it relates to account mining, like I mentioned earlier. And even when it comes to larger deals, our average deal sizes have improved, our client intimacy has improved. And so I am fairly pleased with the tremendous job that our teams have done.

I want to obviously thank our customers, our partners, but especially our Mastekeers and our teams for their commitment towards the organization and our clients and, of course, all the investors and analysts on the call for your continued support. So, with that, thank you and have a great year.

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