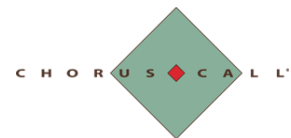




“Mastek Limited  
Q4 FY'25 Earnings Conference Call”  
April 21, 2025



**MANAGEMENT: MR. UMANG NAHATA – CHIEF EXECUTIVE OFFICER–  
MASTEK LIMITED**

**MODERATOR: MS. ASHA GUPTA – E&Y INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Mastek Limited Q4 FY'25 Earnings Conference Call. As a reminder, all participants' line will be in 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Asha Gupta from EY. Thank you, and over to you, ma'am.

**Asha Gupta:** Thank you, Sejal. Good day to all of you. Welcome to Q4 FY'25 Earnings Call of Mastek Limited. The results and presentation have already been mailed to you, and you can also view it on our website, [www.mastek.com](http://www.mastek.com).

To take us through the results today and to answer your questions, we have the top management of Mastek represented by Umang Nahata, the CEO of the company. Umang will start the call with a business update for the quarter. Post that, we'll open the floor for Q&A session.

As usual, I would like to remind you that anything mentioned on this call that reflects any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with the risks and uncertainties that we face. These risks 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.

Having said that, I will now hand over the call to Umang Nahata. Over to you, Umang.

**Umang Nahata:** Thank you, Asha. Good morning, everyone. Thanks for joining the call. Warm welcome to the call, which is for the results of Q4 and also the year-end of FY '25 for Mastek Limited. I'll start by giving a quick headline on how do we see the overall macro since this is the call, which represents the end of the year and fresh new year beginning.

So overall, it's been a very eventful year, a lot of important changes that you've seen; two government changes in U.K. and U.S., which are the most important business geographies for us. There's also a lot of change in policy and geopolitical affairs that we are seeing in our markets. This has also been a year which has led to significant changes in technology, especially AI and AI-related technology changes, which I'm sure is going to impact especially the IT services as well as all the industries very significantly as we go forward.

In spite of these eventful year all around us, I'm very happy to report that our overall revenue from operations for the year FY'25 has grown by 13.1%. Our net profit for the year has grown by 20.9% as compared to FY'24. The total cash and cash equivalent that we had in the company has now grown to INR 622 crores as compared to INR 473 crores that we had at the end of last year. From a business standpoint, our order backlog, our 12-month order backlog that we report has grown 1.7% for the year, which is lower and I'll explain that later in the call. For this year, we have also declared a final dividend of INR 16, which makes up a cumulative dividend of 460% for the year.

Going forward, I would explain the performance of the quarter and then some of the impact that is happening within the various sectors of our business. As far as Q4 is concerned, our core business that is the U.K. and Europe business had a phenomenal quarter. And our revenue for U.K. on a year-on-year basis grew more than 17.2%, which is an outstanding performance from a U.K. standpoint. In fact, the numbers also grew by 9.4% quarter-on-quarter. The U.K. performance, as we all know, U.K. has been a strong digital services business for us. But the important change that we are seeing now is not only U.K. continuing to be a strong digital services capability business, but we're also seeing strong and healthy momentum in our Data & AI business in U.K. as well.

Going across sectors, healthcare continues to be the most high-growth sector for us in the U.K. The overall health care business, especially the business with NHS continues to grow phenomenally. In fact, we had more than 100% growth year-over-year in the last fiscal in our health care business. The demand for the health care business is again very systematically driven by more preventions and collections. Both of these are a lot more Data & AI-driven programs and therefore, has also helped with our Data & AI business to grow. These are systematic policy-driven programs and will continue to do well in spite of the organization and structural change that the U.K. healthcare is currently executing, which is trying to integrate all healthcare under the Department of Health.

Similarly, the private sector business in U.K. also continues to see a very strong positive momentum. As I mentioned earlier, I believe our private sector business in U.K. has now turned a corner and we are starting to see some really good deals and healthy momentum going forward. Again, interestingly, the business here is not just in the Digital services and Oracle, but we are also seeing a lot of Data & AI-led businesses happening in the private sector. And we continue to see very strong positive momentum as we go forward into the next year.

Our secured government services, which is the core and the backbone of Mastek's business in the U.K. continues to do really well. This year, as planned, we have almost renewed all the large backlog of business that we had to renew, which gives us a very strong healthy runway for the next 2 years and also gives us the momentum to aggressively go out and hunt for much more net new growth business in the coming year. All in all, very positive strong direction on our U.K. and Europe business as we look forward entering into the new fiscal.

As far as our North America business is concerned, again, our business for the quarter, while it had a year-on-year growth of around 16%, our Q-o-Q numbers have dropped by 8%. Oracle continues to be a really strong driver for our North America business. Our Oracle business, in fact, grew more than 50% in this year as compared to the previous year and we continue to see a very strong momentum in the Oracle business.

We are also working very closely with our 120-plus active customers in North America and are seeing and working with them in terms of developing their Data, AI and Digital road map as we move forward.

The macro changes in the U.S., as we all know, is showing some impact or some near-term impact in our business as it is. I'm assuming as it's showing to all of us. And some of our customers are more directly impacted because of these policies, which has led to in-sourcing of some businesses by them or in-sourcing of some work as well as a right shift in the deal momentum that we were working with. We're very hopeful that these are near-term and short-term changes. And hopefully, the macro will stabilize and therefore, allow us to bounce back.

As far as AMEA, which is APAC and Middle East is concerned, our focus continues to be to drive profitable growth for our business. Healthcare continues to be the top focused vertical in the geography. Our EBITDA numbers for the geography have improved significantly quarter-over-quarter and we continue to focus on driving healthy profitable growth in the region. I'm also very happy to share that our healthcare business, which was largely Oracle-driven earlier in the geography, has now expanded to other service lines and we're seeing traction across all capabilities, Salesforce, Data, AI and Oracle within the healthcare space.

On the overall profitability numbers for the quarter, our EBITDA performance for this quarter de-grew by 1.4% and our net profit de-grew by 14.4%. The de-growth in EBITDA in spite of the positive momentum and growth in revenue is largely attributable to 3 or 4 important reasons.

The growth that we are seeing in our U.K. business, as I mentioned earlier, is in more newer skills, is more in Data & AI capabilities and in more front-ending capabilities. Some of these capabilities, we are also building as we deliver. And therefore, the margins in these businesses are lower as compared to our traditional margins that we used to enjoy. And we are actively working on strengthening these capabilities. And over the mid- to long term, I'm sure these will again deliver us healthy margins as we go forward.

There's also a reset in terms of people changes that we are executing, quite a few across the organization. And that reset has also led to some one-time costs that have come in this quarter and we might see some more as we look forward into Q1.

The third important change has been the lower revenue growth in U.S., which has also flown down to our bottom line and hence, impacted our bottom-line performance for this quarter.

The PAT performance or the net profit performance, which has gone down significantly is largely led by a one-time prior period cost adjustment, which was only a one-time event. It has been executed already. And if you look at PAT, outside of this exceptional event, it was pretty steady.

Going forward and looking at our business for FY'26 and the outlook for FY'26 and how do we see the business there. Our current view is our growth in our core business and core markets, which is our U.K. and Europe geographies will continue to be extremely healthy. As I mentioned earlier, we are almost firing all cylinders in our U.K. market.

Our secured government services business, we have a very healthy overall total backlog in that business. And we are now really aiming for growing business in terms of acquiring new projects

as well as new departments in the SGS sector. We're already in play in various bids, which would get announced over the course of the next year. And I'm pretty hopeful that, that will change the growth trajectory of our U.K. secured government services business.

Similarly, healthcare continues to be a strong momentum in the U.K. We also feel that the more than 100% growth that we have had in healthcare in U.K. last year will continue to offer a significantly high growth even in the coming fiscal year, which is FY'26. Data & AI will continue to be the focus for us in terms of our technology services and we are looking forward to have Data & AI-related growth across sectors and across geographies in the coming year.

As far as the U.S. is concerned, we are currently going through a reset in terms of our focus, in terms of our leadership team and structure as well as our go-to-market design for North America. We're also trying to make sure that we navigate the current macro uncertainty as well. We are building very close ties and relationships with our customers and creating various innovation-led programs with them that will allow long-term sustainability as well as long-term value and return for our customers in the U.S. These changes will change the overall dynamics of North America business for Mastek. However, it will take its course of time as we deliver and navigate through these changes in North America.

On APAC and Middle East, as far as APAC and Middle East is concerned, driving profitable growth, especially in healthcare is going to be our key focus. We are looking at not just currently executing Oracle, as I said, but taking the healthcare business to all of our service lines, especially Salesforce and Data & AI.

Operational efficiency is going to be one of the key mantras as we go forward into FY '26. We have already made various fundamental and structural changes in our business and we continue to make many more changes in the organization that will drive robust and profitable growth in the overall organization as we land into FY'26.

These changes will start showing impact as we move forward. However, they might have some short-term pain as we make and execute those well-directed and planned changes that we are executing. It's important as we go forward that we stay close to our customers and build innovation, especially around AI & Data, working closely with our customers. We started seeing the fruit of the AI development that we had done or executed in the past 6 months and these have started showing some initial results already and we're hoping to see many more changes as we go forward.

We've already seen customers where we are seeing more than 30% efficiency benefits as we are executing, especially the fixed bid projects that we execute across Oracle, Digital and Salesforce using AI and AI-enabled technologies.

The ADOPT.AI platform that we had launched earlier in Q3 for Oracle services has now been extended to all the other service lines, including Salesforce and Digital. So we now have an AI-led sales force implementation as well as an AI-led legacy modernization platform that allows us to offer anywhere between 30% to 50% efficiency to our customers to execute much faster

and better. We've also developed more than 100 AI-led use cases, which we are offering to our clients, many of them developed in close conjunction and in discussion with our clients. These are going through initial POCs with our customers. And I'm very optimistic that as we execute some of these use cases for our clients, it will drive significant value for them as well as significant value and uptake for our business.

The near-term uncertainties in the market continue as we look at and get into the next year from an overall sentiment point of view. We are driving with a lot of positivity as well as caution to make sure that we understand the changes well and we navigate the business well. However, the overall health of business continues to be extremely positive.

With that, I would hand over back to Asha for taking over the Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jalaj from Svan Investments. Please go ahead.

**Jalaj:** I had a few questions for the management. Could you deep dive a little more into what exactly is happening in the margins? specifically in U.K. geography because on a segment level, the drop in margin is very significant, so just wanted to understand that. And how should I see it going forward? Would it be reset for a few quarters, a 2 quarters or 3? When should we go back to our original segmental margins of 22%-23% sort of? So that was the first question.

**Umang Nahata:** Jalaj, thank you for the question. As far as our U.K. business is concerned, like I said, we see a very strong growth momentum across all the 3 sectors that we operate in. However, the kind of business that we are seeing, the kind of work that we are currently getting is in newer areas of data, especially Data and AI kind of work that is now coming up. These will have an initial impact. So, the fulfilment for many of these positions as a lot of them is on-site work and also we're working with partners to execute these kinds of businesses.

As we build capabilities, as we also expand into more offshoring into these lines of businesses, I think the margins will come back to the healthy rate that we had earlier. In the short term, we might see some impact to margin. So the way I look at it is the profitability overall will grow whereas the rate of profit, which is the rate of EBITDA percentage might come down, but the overall EBITDA should continue to grow in a healthy direction.

**Jalaj:** Got it. Just one more point or trying to delve a little bit deeper on to it. So could you give a little breakdown of some attribution analysis of what led to the fall exactly? Because I see the headcount has reduced, still the people cost has increased and other expenses are also picking up. So could you give us some allocation sort of?

**Umang Nahata:** So, you're right, the headcount has reduced and that's a constant measure to drive more revenue per headcount. However, like I said earlier, a lot of the increase in headcount that has happened in this quarter, is largely on-site resources. And these are pretty high cost on onshore or on-site resources that we have hired. And that has led to this increase in cost despite of overall reduction in headcount. So bulk of the headcount that has increased are increased in on-site headcount

resources. Also, the other costs that you're seeing are largely subcontractor costs. So, we classify them as subcontractor costs. And as I mentioned earlier, a large portion of these revenue also came by subcontractor costs. So we might have added another 70-80 new subcontractors in this quarter, which we will balance over the coming 2-3 quarters as we go forward and expand our internal capabilities on these areas.

**Jalaj:** Understood. And specifically, when you talked about your order backlog being filled or U.K. being having good traction, but the overall order backlog, if I were to check 12 months order backlog, year-on-year remains flattish on a constant currency basis. So where am I missing the disconnect between the outlook-wise and what is showing up in the order backlog?

**Umang Nahata:** That's also a great question. So while the overall backlog has definitely increased phenomenally, like I said, a lot of these contracts, we're trying to secure them for long term and make sure that we get a steady long-term runway in our business. The 12-month backlog for year-on-year is 1.7%. Having said that, there's almost a \$15 million worth of contract, which based on our cycle has closed in the first week of April, which we haven't counted there—which is \$15 million ACV. So, if I add that \$15 million, then the 12-month backlog also moves more close to 7% to 8% on an annual basis as well as approximately around 12% on a quarter-on-quarter basis.

So I would say, there is some timing mismatch in terms of the deal closing that we were looking forward to. But yes, it's not a 1.7%, it's around 7% to 8% for all practical purposes that we are looking at from a year-on-year basis.

**Jalaj:** Understood. And Umang, I wanted to understand how things are shaping up in the U.S. geography. So we have been trying to put up feet there. Now this macroeconomic uncertainty has come in. So how do you see going forward both in terms of resetting, as you said, and then the growth demand there going forward because it would make a life a little difficult in terms of if it is there's not enough demand to get both margins in place and the business otherwise. So could you –tell us along with some time line as and how you're seeing things there?

**Umang Nahata:** Yes. So as I mentioned earlier, we relooked at all of our U.S. focus and strategy. As I mentioned in my previous calls also, our current U.S. business is literally made up of the 3 or 4 acquisitions that we have done. So our first and foremost change is trying to simplify the org structure and make the organization one single consolidated North America business, which is what we've been trying to execute in Phase 1. So that's the structural change that we're trying to make.

The second part is to really focus on capabilities that are growing and that continue to see a lot of demand and growth, which is largely around Data & AI. So we're really beefing up our data and AI capabilities in the geography. As I mentioned earlier, we're also working very closely with our customers and developing a lot of these capabilities very closely in correlation to their demand that we see. So it's very tightly pegged to what we are seeing with our existing set of customers that we are working with. Our investments in Data & AI will continue to be disproportionate to some of the other capability areas as we really go forward into the next year.

On the Oracle and Salesforce side, I think we continue to see healthy growth in both service lines. On our Salesforce business especially, we had seen a little bit of dip, especially because of the public sector nature of business, which got impacted in the last quarter and as the macroeconomics played out. We are working closely with our customers to look at their next year's budget and how do we align well in terms of building our capabilities as well as our offerings to help them also navigate through this cost reduction expectations that the government has from them. So that's the area that we really want to navigate carefully. But other than that, as far as Oracle, Data, AI and digital is concerned, the momentum is steady and we are building up in the right direction to pick up a long-term growth in that geography.

**Jalaj:** Got it. And one last question on the margins. So until very recently or last 2 con calls, we had initial discussion about the EBITDA margins that we were trying to stay in the range of 17% to 19%. Is that a guiding principle even going forward or that changes a little?

**Umang Nahata:** No, that doesn't change at all. Our ambition and drive is to drive to 17% to 19%. Like I said, there are some fundamental correction that we have made now. A lot of it is a cost of reset also. Some of it is also driving business in the right capability areas in U.K. as well as in U.S. So these will need some fundamental time to correct. But I'm sure before we end the next year, we will be in that range of 17% to 19%. So operational efficiency is key and driving business with the right fundamental corrections is required to reach to that level.

**Jalaj:** We are hopeful that FY '26, we should get into that range. Would that be a fine assumption?

**Umang Nahata:** Yes, that's a good assumption.

**Moderator:** The next question is from the line of S. Nayak from Anand Rathi Wealth Limited.

**S. Nayak:** Just one thing. You mentioned about the Oracle business growing 50% year-on-year in the U.S. What's basically driving that? And is the Stargate JV where Oracle is a part of, is that benefiting you in any way? That was the first question. I have another question.

**Umang Nahata:** Sorry, can you repeat I got first part of the question, but I didn't get the second part of the question. Can you repeat that?

**S. Nayak:** The other part was basically, I think Oracle is now a part of the Stargate JV in the U.S., right, with SoftBank and OpenAI. Is that something that you are seeing some green shoots of positive demand coming from there? Is that one of the things? And the second is what exactly is the Data and the AI business? If you could just give a slightly more detailed nuance on that, that will just be helpful. Those are the questions from my side.

**Umang Nahata:** Sure. So as far as the Oracle business is concerned, I think we're seeing healthy continued demand in the sectors that are strong for us. So, healthcare continues to be an important sector and we're seeing good healthy demand there.

Manufacturing and utilities are the other sectors that are really coming up well and we are seeing good healthy demand in terms of manufacturing and utility businesses in Oracle. And we're also

trying to expand this to higher education as the third sector, taking that globally. So these are sectors that are currently doing well. We've also been able to develop a very healthy relationship with Oracle and Oracle Consulting. In fact, we've also recently onboarded a new Board member who has come from Oracle and she was earlier the Head of Oracle Consulting working at Oracle. So we're in general, seeing good demand and momentum in that business.

As far as the Stargate and the OpenAI alliance is concerned, there's no direct or immediate visibility in terms of impact that we see in this quarter. In the long run, the Oracle OCI, which is where the investment is, which will also cover the Oracle AI side of the business, is where we see phenomenal growth and we are working closely with Oracle to really drive more AI adoption within the Oracle install base that we have. And we've already seen a lot of initial programs where we've turned on some degree of AI work for them. And looking forward, we see much more adoption in the install base where AI for business will be adopted in a much higher degree.

There was a second part of the question the data-related work that we are currently getting in the U.K., it is more around currently data design and setting a framework kind of work.

Going forward, it should mostly result into either Databricks or Snowflake kind of data activities as we look at there. The data work that we are seeing in the U.S. is a lot more around Snowflake and Oracle right now. But we are also trying to consolidate these 3 and build a much stronger capability around Snowflake, Databricks and Oracle as we go forward.

**Moderator:**

The next question is from the line of Amit Chandra from HDFC Securities.

**Amit Chandra:**

My first question is, obviously, we are seeing very strong growth in the NHS segment. But as you mentioned earlier that the NHS England merger can have some near-term impact in terms of decision making. So are we seeing any impact of that on the order book that we have mentioned? Or else any impact from the ongoing macroeconomic uncertainty on the order book that you are seeing any deals that are in the pipeline, which are getting delayed? Or we will continue to see the strong growth in the healthcare and the NHS segment? So that is the first question.

Second one is in the U.K. margins, it has dipped in this quarter. So do you see this like one-time event or it's a kind of a reset because the margins that you have reported in the U.K. is a 5-year low and earlier, we used to operate plus 20%. And you said that deals that are coming in that are actually at low margin, so we can hit 18%, 19%, but we are way below that. So what changed in terms of your assumptions or the new deals which are coming are at a very low margin?

**Umang Nahata:**

Yes, Amit, thanks for those questions, very insightful questions. So as far as the NHS growth is concerned, the merger of NHS England into Department of Health that got announced earlier in the quarter, currently, this process is going to be a steady long-term process. It will take at least 2 years for the government to really integrate and put the 2 departments together. The other part is a lot of the efficiencies that the government spoke about as a part of this merger is largely on the operational side, which is between their teams of quality, their procurement, their operations,

et cetera. A lot of the cost savings that the government is envisaging and rightly so is more on the operations side of the NHS.

As far as the technology investment is concerned, in the same breadth that we heard the government that they will continue, if not increase their investments in technology and look forward to making NHS much more efficient, driven by preventions as well as driven by data-driven decision-making, which is the collections program that you would see. So currently, the business that we're getting are really within these 2 important programs, which is the NHS preventions program and the NHS collections program. These are 2 most flagship and policy-driven programs for the government. And the whole mandate of driving efficiency or recovery in the NHS is driven by the technology adoption in these 2 areas.

On the near-term basis, as the government executes these merger and changes and while there are certain uncertainties around it, there may be some changes, but we haven't seen anything that would suggest here and now in any of our current deals. So the time lines on any of our current deals hasn't changed. Nor has there been any change in the demand for new deals that we are seeing impacted so far. Having said that, we are closely observing and monitoring the changes that happen within the government, talking to the right people in the government also to make sure that if there's any change, then we are able to navigate it well. But having said that, there's nothing that we have heard so far, which would made us think in any view that we derail from where our current path was as far as NHS is concerned. So we are optimistic for a significant growth even in the next year.

On the margins side, this quarter has been, I would say, a little abnormal in terms of de-growth of the U.K. margins. Like I said, the business that we are gaining a lot of the NHS business as well as some of the business that we are now delivering in secured government services have been secured at a lower gross margin as compared to the gross margins that Mastek traditionally has been used to.

There are two main reasons to it and 2 different areas and reasons. As far as the NHS business is concerned, these are in newer areas of data, data-related solutions and services and would eventually result into Data and AI-related businesses as we go forward. These are newer capabilities for Mastek, especially as it comes to delivering them on-site in a secure government or a security cleared resource framework that the government is currently asking for. And hence, has led to immediate dip in gross margin percentages for these transactions. We are working closely with the client. In fact, they also have pressure to improve the margins for these contracts. And therefore, I think in the midterm, will lead to more balanced on-site offshoring as well as more balanced resourcing for us to improve margins in these programs.

On the secured government services side, the large contracts that we have renewed now, which gave us a more healthy 2-year runway for these businesses have been renewed at a lower gross margin rate. However, we've been able to avoid any commercial competition there and been able to secure a direct renewal of these large contracts.

We are now working on internal efficiency drives to make sure that we are able to deliver these margins with the same healthy gross margin rates that we had earlier. Some of these will take a few months or quarters to get us into that rhythm of executing these new businesses, which are at a lower margin, but we are already on it. And therefore, I feel confident that in the midterm, which is in the next year, we should be able to come back to the healthy margin rates that we have been executing like we said.

**Amit Chandra:** Okay. And one last question. Where are we in terms of the restructuring that we had in the AMEA geography? Are we done with it or still some part of it is remaining?

**Umang Nahata:** Yes. So we've executed the restructuring with AMEA. If you look at this quarter's performance, our EBITDA performance has significantly improved from where it was in the last quarter. And we will continue to see the AMEA profitability growth move northwards as we execute.

Like I said, our very clear and sharp focus is to deliver profitable growth in AMEA and healthcare as a key focus vertical for driving that kind of growth. So we've executed most of the restructuring for AMEA. And in fact, it has already started showing results as far as profitability for AMEA is concerned.

**Moderator:** The next question is from the line of Ravi Menon from Macquarie.

**Ravi Menon:** Good performance in Europe, but U.S. has actually seen a decline. I'm not sure if you answered that already. In fact, I missed the first 10, 15 minutes of the call. If could talk a bit about that, what sort of demand are you seeing?

**Umang Nahata:** Sorry, Ravi, the audio is not coming out very clear. Can you repeat that?

**Ravi Menon:** The U.S. has seen a decline quarter-on-quarter, although Europe has done pretty well. So could you talk a bit about how you're seeing demand in the U.S.? Secondly, top 5 clients, we've seen almost all the revenue addition this quarter come from there. And beyond the top 10, there is a bit of weakness. So is it just normally project spending or is there a broader set of -- is it just from the macro? Are people cancelling projects or putting them on hold?

**Umang Nahata:** Yes. Thanks, Ravi. Thanks for that question. As far as the U.S. is concerned, there is definitely a degree of uncertainty that we are all observing and even our clients are feeling the same. So there are 2 kinds of clients that we are currently seeing uncertainties with.

One are more public sector or government-funded kind of clients and they are seeing their budgets being significantly cut and a lot of tightness in terms of execution expected from those customers, which is leading for them to relook at their discretionary spend as well as expanding their in-sourcing kind of activities. So that's been one reason, 2 of our clients have seen or started looking at in-sourcing their businesses, especially in some of their core areas, which has led to a degree of slowness with those customers in the U.S. So that's one area.

The second part of the uncertainty is where the other larger spectrum, if you go wider into commercial sector and every other sector that we are currently dealing with. The uncertainty is

causing customers to right shift their the orders that they would want to place or even the orders that they have placed, they are asking us to go slow in terms of execution or the spend against those MSAs.

So yes, I would say that degree of uncertainty in the U.S. is causing some degree of slowness from both these factors, cost cut as well as people holding back their discretionary spend or right shifting their orders that they wanted to put out. That's also one of the reasons our overall backlog has seen a little bit of a dip in this quarter.

On the top 10 clients, you are right, you pointed out very rightly. March is when a lot of customers go live with their projects and programs. So it's mostly about customers going live and we're now discussing next phase of work as well as expanded managed services in these customers. So it's more to do with that. But we don't see any other pattern beyond the top 10 clients in terms of any change in demand or anything like that from them. So it's not any specific top 10 or beyond kind of pattern. But yes, there have been quite a few programs that have gone live in end of March. And therefore, we are currently in the phase of building up for the next set of programs with them.

**Ravi Menon:** As a follow-up, in North America, are you seeing continued success with the Blue Cross Blue Shield sort of customers? I recall that we had been hoping to replicate the setup that we've won with one of them.

**Umang Nahata:** Yes. So BCBS and the likes, which is the strategy on Blues that we had built last year. So BCBS continues to be a strong customer for us and we are seeing decent momentum, although the amount of business expectation that we had from them has definitely reduced. So that's one of the customers who's doing a little more in-sourcing of their business.

Having said that, the Blues strategy, which we had set ourselves up for last year, while we didn't see any significant new Blue addition that we got in the last year, as we speak, we are actually negotiating MSAs with a few Blues. So hopefully, in the next 1 or 2 quarters, we would have added a few more MSAs beyond BCBS in the Blues. But last year, we couldn't execute on the Blue strategy as much as we were hoping for.

**Ravi Menon:** And could you talk a bit about the other verticals that you are hopeful about in the U.S.? And what are you trying to at least put business development efforts?

**Umang Nahata:** Sure. So, beyond healthcare payers, healthcare provider continues to be an important vertical for us and we continue to see good demand in the healthcare provider vertical space, especially led by our Oracle business, but now we are expanding that across service lines that is growing into Salesforce and Data consistently. So that continues to be a really important vertical for us.

Manufacturing and utilities is the other vertical that is seeing good uptake and demand for us and we continue to do really well. Again, a lot of innovation is being developed as we speak forward. So many of our manufacturing customers who usually start with Oracle or Salesforce as their first program with us, we're now able to offer them data and IoT and digital solutions in

their second wave of automation and efficiency drive that we're offering. So manufacturing and utilities is the second important vertical.

The third is financial services. Financial services is largely driven by our AI acquisition that we have made. So we continue to see good traction in the FS, largely led by our data propositions that we acquired from BizAnalytica. So those are the top 3 vertical focuses that we have in North America.

Retail is also an important segment for us, but it's not growing phenomenally. So while we have a healthy mix of retail customers, we're not seeing any significant growth with them yet.

**Ravi Menon:** One last question, if I may, on the AI side, there is an opportunity on business use cases. But are you seeing at least your major customers ask you for significant productivity benefits and commit to that in new deals or even existing book of business?

**Umang Nahata:** So currently, as we speak, AI on technology is a really important wave here and now. So we are actively discussing with a lot of our customers for use of AI for us to execute the new projects with them. While this might have some initial efficiencies that we will have to share with our clients. But I think in the long run, it will drive a lot of healthy demand. We're already working with net new customers who are now bringing up legacy modernization initiatives or digitization initiatives that they were not looking at earlier because of the technical complexity or the costs involved. But with AI, the ability to execute the modernization of those really old systems that they had in an efficient manner is becoming a reality. And we are working closely with all of our existing install base customers to see how we can help them use AI to drive a far more degree of modernization. That's around just using AI for better technology adoption of their business. And this is where, yes, we are working with them to pass around 30% efficiency back to them also. But I think we will still be profitable in spite of passing the 30% efficiency back to them. On the AI for business, I think it's early days. We're starting to see use case discussions. There are some POCs going on in a variety of customers. As we move forward, more and more of these POCs will become turn into programs and projects is where we see the line of travel.

**Ravi Menon:** And the NHS or the U.K. government, too, are you seeing these sort of programs?

**Umang Nahata:** In the government, it's still early stage discussion, both with NHS and the government. These are currently more data-driven programs there. But we are working closely with the government. We are discussing some proof of concepts in terms of AI adoption for their business right now, but I would still say very early stage.

**Moderator:** Thank you. The next question is from the line of NGN Puranik from ENAM Holdings.

**Ngn Puranik:** Congratulations on a couple of deal wins you have made in the last couple of quarters. Can you just give a background of the recent deal won because it looks pretty interesting because most deal wins are over a period of 5 years, but you have won a 2-year deal and there is volume and visibility certainty in this kind of deals?

So I would like to understand more about this. And what's your process to get into the margin curve, both in terms of the productivity and solution building capabilities that you have been talking about?

**Umang Nahata:**

The most important deals that we have won in the last quarter have been two really large deals with our existing customers. These have allowed us to significantly cover the current book of business that we have with Home Office. And these deals have been closely worked with them and therefore, single-sourced renewed with us giving us a runway for the next 2 years.

The government clearly is renegotiating prices and is looking at cost efficiencies from all vendors, which I think our ability since we closed most of our open book of business today gives us the license to go out and compete against the book of businesses that other competitors have, especially the larger players in the market. And we are now actively building ourselves up based on the backup of these deals that we have already won to go out and compete for the share of business that our competition has, especially in SGS as a sector, in the secure government services sector.

As far as the operational efficiency drive is concerned, it's a very pointed 4-5-step program. The first step was around driving internal efficiency overhead cost management kind of exercise, which we are executing as we speak. The second is simplification of the organization. So, we have simplified our organization structure. This has led to some reset in terms of people, leadership structure, which has initially brought in some one-time costs as we executed those changes, but over the quarters will drive efficiency and take business forward. Third is adoption of AI in all of our internal delivery programs, especially the ones which are fixed bid delivery programs. And we are looking forward to anywhere between a 15% to 20% efficiency drive just because of AI adoption in our business. And last and not the least is reorganizing our business to deliver the kind of growth that we have set in U.K. So reorganizing, relooking at our resourcing our pyramids, our on-site offshore mix between our resources to make sure that the cost efficiency demand that we have for our customers, we are organizing our internal org structure to align to those kinds of demand or efficiency demand for our customers. And able to deliver them without impacting or without significantly impacting our bottom line.

So those are some 4 or 5 important areas that we have looked at. And we believe all of these will offer sizable value in terms of bottom line performance and that's an important goal for us in FY'26.

**Ngn Puranik:**

And what's the potential opportunity in this, both in terms of maintenance and new deals that can follow?

**Umang Nahata:**

Mostly, these will continue to have maintenance and new projects. These are long-term customers for us. So they will continue to offer both maintenance as well as new projects that will happen with them.

**Ngn Puranik:** And you have been doing a lot of data, technology, AI. What is your total force in terms of data capability, analytics capability and with that domain, with healthcare domain and public services domain and the potential referenceability of this in other markets like U.S. public services?

**Umang Nahata:** So our current Data AI team, is around 200, 250-plus people, but it is growing as we speak, growing quarter-on-quarter. So we're adding another 50-100 people. So it's reskilling as well as new addition that is constantly happening with our team. So it's an area of business that we think will grow the fastest in the coming year. So that's where we are with Data AI. As far as adoption of these capabilities and skills across verticals in U.S., so we are working and trying to develop and deliver these solutions globally in U.S., U.K. as well as in AMEA. So Data AI will be a key focus across all the 3 geographies.

**Ngn Puranik:** And the templates and reusable components are significant?

**Umang Nahata:** Yes, yes. So a lot of asset accelerators are being built, a lot of investment in working with start-ups and acquiring platforms that they have developed, which we can use in our business is also a key part. So working closely in terms of assetization, working closely with start-ups to learn and acquire from them are important part of executing this business.

**Ngn Puranik:** Interesting. Can you give some sense of your U.S. market, how U.S. is doing in terms of both domain technology and the potential, how will you take the learnings from here to those markets?

**Umang Nahata:** So U.S. overall, like I mentioned earlier, our focus is across all the four capabilities; Oracle, Salesforce, Data and Digital. Most of the businesses are across all the four. Having said that, we are in a reset in terms of our structure and GTM for our U.S. business is concerned. These are more disorganized into 4 individual businesses, we're now trying to organize them carefully and correctly, especially in terms of our capability overlap from one to the other. So that's an important part as far as our U.S. focus is concerned. From a vertical standpoint, healthcare, manufacturing and financial services continue to be important verticals. We also have a decent public sector and higher-ed presence.

**Ngn Puranik:** And Oracle Commerce is still significant?

**Umang Nahata:** Oracle Commerce is there. The Oracle Commerce business is not growing, but Oracle overall is growing.

**Ngn Puranik:** And what do you think about Cerner Corporation and NetSuite? Is there any potential in this enterprise?

**Umang Nahata:** So we are not investing in NetSuite. NetSuite is more for the SMB market. Cerner, we are evaluating closely whether we want to invest in Cerner or not. But it's a degree that we are working closely with Oracle. As soon as they open up Cerner for partners, we would want to invest.

- Ngn Puranik:** I'm only asking NetSuite from the Oracle migration that you are doing, the small deals you are doing.
- Umang Nahata:** Yes. We are not working on that.
- Ngn Puranik:** It doesn't make any sense. They are too small.
- Umang Nahata:** Too small.
- Ngn Puranik:** Very nice to see your U.K. business doing so well.
- Moderator:** The last question is from the line of Varun Kulkarni from InCred AMC.
- Varun Kulkarni:** One question on the working capital. Basically, I understand that we have a heavy exposure to the U.K. government. But there was a considerable increase in the trade receivable for this fiscal year. So I would just appreciate your comment on that, like why was that the case this year?
- Umang Nahata:** So Varun, I think the trade receivable is generally in line with the revenue growth. So we haven't seen any significant change or exposure. Is there anything specific that you observed, which we haven't?
- Varun Kulkarni:** So there was a reduction in the operating cash flow. That is why this question because the working cap, the debtor days have also increased. If I see last year, the debtor days stood at 67 and as of this fiscal, it's at 81. So just wanted to understand that.
- Umang Nahata:** Yes. Varun, I think our DSOs have improved. In fact, it has come down to 83 days in this quarter, which has been our target that we have set ourselves up for the fiscal. So overall, we see a healthy working capital balance and we feel quite comfortable with the cash generation that we have. And if you look at this year also, we've generated more than 30% growth in cash year-on-year. So we feel comfortable with the working capital situation that we have and our DSOs are also consistently improving.
- Varun Kulkarni:** Sure. And one more question was that pardon me if I already missed this. What would be the percentage of the net new deals? And how do we anticipate that going forward for this fiscal?
- Umang Nahata:** So we've added 11 new customers in this quarter. And so the net new is defined in 2 parts, right? Net new is net new customers. So we've added 11 new customers this quarter. And we continue to see that as a healthy rate of adding like 40-50 customers, while we're also trying to reduce the tail customers that we have. So we're trying to balance the number of customers that we want to service. There's also good potential of net new business in the existing customers, especially around Data & AI that I mentioned earlier. So we're seeing new programs in the existing customers also continue to ramp up and grow.
- Varun Kulkarni:** And in absolute dollar terms, would you be able to ascribe a value?

**Umang Nahata:** I don't have that top of my head, but maybe we'll work with the finance and see if there's a side-line answering that for you, but I don't remember the net new number right now.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Umang Nahata for closing comments.

**Umang Nahata:** Thank you, everyone. Thank you for asking the right questions and thank you for patiently listening to us. As I've said, as we go into FY'26, it's an important year. We've had some important analysis for the year going past and continuing to focus on our core business, which is our U.K. & Europe business and our Oracle business as our key levers for growth, resetting our business in U.S. to make sure that it gets more aligned to Data & AI and has a more integrated Mastek view is the other important part that we are looking forward to. Driving operational efficiency is going to be a really important factor as we take forward the next year.

And last and definitely not the least, is continuously evolving our technology and capability outlook, especially around Data & AI is going to be an important pitch going forward. And I'm sure those are the factors that will drive and continue to drive Mastek in the right direction as we move forward in the next year. Having said that, there is a lot of near-term uncertainty that we're all going through in the macro. So we're trying well to navigate those near-term uncertainties also.

Thank you, everyone. Thanks for joining the call.

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

*Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*