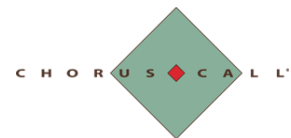




“Mastek Limited
Q1 FY’26 Earnings Conference Call”
July 21, 2025



**MANAGEMENT: MR. ASHANK DESAI – PRINCIPAL FOUNDER AND
CHAIRMAN – MASTEK LIMITED
MR. ABHISHEK SINGH – PRESIDENT OF UKI &
EUROPE – MASTEK LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Mastek Limited Q1 FY '26 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 star then zero on your touchtone phone. I now hand the conference over to Ms. Asha Gupta from E&Y LLP, Investor Relations. Thank you, and over to you, ma'am.

Asha Gupta: Thank you, Zico. Good day to all of you. Welcome to Q1 FY'26 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. Before we begin, please note that Mr. Umang Nahata, the CEO of the company is unable to join today's call due to a personal bereavement.

To take us through the results today and to answer your questions, we have the top management of Mastek represented by Mr. Ashank Desai, Principal Founder and Chairman and Mr. Abhishek Singh, President of UKI and Europe. Mr. Ashank will start the proceedings, and Mr. Abhishek will then provide a brief update on the business performance and financials for the quarter gone by. And 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 the subsequent annual report that you can find on our website.

Having said that, I will now hand over the call to Mr. Ashank Desai. Over to you, sir.

Ashank Desai: Thanks, Asha. Good afternoon to all my dear investor friends and analyst friends. Good day for people outside India. As Asha said, we have an apology due to absence of Umang Nahata, our CEO because of a very close bereavement, unfortunately, over the weekend. However, we have two of us here who will deeply involve in any case as will answer questions and address you.

So, if I look back this quarter, I would say it is a strong beginning for FY'26 with a lot of expectations, a lot of green shoots and a lot of initiatives which are defined into results at revenue level and profitability level. As you know, we have delivered almost 13.2% year-on-year growth on income, total income in rupee terms and net profit, of course, grew 28.7% in rupee terms. Our operating EBITDA grew 10.8%. These are year-on-year growth, which certainly makes us feel satisfied in terms of our performance. The strong points of the performance, of course, has UK, which has always been doing quite well over the last many quarters, as you know, for Mastek. We have grown 26.5% year-on-year there again in rupee terms in UK. Certainly, we had big outcome, which is beyond our existing sectors in government, NHS. We were very successful in opening a large account in BFSI. And that's kind of really going to create certain goodwill and certain name reference for us, which we have talked about. And that is going to be a new inflection point in our growth in UK.

US, of course, we would have liked to do better certainly, but there have been headwinds in some of our accounts and some of that did impact. However, when I look at our pipeline and the

backlog, I feel happy that we have achieved good order booking this quarter and pipeline looks quite healthy for future growth.

AMEA, of course, has been showing lesser growth because certainly, we are now focusing on profitable growth rather than just growth. And Umang is certainly working quite hard in that area, given his earlier experience too in that geography. And that would certainly reflect this in some of our numbers in AMEA at a profitability level. But the real good another thing which has happened is, really speaking, AI. We are really feeling very satisfied and very energetic about what's happening in AI, particularly in US. We have more than 10 accounts where we are presently working on various proofs of concepts, various areas of AI, GenAI, Agentic AI. US, as you always know has been ahead of others in terms of technologies and our customers in all these areas do give us a great satisfaction. And with this more than 10 customers, in fact, driving that wave into AI market. We do feel that we have a great future ahead in AI both, as I said, productivity improvement and possibly new applications.

In terms of EBITDA, of course, our journey continues. We, of course, had issues in terms of headwinds in US and that did impact EBITDA. And we also are investing, which we are not reducing our investment in tomorrow's technologies, as I talked. Both of these impacted EBITDA.

Last point I will quickly talk is about team selection. Umang and his team and Board together are very much involved in team of two senior people for us. One is our President for US and second is CFO at the corporate level. We are quite near to the things. We have been shortlisting, we have been interviewing. I hope to see results very soon on that aspect.

With that, I'll hand over to Abhishek, our President for UK & Europe and all of you know in his earlier avatar as CFO. Abhishek, please take over from me.

Abhishek Singh:

Thank you, Ashank. Good day, folks and warm welcome to everyone on our Q1 FY'26 earnings call. As Ashank touched upon a few of the financial parameters as well as the operational update, I'll be elaborating it over the next 25 to 30 minutes. I'm happy to take your questions right after that. So, I'll start with the financial performance and weave in the business updates along with that.

I would start with reiterating the comment Ashank made, which was about it is another steady quarter of robust financial performance despite all the headwinds and macro situations that we have been experiencing in the major geographies that we operate in. All of you know the tariff-related situation, which impacts retailers in the US market, the impact of war and uncertainty in the European market and as a result of it, our clients are also impacted.

But having said that, despite all those factors, our revenue grew very well at 12.5% year-on-year to nearly INR 915 crores, which represents a sequential growth of 1% and a constant currency decline of 1.1%. If we dive further into the revenue performance, the growth was predominantly driven by our UK & Europe business, which registered a 27% year-on-year growth in the reported currency and 8% quarter-on-quarter growth. This was I would call it as a 360-degree growth, coming from all the major sectors that we operate in. Health was obviously the leader,

having grown by 25% to 26% quarter-on-quarter and it more than quadrupled year-on-year. The growth was also driven by a significant one from our enterprise business, as a lot of you tracking Mastek would know that it was not a major focus for us. But over the last few years, we have put in a lot of energy and that is starting to show green shoots, especially in the BFSI and data-led growth. The growth also came from our secure government space where one of the large logos that we landed in December last year, January this year ramped pretty nicely. And our Oracle business across UK & Europe has registered a few good wins, which gives us confidence of growth in the second half of the year.

The revenues across our US market registered some headwinds on account of muted spend from our major clients that resulted in a flat year-on-year number and a 8.5% Q-o-Q decline in dollar terms. However, there is a green shoot there because the order books grew pretty well, 25% quarter-on-quarter as well as year-on-year, and the pipeline continues to be fairly robust and strong, giving us confidence.

Revenue in the AMEA market declined due to project closures. As stated by Umang and in our prior conversations, we have been pretty clear that we want to pursue profitable growth in the geography. And as a result, some of the deals right shifting as much as projects coming to a closure, there was a decline in the revenues for the geography.

If I shift the needle towards the profitability indicators, our operating EBITDA margins stood at 15% for the quarter. It declined 31 bps quarter-on-quarter. However, the most important point to note is that one of our largest clients, not just in the UK market, but the largest engagement pan-Mastek, we secured a 2-year extension-cum-renewal of that client, and there was a major discount that we had to offer them. That discount kicked in and impacted for the whole quarter. And despite that, we were able to nearly have a flat operating EBITDA performance. So, it just reflects our ability to absorb that discount, continue to make the investments in the talent and capabilities to grow the business forward. We reported INR 92.1 crores in net profit for the quarter, which has grown by 28.7% year-on-year and 13.5% quarter-on-quarter.

If I look at some of the other financial parameters, the cash and cash equivalents stood at INR 549 crores versus last quarter of INR 622 crores. It decreased on account of the variable payout, which was nearly INR 100 crores plus within the quarter, as much as INR 50 crores plus of debt repayment.

DSOs continue to be steady at 82 days versus 83 days last quarter and 92 days last year this quarter. 12-month order backlog stood at 274 million, which is 3.5% quarter-on-quarter growth and 5.5% year-on-year growth. So that's the sum and substance of our financial performance.

As I shift towards the business performance, I'll start with the geography that I lead and represent at the Mastek level.

UKI and Europe business continues to deliver a very strong performance, both in terms of top line as well as in terms of order booking and the pipeline build that we are witnessing. The growth that I mentioned is coming from all the sectors, secure government, healthcare and

private sector. And our Oracle business is definitely seeing recovery led by Europe and UK in that order.

The momentum is also coming from the data-led deals and some of the legacy transformation where AI is playing a very pivotal role. In this quarter gone by, we secured a large deal, nearly \$15 million plus of TCW, which was an intersection of a large financial services regulatory organization here in the UK and it was driven by the data and the transformation of their data landscape. It also saw some renewals and extensions of the major engagement, both in secure government services space, in the NHS space, as well as in the enterprise space. These are all long tenured engagements where client continues to report significant faith in Mastek and continues to extend its work with Mastek.

If I look at the business from a directional point of view, I would like to spend a few minutes and give you the highlights of the spending review. As you're aware that last year, we had a new government led by Labor Party. They had tremendous mandate from the citizens here. And we went through our spending review, the highlights of which got published a couple of weeks back. Some of the highlights which are relevant for Mastek and its business here in the geography are, there is a reiterated commitment on increased spend in digital and tech across the departments. The government has committed to a £3.25 billion transformation fund, which will be focused on public services, digital transformation and AI-led initiatives.

However, there is also a strong mandate of 15% reduction in admin cost through automation and technology over the next 5 years. Now it is important to note that these cuts or these reductions would be achieved by higher digital spend or higher spend towards digitalizing the landscape that's already there and that's where Mastek is very well placed and positioned to make use of that and help the departments achieve that.

The second highlight is the focus on NHS transformation as most of you have observed that our growth in the geography, both in this quarter as well as over the last 5 quarters, have been driven by the growth in our healthcare business, and that continues to be the major focus of the government. NHS has received £10 billion over the next 5 years, explicitly aimed at digital, technology and infrastructure improvement, aimed at reducing the wait time and improving operational efficiency for the patients. The key areas of spend would be electronic health record, integrated care systems and patient portals that allows for doctors and patients to engage with each other seamlessly as well as for the capacity to be available across the health systems or across the regions within the NHS.

The third highlight would be the commitment towards the cloud and efficiency push, government-wide mandate to deliver £14 billion in savings through digital and AI by '28 and '29, as I said in the first point. This further reiterates the fact that suppliers like Mastek strategic partners like Mastek will be engaged very closely with the department in shaping up those spend to achieve the savings and efficiencies. Then there is a transition outcome-based digital funding model being established to unlock better value for money and more responsive delivery.

There is a new procurement policy that has also been launched that essentially wants the suppliers to outline the KPIs delivered, the outcomes achieved. This puts Mastek and suppliers

like Mastek in good place because our programs are delivering the value and there are palpable acknowledgment of the government departments as well as from the higher ups at the Crown Commercial Services.

These things, when published, allows for other buyers to see who are credible suppliers and possibly consider their offerings. So this also augurs well for us. Last but definitely not the least is the continued commitment of the government in terms of removing the technical debt and strengthening its position in the cybersecurity space.

I'm happy to confirm that Q1 order booking also represented Mastek's first commercially completed bid on the cybersecurity and services framework in one of the large public sector departments. Sum and substance being that the beneficiary of the spend review are Health and Ministry of Defense. Both places Mastek is very well entrenched. And then there are clear mandates on efficiency and adoption of AI, including other automation tools where, again, Mastek is in the pole position to secure the benefits out of it.

Moving forward to the US geography. I would say that while the headwinds in two of our major sectors, retail and health, resulted in the quarter-on-quarter revenue decline and the year-on-year flat revenue performance. However, there are some green shoots and interesting developments that are worth noting here. Some of the major deals or the key deals within the quarter that we won were mostly led by our AI capability. The AI-led testing automation capability strongly resonated with our Oracle clientele and we won four or five new deals just on AI-led testing. These are small POCs at this point of time, sub \$0.5 million to \$1 million kind of engagement, which can be delivered over the next few quarters. But the key point is that the clients are willing to test the technology, willing to take the advantage of that technology and use Mastek as their sounding board to test it and further adopt it.

The second part is the renewed commitment towards building the sales team led by the geography head. As Ashank alluded, we are in advanced stages of onboarding my peer in the US geography. And the focus of Umang himself, he spent over last 6 weeks in the geography, meeting the clients, restructuring the team, re-orientating the team for where the growth opportunities are. And one of the key themes that continue to be apart from the AI-led opportunities is the account mining and broadening our services in the accounts that we have. As most of you know that we have made acquisitions in the Salesforce capability, the data capability. These accounts have historically experienced only one service line-led engagement. And as we are moving towards their business problems, business challenges, we are understanding the fact that we can bring in other capabilities as well. Data clients are looking for CX modernization as well. CX clients are looking for data solutions and how do they monetize their data and basically impact the client outcomes. So, this is the comingling that he has been driving, and we are seeing a robust pipeline as much as some of the conversions as well.

AMEA market will continue the focus on profitable growth, and this will be driven by our foray into healthcare space, as most of you know that healthcare has been our strong point. But the foray would be towards what I call as the electronic health record or the acquisition of Cerner by Oracle, where Oracle is calling it as a health care GBU, and we have on-boarded a very

seasoned Cerner professional who has an insight on combining our traditional Oracle capability with healthcare and Cerner capabilities to lead that growth. And this capability, ladies and gentlemen, would be relevant for all the geographies that we operate in as much for UK, Europe, as much for the US market.

Overall, I would conclude the narrative with the reaffirmation that we are not only restructuring ourselves in the US market as much as finding the avenues to drive the growth. We are executing strongly in our UK & European market, following the policy, following the trail where the investments from the government is being directed towards, both in health and in the larger public sector. Expanding our enterprise business space with the successes in the BFS space that we talked about. Horizontally, looking at AppDev and Data continues to be the strong pillar for us in the geography and AMEA market for the strategic capability that it helps us build as much as profitable growth.

With that, I will offer it back to the operator to take the questions, if any. Thank you, folks.

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

Jalaj: My first question was around the UK geography. It's heartening to see both growth and margins coming together this time. I just wanted to understand that on a segmental level, we are sitting almost at 19% level margins. When should we understand that it goes back to 23%? Is that happening near term? Or how long would it take to go back there?

Abhishek Singh: Jalaj, thank you for your question. And I want to reassure you that we in the geography as much aspire for going back to the same levels of margin. However, it will be a slow build given the twin facts of the growth that we have experienced over the last five quarters, they come with very differentiated capability ask, which was not our traditional strength. These capabilities require us to have program managers, product managers, enterprise architects, chief architects, which are essentially being sourced from the market right now as a lateral hire. And these capabilities take a longer duration to build. What we are focused upon right now is having the graduates and apprentices program here in the geography to generate a pool of security cleared resources who will contribute to the margin improvement. So right now, it's a subscale investment of 25 or less FTEs who are getting trained.

The second one is that the quarter also experienced a massive discount impact of the largest client engagement that we had. And despite that, we were able to improve the margins. So absorbing the impact of the discount and investing in the future workforce via the graduate and apprentices program, this will take us a few quarters before you start to see the benefit of those.

Jalaj: Okay, understood. So sort of a temporary push in discounts. And just on the discounts part, is it a broad-based thing which is happening around, or it's very client-specific or account-specific we've had?

Abhishek Singh: This was an account-specific one, Jalaj. But the fact that it was one of our largest clients, yes, so the impact was a little bit more.

Jalaj: Got it. And sir, specifically on the US, I just wanted to understand that either there is growth or there is margin, both are not coming together, and it's very volatile, if I were to just compare it to a UK geography. So partially your headwind in the US economy explains it. But otherwise, are we set as an internal engine for the growth? Whenever it comes, are we there, or it is going to take longer?

Abhishek Singh: Thank you, Jalaj. I guess this might be the question of many other participants on the call. Let me try to answer it in a comprehensive fashion.

You're right that it's either growth or margin. But having said that, US in the context of Mastek still continues to be a nascent geography. The phenomenon that impacted us the most was the muted spend by a couple of our largest clients, if you look at it, one of our largest engagements in health care space, payer space. They ramped down significantly given the cost pressures that they were experiencing, especially in the payer segment. And the retail, as all of you know, is reeling under the impact of tariffs. So they are cutting their discretionary spend. Both these accounts had an impact on our top line. Now you would imagine that some of the cost or the structural cost of operating the US geography is nearly fixed. The efficiencies or the costs that we had to drive has been done, and this is what I call as the skeletal spend on which the US geography will be built up.

So the next \$1 million or \$2 million or \$5 million or \$10 million, if you look at it quarterly or annually, the revenue that comes in will contribute disproportionately to the bottom line. And from where we stand, Jalaj, I would say that we see that we have bottomed out for sure. So as the revenue grows over the second half of the year, it will get back to its operating EBITDA levels, which is the near double-digit to the low-double digit that we have experienced.

So that's the way I would explain it that there are green shoots given the pipeline, there are green shoots given the AI-led deals that we have concluded this quarter, and the confidence that we have given that clients are interested in having these conversations. Also the fact that time spent by Umang for restructuring it has ensured that the team is talking pan-Mastek capabilities in each account and not just a particular service line or a particular capability. Which ensures that you are mining your clients and making it what we call a customer for life. So yes, there are some immediate pain points as you saw in the quarter's performance, but we see it a lot more robust from the current vantage point, Jalaj.

Moderator: Thank you. Our next question comes from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: I just wanted to understand the segmental margins. That shows that UK & Europe profitability has improved significantly quarter-on-quarter. And I think this is despite the productivity benefit that you said, the discount that you've given. So, I wanted to understand what helped this improvement.

And similarly, the AMEA segment profits are down nearly 48% year-on-year, while the revenue is down only 16%. North America, I think you did explain that there was a lot of fixed cost and now the segment margin is 2.9% versus last quarter's 12%. It's a big swing in profitability, but

you're saying, that could bounce back. So, just I would appreciate your thoughts on all these three segmental margins?

Abhishek Singh:

Thank you for your questions. Some of the UK profitability or the UKI & Europe profitability is a function of the maturity of the geography. We have a very clear line of sight of the programs that are ramping up. And in that phase of ramp-up, it may be dilutive and when does it come back.

Q4, if you recollect, had also a pretty stellar revenue performance sequentially over Q3. The ramp-up costs had come in, and there were a lot of one-timers that actually came in, in one go. Some of those benefits we have experienced as it ebbed in Q1. When we ramp up the security cleared environment, you have a holding cost of folks because they go through the security clearance, security clearance is for each department or each engagement.

So some of those things, I would say, naturally tapered out in this quarter, and it helped us recover. Also the fact that we had given this discount, conceptually, it was agreed with the client way back in November, December of last year. So we had good solid 3 to 4 months to prepare ahead of time to see what we could do with the pyramid, what we could do with the grade mix and stuff to help offset some of these impacts coming our way.

So, the best way I would explain it is the relative maturity of the various geographies and our ability to plan ahead of time and execute, which we are now taking it across the geographies under Umang's leadership. That's what helped us recover in the UK & Europe segmental profitability. However, we are continuing to invest in the graduate programs, so that we have the workforce for future as the business growth becomes more and more visible.

If I look at the US market, what I said in the last query is what I will repeat here that the revenue reduction had a disproportionate impact on the bottom line, or practically all of that fell through the bottom line. So, as we grow back and some of it is visible to us in the second half of the year, we will see the margins climbing back.

Middle East is a function of just timing, I would call it, as, as per our policies, we had to make provisions of bad debt and the payment is impacted by the client cyclicalities and client situations. So as it recovers, I think next quarters would have a better margin performance. Having said that, we are absolutely committed to doing profitable business in the geography as far as Middle East is concerned.

Ravi Menon:

Thanks for the explanation, Abhishek. Appreciate that. Just wanted to check about the number of clients with annual billing more than \$1 million. That's come off slightly quarter-on-quarter, but your \$3 million plus, I think that's actually gone up. So is it just some of the ramp downs in the US that's caused this decline in the \$1 million plus deal?

Abhishek Singh:

That's right. It also is a result of some of the programs and projects rather coming to the natural conclusion, especially in the Oracle landscape when we execute on ERP or HCM implementation or large implementations. As it goes live, obviously, the revenue tapers off. So, it's a natural phenomenon and you've observed it appropriately.

- Ravi Menon:** Thanks so much, sir. Best of luck.
- Moderator:** Thank you. The next question comes from the line of Sushovan from Anand Rathi. Please go ahead.
- Sushovan:** I just wanted to understand on the headcount bit. We have seen almost a 13% reduction year-on-year in the headcount and almost 5% quarter-on-quarter. Just wanted to understand what's the rationale for that? Is it better productivity or are you seeing higher subcontracting? If you could just throw some light on that, that would be helpful?
- Abhishek Singh:** Thank you for your question. So, it's a combination of both. The first and foremost is that productivity continues to be one of the major levers of margin stability as well as margin improvement. So yes, we are very, very focused on that one. And the second one is the nature of the engagement gives us very clear idea of where the workforce is required.
- The growth in the UK, Europe market, as you see, is coming from security cleared landscape. Even in the BFS space, we are dealing with a lot of large regulators who have security cleared environment. So, you have to orientate your workforce towards the demands that are coming in.
- Your observations are appropriate that, yes, it's a combination of both. Having said that, we are looking at where the requirements are. And if we need to hire within the geography to train the workforce for the current and future requirements, we are doing that as well.
- Sushovan:** If I construe that correctly, is it primarily in UK, or are you seeing this headcount reduction in the US geography as well?
- Abhishek Singh:** The reduction is predominantly driven by our offshore population that we had. Some programs that ramped down had a reduction, the trainee workforce that went into production. There was a natural attrition as well. Some of our high skills are experiencing attrition as well. So yes, it's a combination of all. But in the UK geography, we have had net headcount increase.
- Sushovan:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Hasmukh from Tata Mutual Funds. Please go ahead.
- Hasmukh:** Just one additional question on the deal win front or the 12-month order book front. Here, definitely from last couple of quarters, there is slight improvement. But how to think about this? So, a few quarters back, we were doing 15% to 20% sort of year-on-year growth here, right?
- Now with the nature of deals which you are calling out that they may come at, let's say, lower ACV, higher TCV sort of a number. In that context, how to see this number going forward?
- Abhishek Singh:** Thank you, Hasmukh. I would like to qualify that we are not seeing a lower ACV and a higher TCV deal. The businesses that are coming in are reasonably well spread out in terms of ACV to TCV ratio. One of the reasons why our 12-month order backlog is not growing as robustly is some of the large chunky engagements that we have in our public sector estate here in the UK is going through its extension or renewal. So, it will experience or it's getting a shorter renewal

given that the spend review and the budget approvals from the government had not gone to the departments. So, the departments were just giving you a 3-month or a next 6 weeks kind of extension. Now I would expect that some of these things should come in, especially with two of our major engagements in health and in secure government space. But I don't see any major cause of concern here, though the numbers are not translating.

Hasmukh: Got it. Thanks.

Moderator: Thank you. Our next question comes from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: My first question is on the margin expansion that we have seen in the UK geography. What part of the margin expansion there has been attributed to currency, if you can quantify that? Plus overall, where we are in terms of our journey to achieve the 17% to 19% margin. Obviously, we know that we have seen the pressure in margin in the US geography and in the Middle East geography. But overall, where are we in that journey?

Abhishek Singh: Amit, thank you for your question. First and foremost, the major expansion in margin that we experienced in the UK, it's worth noting that most of the businesses we deliver in the geography, there is no margin expansion at least for the onshore portion. Only the offshore portion would have the benefit of it.

So I would say that it wouldn't be more than 25 to 30 bps overall here as far as the UK business is concerned. You asked something on the US, and I missed catching that one. What was your question?

Amit Chandra: Just trying to understand where we are in terms of the margin journey that we earlier alluded to, 17% to 19% at the company level EBITDA margin?

Abhishek Singh: Okay. Thank you, Amit. So I would say that as far as this financial year is concerned, we are pretty committed to having a stable margin performance and pull all the levers that helps us maintain that stability as well as create the positive bias. As you can see with the UK business, and I outlined that we are further investing in the workforce that will meet the demands of the future.

And those workforce will come at a better margin because these are the graduates that you are training from within as against hiring laterally. So all these initiatives that are going in parallel also consume your margins as much as giving you the margin improvements. So I would commit on behalf of all of us that we are more towards stable to upward bias for this financial year.

Amit Chandra: Okay. And in the US geography, are we seeing some higher attrition there, mostly at the top management level in the US?

Abhishek Singh: Not really. The attrition that happened, Amit, all happened either in the early part of Q1 or late part of Q4. And since then, we are now in the net hiring mode, both the hiring of – on boarding of US geography head as well as a couple of account managers, increasing the sales coverage.

So I would say that as far as the leadership role is concerned, we are in the net hiring mode in the US geography.

Amit Chandra: Okay. And the last question is on the Middle East geography. Do you have any plans to exit that geography?

Abhishek Singh: No, Amit. There are no such plans. As a matter of fact, what we are trying to do is to use that geography for really strategic purposes. The first and foremost point is how do we keep that geography profitable, which means even if you have to reduce the engagements, but have profitable engagements only, that's the focus.

The second one is what I touched upon in the early part of conversation is that Oracle has converted health into GBU unit, global business unit, after the acquisition of Cerner and integrating it with the Fusion capabilities. So that geography forms the incubation of Mastek's Cerner Healthcare and Fusion capability intersection. We have a very senior ex-Cerner professional and CIO of multiple health organizations join Mastek early part of Q1. He's driving that strategic initiative where his test cases will be in the Middle Eastern market, and then it will expand beyond in the APAC as much as Europe, UK and the US markets. So Middle East provides us with some strategic value.

Ashank Desai: I will add, Abhishek, saying that, as you rightly mentioned, that is the way it has been contributing. And this is not only last quarter or last year, but last few years, that certainly there has been large talent development and POCs etc., which have benefited the other sectors.

Amit Chandra: Okay. And lastly, on the CFO hiring, when will we have a stable CFO?

Abhishek Singh: I'll take that on behalf of Ashank and Umang. But first and foremost is that the process is really active. As you would guess, we had the shortlist from the earlier round as much, and then a few others that Umang is looking at. And again, the idea is to be within the statutory time lines that are there. As you know, without a CFO for 90 days, we tend to be in the penal zone with the company law. So we want to do it at the earliest. That's the best I can share with you.

Amit Chandra: Okay. Thank you, sir.

Moderator: Thank you. Our next question comes from the line of Naveen Baid with Nuvama Asset Management. Please go ahead.

Naveen Baid: Just wanted to know what was the subcontracting cost for this quarter?

Abhishek Singh: Subcontracting cost for the quarter. I don't have that number top of my head. We can have it to you via Asha. I don't have the exact quantum. I'm looking at the segmental, but I don't have the exact quantum.

Naveen Baid: Okay. No worries. I will take it offline.

Moderator: Thank you. Our next question comes from the line of Sankaranarayanan S with iThought PMS. Please go ahead.

Sankaranarayanan S: Sir, my question is regarding the revenue by contract in terms of Time & Material. There's a slight increase in the time and material contract. Now I could understand it's partly due to the nature of the business. But in these uncertain times, don't you think that we should be more focused on Fixed Price contracts, so that would help the margins. I just want your thoughts?

Abhishek Singh: Thank you, Sankar, for your question. I would like to tell you, I'm smiling at this one because of the two reasons. Engagements with clients on T&M or Fixed Bid, neither of them give you more assurance than the other model. It's essentially about what is ailing the client and what is it that you are trying to solve. You can solve it as effectively in the T&M engagement versus Fixed Bid or Outcome-based engagements. Traditionally, yes, as an industry, we have made more money on Fixed Bid because of the rotation, the grade mix and what not. Having said that, in the Mastek context, the kind of work that we do, the high-end transformation programs that we do, these things are relatively immaterial.

It's about the skills and the capability that you bring in and the differentiated price that you can get for that. So I don't see this as a cause of concern. However, I acknowledge your question that higher fixed bid means better margins, but it also means significant risk coming your way. If you don't manage the scope, there can be scope creep, there could be change management that needs to be delivered effectively for you to protect your margin.

So both types of businesses come with their own risk. At this point of time, I would say that we have a healthy balance. And last but definitely not the least is all the government engagements essentially happens in the T&M fashion. It has a fixed price, but it gets done in the T&M fashion. So we call it as deemed T&M or deemed Fixed Bid, because that's the fixed price and you have to do it in a T&M fashion. We feel reasonably comfortable with the mix that we have.

Sankaranarayanan S: Sir, what kind of revenue target do you set yourself for the next 3 to 5 years? Because during April 2022, you had set \$1 billion revenue by 2026 or early 2027. I could acknowledge a lot of uncertainties happened from that period on. So from here on, what revenue target do you fix for the next 3 to 5 years?

Abhishek Singh: I would say that I wouldn't delve into those aspects, Sankar. Our focus as a management team supporting the Chief Executive and reporting to the Board is profitable growth with consistent northward trajectory. If you look at our own journey across different regions, you will find that we have had years of less than 10% growth. And here, we are talking about 8% to 10% quarter-on-quarter growth as much.

So the key focus for the management team is about the northward journey, and the continuous calibrated effort gives you predictability of your growth and gives you higher confidence of growth, helps you navigate the uncertainties that comes your way. The numbers are the result of that calibration. The realities of our business are very different in different geographies.

So right now, our commitment is maintaining an upward trajectory, both in terms of top line as well as bottom line. Ashank, I will welcome your ambition and your vision here as a supplement to what I outlined.

Ashank Desai: No, you have answered it well. Obviously, we would like to have faster than industry growth. Over the last 4-5 years, we have done that through organic and inorganic together. And that pace, we would like to continue in terms of growth. And that's where our ambitions were expressed in that particular time, and we continue to move towards that.

But we are seeing that it is about aspiration as much as the vision rather than just setting a target. This is what we aspire. We aspire for faster than industry growth. We aspire for a much larger share of markets. And now with AI and other things, we really see green shoots all over.

Sankaranarayanan S: Got it, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Ravi Naredi with Naredi Investments. Please go ahead.

Ravi Naredi: Sir, I can ask this question to Ashank sir also. Mar '22, our net profit is INR 333 crores, then INR 310 crores, then INR 311 crores, then INR 376 crores. So in last 4 years, we barely grew. Can you tell more on commentary for next 4 years? And when our higher staff will join? This is my main question for you.

Ashank Desai: Your observation is correct about the profitability. And certainly, large part obviously comes from the cost increases that have happened and in terms of investment that we have made. Both of these have generated into this kind of situation in spite of our best effort to go back to higher EBITDA.

So, I think I would not like to announce any targets for next 4 years, etc. As I said, we have been calibrating ourselves against the industry, particularly companies of our size, plus and minus. And we feel that we will be well within the overall industry numbers and like to do better, as I said. So, I would not like to put some 3 or 4 year target. Abhishek, you can add.

Abhishek Singh: Thank you, Ashank. Ravi, you touched upon a very important aspect here in terms of profitability or the bottom line growth essentially, which is what gives the confidence. This is very generational question that I would like to answer from my take.

Four years back, when you referred to it, the kind of profitability we experienced was driven by twin phenomena, which were both because of the COVID. The first and foremost was that the SaaS platform adoption had gone through the roof. As a result, our Oracle service line business at that point of time, only 1 year into the acquisition, had grown phenomenally well. And as the last gentleman asked that question on Fixed Bid, the predominant engagement was Fixed Bid. And something that really helped us was the fact that there was no expenditure whatsoever, whether it is your office expenses, travel, hospitality, meals, entertainment, client engagement. There was an obvious cost saving that the organization experienced. As a result, there was a disproportionate profitability, both in absolute as well as in percentage terms. And that was the juncture when Mastek looked at its profitability and it had to make 1 of the 2 choices. Do you continue to enjoy this profitability, albeit for a short time or do you invest in the organization to make it a robust organization for future?

Some of the things that Ashank touched upon is what we have done over the last 3 to 4 years, things like service line capability, things like your marketing coverage, the various forums in which Mastek participated to demonstrate its capabilities. As a result, clients and prospective clients had the confidence to engage with Mastek.

The deal that we did with one of the large regulators here in the UK in the BFS space this quarter in Q1 was a testament of their ability to understand and appreciate what Mastek has been doing in the UK for the last three decades. But we were an insular organization, not engaging with the market, not doing enough on the marketing side, not spending in the technologies that were emerging.

All of these things required, Ravi, to make an investment, and that has made your organization more robust, made your organization more resilient, but it has come at the cost of margins. And as some of our geographies mature and reflect the maturity journey of UK & Europe, you will see some of those things coming back, whether it was Amit's question of when do you get to 17% to 19%, or some of the other investors asking the same question.

My take on it is that we have made the investments. We have right sized ourselves. There is an ownership of turning around the US geography. There is continued execution on the growth opportunities here in the UK. We are using the AMEA market for incubation of new technologies. And as we come in more synchronized under the current leadership, you will see the benefits of it coming in.

Ashank Desai:

Well said. I will only add to say that please remember that the revenue multiples that we had over the same 5 years in terms of X number of times our revenue didn't happen unless we invested, as Abhishek said, in marketing certainly and technologies and service lines.

One example of marketing is the kind of ratings that we are presently getting. As you know, we were top five player in Oracle Cloud implementation globally according to Everest, top five globally. And that is the kind of ratings we were never having any time earlier. There have been similar reports on various agencies in ISG, Gartner, etc. So some of this effort has been towards revenue growth and that requires some investment.

Ravi Naredi:

Thank you, sir.

Moderator:

Thank you. Our next question comes from the line of Harsh Chaurasia with Vallum Capital. Please go ahead.

Harsh Chaurasia:

Sir, I had one question. If I see the growth of Mastek from incremental revenue, absolute number, the majority of the growth has been polarized towards the top 5 clients. But if I see 6 to 10 and even the non-top 10 clients, the growth has been very muted. I wanted to understand at the same time, like when we see the \$1 million client addition is going up significantly, how are we going to do the account mining? And what are the investments on the sales side and even on the capability side we are doing, because now we have created a very good base of clients, which can be scaled up further in next 3 to 4 years. I wanted to get an idea on that.

Ashank Desai: Abhishek, I will answer that question. If you look at our top 5 clients and top 10 clients in terms of ratios, from Q1'24 to Q1'26, yes, there has been increase in a few percentage points for top 5 clients. However, top 10 clients also have grown up. So I agree that we are constantly working today on expanding the deal sizes in Oracle, in Salesforce and other areas. And some of that is reflected in some of our top 15-20 customers moving up in terms of revenue per year. So idea is that we would rather have smaller number of customers than what we even have in terms of revenue and increase the revenue per customer. That has been the strategy, because as we start with Oracle and Salesforce, particularly clients, the revenue per customer is quite low. But now we are doing managed services. We are offering other services in those clients. All of that, what we call as account mining, is resulting into that movement towards a larger revenue per client. So I think it is a positive direction in which we are moving.

Harsh Chaurasia: Got it. And just 1 more question, sir, if possible, if you can give us this number – Mastek wallet share in the top 6 to 10 clients bucket as well as the non-top 10 clients, just a broad approximate number for Mastek wallet share?

Abhishek Singh: I think there is tremendous headroom for growth would be an understatement in each of those top 10 engagements. Because if you look at it, some of the engagements would definitely be with the central government departments. They are spending £300 million to £400 million annually in the addressable technology space where our revenue share would be less than 50 or 30 in certain cases.

So, I would say there is an x-factor of growth opportunity in those spaces. And that's what we are enhancing our capabilities to kind of secure.

Harsh Chaurasia: Got it. Thank you very much.

Moderator: Thank you. Our next question comes from the line of Jayshree Bajaj with Trinetra Asset Managers. Please go ahead.

Jayshree Bajaj: My question is, as you have mentioned that you are still planning on increasing the headcount and many more investments. So what kind of capex figure can I expect for FY '26?

Abhishek Singh: Capex would not be anything out of the ordinary. In our business, we are usually asset-light, if you look at it. It still pretty much is a hybrid working model. It's work from home, work from office a few days a week. So the physical capacity doesn't need any expansion at this point of time.

Every headcount increase comes with the standard of the laptops or desktops and stuff, which is nothing major. It's in the ordinary course of business. So sum and substance would be, I wouldn't say that there is capital spend other than replacement capital spend or refresh, capex refresh. We don't see anything out of the ordinary.

Moderator: Thank you. Our next question comes from the line of Varun Gandhi from Fident Asset Management. Please go ahead.

Varun Gandhi:

My question to the management would be, I see that you're developing capabilities within AI, fine-tuning LLMs and doing customer specific tailorizations. However, this part of developing models, etc. would be commoditized, I see, somewhere in the low-tech AI segment. What does the management have in view or how does it think about this market evolving? Because I believe this is the fastest-growing segment also within your revenue?

Ashank Desai:

See, you must look at it as a growth vector for the whole industry. Yes, but for companies like Mastek, it has some special significance. For example, there has been large legacy code which is lying all around in the world. And some of the great experience we had with one of our customers in UK, which Abhishek can, of course, talk more about, is one of such examples where we have opened up markets which were not available earlier.

So commoditization is not something that does not happen in any technology. It does happen. However, the opening of doors that are happening, opening of new areas of work that are happening, opening of new applications that we are doing due to AI. Like in healthcare, we are doing something which kind of would not have done without AI.

So some of that is totally new. It is not just new technology added doing faster, better, but it is something much more than that. To Mastek, particularly, as I said, it is opening up some market segments which were not available. So we are much more enthusiastic and we are putting, of course, time, effort, money into it. Abhishek, maybe you can add.

Abhishek Singh:

Thank you, Ashank. I think, Varun, you've touched upon a very important question here and something that, in our financial conversation, we didn't touch upon as much in these chats. So you are right that LLM is a commodity. Productivity is a given. Deployment will be the differentiator, Varun. Who deploys it best to deliver the outcomes that the clients require.

This wave is about human and machine teaming. AI on its own is not going to deliver it. It still needs the human touch, human interface to deliver better outcomes. It is basically a better tool with competent people, with right leadership and right attitude to deliver the outcomes. What Ashank touched upon is a successful legacy transformation use case that we have delivered as we speak that gives us the confidence to now approach those organizations whose applications are legacy and dated. And they run significant risk if they were to not modernize, because, A – it's not scaling, but B – It is also an operational risk for them. Languages like Pascal or Delphi, I mean these are written 30s and 40s of years back. They are still operating, but businesses have significant risk of how do you touch them. We have demonstrated it now and now approaching our clients to say, how do you want to go about it? Here is the playbook. Here is what you do, here is how you derisk it.

So as Ashank touched upon, this is a major opportunity for us here in the UK as much as the successes that we have experienced in the US market with AI-led testing. That's giving clients the confidence that they can explore more with people or partners who are not bringing it as a proof of concept, but who have been there, done that and delivered the outcomes.

So we are approaching this with a very high degree of confidence, having secured the deals and delivered the outcome at a very large scale for an existing client.

Varun Gandhi: Understood. So as far as I see, it's a growth opportunity, revenue growth opportunity as well as your differentiation here is that you've already demonstrated product efficacy. Am I understanding it right? That is how you're differentiating things?

Abhishek Singh: Yes, you summed it very well. And it also will be your margin improvement levers for future.

Varun Gandhi: All right. Thank you, Abhishek.

Moderator: Thank you. Our next question is a follow-up from Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you very much for a follow-up question. Sir, from which geography we expect better growth in next few years like AMEA, UK and US And why not we appoint separate President for each region, so company can grow in a better way?

Ashank Desai: Thanks, Ravi. We indeed have a separate President for each of these, as you know. We have President for Americas. We have Abhishek here, who is President for Europe and UK, and we have a person heading our AMEA market. So I didn't quite get the question. We are focused along those lines. But Abhishek, you can add.

Abhishek Singh: Thank you, Ashank. Ravi, to the two parts to your question, yes, we have got heads for each of the geographies who are responsible for the P&L outcomes of the geography that includes order booking, revenue and profitability as much as the tech direction, working with our central colleagues. So yes, we are very well situated structurally.

And to the other question of yours, where would the growth come from – I think each geography is in a different trajectory of its maturity and growth. While US is looking at Mastek being a champion challenger to disrupt the established incumbents who have got large wallet share with large enterprises with its AI-led capabilities and ability to do the legacy transformation. So it will experience a different growth trajectory compared to UK & Europe, which has got an established and a large base and is right now firing on three of its four cylinders of public sector, enterprise business and healthcare, and looking to grow its Oracle business as much.

Middle East will continue to grow responsibly using the geography to incubate new capabilities as much as having profitable growth. It is also looking to grow in the Australia and New Zealand market, which behaves like matured Western markets, which has the same billing rate and offers same degree of profitability compared to the Middle Eastern market. So strategically, Ravi, we are very clear and executing on it. But thank you for bringing that focus.

Ravi Naredi: Thank you.

Moderator: Thank you. Our next question is a follow-up from Jalaj from Svan Investments. Please go ahead.

Jalaj: I had two questions. First is around order book. I've seen that the order book after a long time has passed the \$260 million quarterly run rate. First of all, what sort of visibility or clarity can we expect? Or are you seeing that FY '26 should be better than FY '25? That's first question, directionally, I'm not aware of absolute numbers. And secondly, I see that the headcount is

reducing over the last four quarters, but people cost is increasing. So how should I get a sense around it?

Abhishek Singh: Thank you, Jalaj. So, order booking confidence, yes, directionally, we endeavor to deliver a higher order booking, which is what will pave way for FY'27 and FY'28 growth. It's the biggest lead indicator that all of you and for us in the business, we look at, and that's what we are endeavoring towards.

The second one that you asked about was the net headcount is reducing yet the manpower cost is going up. You're right because it is also about the mix changing. A lot of the new programs have ramped up in onshore geographies where the cost per FTE is significantly higher compared to the offshore. So that's what is driving the dichotomy that you're observing.

Jalaj: Understood. So the sort of order book we are right now sitting in, are we very comfortable? Because I'm just trying to understand specifically from a US geography. UK is running on full throttle engine. US, do you feel the GTM is in place? Still there is a lot to be done there? Or how are we going around it? Because US and UK, I guess, are very different in the terms of the end client we are serving and therefore, the GTM what we have to approach it.

Abhishek Singh: True. US, no, we are not satisfied with the order booking that we have secured, though it is still a 25% growth from the last quarter, but it's a small base. So I would agree with you even before you ask me that percentages really don't matter. Yes, we are looking for a higher order booking quarter-on-quarter rhythm from the geography. And as we get the geo head, I think that will follow its cadence.

Couple of other key roles have been on-boarded and we feel that it's getting into the rhythm. The UK will continue to pursue the midsize as much as large deals in addition to its operating rhythm right now.

Jalaj: Got it. Looking forward to see the growth coming to US geography also. And best of luck.

Moderator: Thank you. Our next question comes from the line of Sameer Dosani with ICICI Prudential AMC. Please go ahead.

Sameer Dosani: Just to clarify, US has bottomed out, but when should we think about the growth? Is it like H2 you mentioned in some other comments? And also in UK geography, I think there is 9% quarter-on-quarter USD growth, but I'm sure there is a lot of cross currency tailwind. So, what is the constant currency, growth here in UK, if you can just clarify for me? And when should we think about growth in UK geography from here?

Abhishek Singh: You can shave off 100 bps possibly from the currency point of view. But the key point here, Sameer, is that it's a fairly robust engagement here in the geography in the UK, whether it is health or defense or central government departments or our pursuit in the BFSI space, the deep account mining or helping the clients go on the modernization journey.

The clients who have been with us for a couple of decades now in continuity, and we are helping them modernize. There are different flavors that gives us different degree of confidence. One of

the investors did ask a question on the Fixed Bid versus T&M. One of the biggest transformations that we have done using AI has been in the Outcome-based fixed price, which gives us the confidence that you can take this to the market and secure the client on their cost, on their time and get them the outcome.

So long and short of it is that we would like to maintain this trajectory and secure a healthy growth to ensure that pan-Mastek, we are delivering a double-digit growth.

Sameer Dosani: Okay. So, this year also double-digit growth is possible you think?

Abhishek Singh: Headwinds, Q1 we started a little soft as far as other 2 geographies are concerned, but who's to say. There is still a solid 8 months ahead of us. We can execute on that. That's the ambition. That's the endeavor. And just 1 or 2 deals can allow us. Still, we are a relatively smaller base.

So one or two deals executed well within the year can get us the momentum to get back to the double digit. But yes, there is a headwind. You rightly observed it, but we remain committed to get to that point.

Sameer Dosani: And US, should we grow from here, like Q2 onwards, will we be able to show growth in US geography?

Abhishek Singh: So there is a positive bias from where we stand here. There is a positive bias and there is a relative confidence for H2 to demonstrate growth.

Sameer Dosani: Okay. Got it. Thanks very much.

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

Abhishek Singh: Thank you. I'd like to thank everyone for their interest and very rounded questions. Yes, we've started the year well as far as bottom line is concerned, as far as growth in the major geography is concerned. The job is very well cut out for our US business that will be led by AI, that will be led by the new leader, that will be very well supported by all of us across the geographies, be it Middle East or be it UK. We will all bring our capabilities and capacities to align well with delivering that growth. And the sum and substance of this quarter and our directional journey for the year and times to come is to maintain a positive bias, maintain an upward trajectory and deliver a predictable and consistent financial performance for all of us. Thank you.

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.