



“Mastek Limited
Q2 FY’26 Earnings Conference Call”
October 17, 2025



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

MODERATOR: MR. PRATIK JAGTAP – E&Y INVESTOR RELATIONS

Moderator:

Ladies and gentlemen, good morning, and welcome to the Mastek Limited Q2 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 the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Pratik Jagtap from E&Y Investor Relations. Thank you, and over to you, Pratik.

Pratik Jagtap:

Thank you, Ryan. Good morning to all of you, and welcome to Q2 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.

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 business update for the quarter. Post that, we will open the floor for Q&A session.

As usual, I would like to remind you that anything mentioned in 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 Umang Nahata. Over to you, Umang.

Umang Nahata:

Thank you, Pratik. Thank you, Ryan. Very good morning, everyone. Welcome to the Q2 FY'26 earnings call for Mastek Limited. I'll start the call by wishing an early Diwali festive greetings to all of you as we get into the week of Diwali next week.

Moving on to the performance of the company for the quarter. I'm very pleased to share that we continue to see a consistent performance with our business with a stable result for this quarter despite the continued geopolitical and macro uncertainties. As far as our operating revenue is concerned, the operating revenue for the quarter landed at INR 940 crores, which was up 8.4% year-on-year and 2.8% sequential, representing a constant currency growth of 0.2%.

Our operational excellence and discipline on cost control continued to help deliver stable profitability for this quarter. Our operational EBITDA landed at INR 145.5 crores, 6% quarter-on-quarter improvement and 1.7% year-on-year growth, translating to an operating EBITDA of 15.5%, which is up 50 basis points from the last quarter. The net profit for the year stood at INR 97.4 crores, up 6% quarter-on-quarter. While it has declined 24% year-on-year due to an exceptional gain of INR 44 crores in the base quarter. So, on a normalized basis, if we take out the exceptional item, the profit grew 14% year-on-year. Net profit margin stood at around 10.2% as compared to the 9.9% in quarter 1. Our 12-month order backlog stood at around \$280 million, representing a 2.2% sequential growth and a 6.8% year-on-year growth, supported by healthy deal conversions and renewals across all geographies, especially U.K.

We continue to maintain a very strong and healthy balance sheet. Our cash position, which is cash and cash equivalents currently stand at INR 656 crores as compared to the INR 549 crores

in Q1. DSO improvements continue to be a key area of focus and we have now brought down the DSO to 80 days versus the 82 days in quarter 1 and versus the 95 days in quarter 2 last year, reflecting a strong cadence on working capital discipline.

Moving forward, as far as our business is concerned, we continue to focus on the same strategy that we have. The real focus is on execution of the business. The top 3 strategy items for us that we look at, one is continued focus on geo diversity. We operate in 3 geos, and we are focusing on growing the business across all 3 geos rather than 1 or 2. AI continues to be a key driver. Leading all of our business with AI is the second most important factor for our long-term strategy and growth. And third, our vision and focus is to become a partner or leader as far as delivering growth in the mid-market segment is concerned. So continued focus on mid-market and creating a demonstrable leadership position in that segment as our third key strategic view. So continued focus on all the 3 strategic items, and I'll elaborate more on all of them as we go forward.

As far as our geographical diversity is concerned, U.K. continues to be our strongest geography and the largest geography for our business. Our U.K. business continues to be very strong across all the 3 quadrants that it has, which is around healthcare. U.K. healthcare continues to see very strong demand. We see that the government is executing on its policy and investment decisions, which is leading to a strong view of the demand as we go forward as well as strong spending.

Our secured government services sector continues to see a very strong trust and long-term connect with our clients, leading to a lot of long-term contracts and renewals in the business. This quarter marked a GBP 50 million-plus deal, which is an AI-led engineering services deal to deliver modernization as well as efficiency for the secured government services sector and we will continue to see such larger deals and renewals as we go forward.

The private sector, which is the third important sector, and which has had a lot of focus over the last few quarters to really bring it to forward. I am very pleased to report that the private sector continues to also see good demand. And again, many new logos adding to that sector. This quarter also marked a new \$15 million-plus AI-led modernization, transformation deal with one of the large financial services customers in the vertical.

Overall, we continue to see a very healthy AI-led demand across all sectors. A lot of this demand is for AI for technology, which is basically demanding efficiency, modernization and faster execution for IT technology services. We are very much taking a front-foot approach in terms of delivering a tangible ROI to our customers and demonstrating tangible benefits to them, while focusing on delivering steady and improved bottom line for the geography and for the company.

As far as North America is concerned, we now have a new leader who has joined North America, Sourabh Mukherjee. Sourabh has joined us from 1 of the top 4 IT services companies, very hands-on healthcare-focused leader, and we are very pleased and excited to see the turnaround and growth of North America under his leadership. Along with Sourabh, we've also made some important changes in our capability leadership in the geography. So we now have a new leader, heading our Salesforce business. And that largely marks the turnaround or the overall of the North America leadership that we were trying to do over the last 1.5 quarters, which gives us

now the full energy and backing to focus on execution and start delivering the growth ambition of the geography.

Our strategy and focus on North America continues to be on healthcare and life sciences as a key vertical, and we continue to enjoy strong client relationship as well as partner relationships with Oracle, Salesforce and the Data service lines. The overall North America market still has a lot of macro uncertainties, which is leading to right shift in demand. But we are preparing ourselves for a lot of AI-led demonstrable growth in the geography, which will deliver significant uphaul as we move forward.

As far as the APAC and Middle East business is concerned, the APAC and Middle East business, we continue to focus on healthcare as a key vertical. Our strategy in that business is to consolidate and really zero down our focus on a few key segmented areas while delivering profitable growth. This quarter again marked a significant growth in our healthcare business, with \$7 million-plus deal on healthcare, which is one of our larger deals in this segment in the geography, as well as continued focus on DSO as well as profitability improvement in the geography. Across all 3 sectors, like I said, the focus on the key verticals continues to be the same, and we are seeing good remarkable larger deals as well as a lot of AI-led demand to deliver technology efficiencies to our client and modernization.

Coming to the AI side of our strategy and equation. The AI wave is very much set on and is now, in fact, starting to generate more and more demand. Like I had mentioned in a few of our previous calls, we see the AI wave in two parts. The first part of the wave, which is AI for tech, which is delivering efficiency, speed and better quality on the technology delivery that we have across engineering, testing, managed services, implementations, et cetera. A lot of very active discussions across all of our customer base, across all geographies on the AI for tech. Our approach to AI for tech is to take a very positive and firm ROI-based approach to our clients and delivering not just an ROI on Excel sheets, but delivering a tangible ROI to them, which would mean some real business benefits as well as efficiency gains to our client. And while we do that, we are also actively working at making sure that we are preserving our bottom line, in fact, improving it as we go forward which is demonstrable by our improvement in terms of revenue per resource that we've been continuously demonstrating over the last few quarters.

The AI for tech wave is now starting to lead into the AI for business wave, which is where customers are now very actively starting to ask for how could we help use AI as a technology to deliver business transformation. This, I believe, is going to be the biggest wave for the IT services industry over the last few decades and is going to significantly transform our industry. We are seeing some very strong initial trends there and working with almost a dozen of our customers in terms of building their AI for business transformation road map. As we deliver this road map, we look forward to getting into execution in some part of early FY '27. And that kind of change or demonstrable change there will really mark a significant shift in the AI adoption across our customers. While we deliver all of these changes, it is also a continuous focus on our internal efficiency gains and making sure that we are delivering more and more efficient services, both across our delivery as well as over G&A management. Our focus on operational efficiency has now started to reflect on our bottom line. And while we continue to deliver AI-

led efficiency to our clients, our profitability will remain steady and continue to grow northwards as we move forward quarter-on-quarter.

Another last update as far as the Chief Financial Officer, who should have been my partner in crime on this call. We have a candidate who we are expecting to join early next month, and I'm pretty confident to have a partner with me on this call starting next quarter.

With that, I would like to hand it over back to you for Q&A and discussions from there. Thank you.

Moderator:

We take the first question from the line of Amit Chandra from HDFC Securities.

Amit Chandra:

Sir, my first question is on the U.K. geography. Obviously, it remains as a key growth driver. But within the U.K., we have seen some softness coming in. If you can break down in terms of what's happening in SGS, NHS and the U.K. private. Obviously, you have given a color. But in terms of the SGS growth rate, obviously, we have a deal there. So what kind of uptick we can see from that deal? Also in terms of the renewal pipeline that is up there in some of the larger accounts that we have in SGS that we expect to come in the coming quarters? And on the NHS side, obviously, we have seen one large deal being awarded to one of the large IT majors. So how to read that? And whether we are seeing some risk of vendor consolidation there within NHS. And like your views on that.

So is it impacting some of our spends that were planned by NHS? In terms of what part of the portfolio is getting tracked in the U.K.? So I see some softness in the Oracle part within the U.K. and the EU region. So is it over or we can see some more drag there?

Umang Nahata:

Thank you for your questions, Amit. So as far as U.K. is concerned, like I said, we generally feel very positive and upbeat across all the sectors that we have. But you're right, as you look at the current performance for the quarter, it's been slower than some of our previous quarters in terms of growth. But let me explain it sector by sector. Like SGS, which is the secured government services, which is our biggest sector, continues to see a strong momentum. As I mentioned earlier, we're not only signing sizable renewals but we're also signing these renewals with a lot of headroom expansion from where they were in the previous versions and avatars.

These renewals continue to give us from a 3-year to a 5-year long-term visibility of steady business and growth in these sectors. While we continue to sign these renewals, the sector also and this is not just for secured government is across the board, is looking at more and more AI-led efficiency asks, and we are taking a very robust and assertive approach working with our clients in support of the long-term commitment that they are showing to us to deliver some of these short-term savings needs that they have. And demonstrating the potential and capability that Mastek has on its AI for technology to deliver them some tangible savings in the short term as we work with them to gear for much larger long-term business growth within those verticals.

As far as NHS is concerned, the NHS deal that got announced by one of our larger competitors, Mastek was not participating in that deal. It's a deal which was not a deal in our direct focus. And it does not impact any of our other businesses that we have with NHS across the various departments within the NHS that we work for. This deal is more around the workforce systems

modernization. Currently, we are not participating in that area with NHS. So this particular deal, while it's a large deal, but does not have any impact or we do not see any consolidation or any of those kinds of risks within our NHS and healthcare segment in U.K.

As far as our on the private sector business is concerned, we continue to see healthy momentum. This is where the same AI-led efficiencies allowing us to go after net new customers and win work share from our competition. An example of that was the \$15 million-plus deal that we have bagged this quarter in another large financial services client, where we are going to demonstrate AI-led modernization and efficiency to the account over 3 years.

As far as our Oracle business is concerned, it is a little project-driven business, and therefore sometimes has a quarter-on-quarter up or down. But we feel comfortable with the pipeline that we're seeing. In fact, we are seeing demand, and we've also closed some good orders in our traditional areas of strength, which is around the local government, and we see strong healthy demand in the local government and higher education sector again. And our relationship with Oracle continues to be strong. In fact, we were awarded one of the prestigious AI for supply chain partners in the AI world at Oracle that is going on as we speak. Our Oracle Europe business has also seen a new leader now come in. The leader is ex-Oracle and has really picked up the Europe business well. And I'm confident that we will continue to see and deliver the kind of vision that we have for our Europe business under his leadership.

Amit Chandra:

Okay. Secondly, on the margin side, obviously, the U.K. margins, we have seen it has more or less stabilized. But the margins in the U.S. and the Middle East is still lower than what we expect it to be. So any additional color in terms of how you see the margin trajectory going on from here on?

Umang Nahata:

Thanks for asking that question, Amit. As far as our margins position is concerned, as we continue to focus on AI for tech, it has dual impact. While we are driving efficiency and productivity improvement for our customers, it is also driving a lot of internal operational efficiency on our own business, which is a steady trajectory. But I'm sure as we continue to focus there, it will start drawing continuous improvement in our bottom line performance from here on.

As far as North America specific margins are concerned, like we have been mentioning earlier, there is clearly a heightened S&M spend as compared to our current business, which is in anticipation of the growth that we look at. As the business comes closer to its optimal number, which will be \$3 million to \$4 million growth from where we are today, you will start seeing the EBITDA numbers move significantly up. But having said that, like I said, operational efficiency is on. We have made good investments, and we continue to hold our investments. We definitely are optimistic about the growth there, but some of the geographical EBIT numbers will start showing better color as the growth starts to develop.

As far as our AMEA business is concerned, again, we are continuing to drive a lot of operational efficiencies. We have brought down our DSOs significantly, as I mentioned earlier in the call. And we are also looking at only profitable growth in the geography. There was a one-off WAR

revenue, which led to a onetime dip in the trajectory, but you will continue to see it back on its trajectory from the coming quarters.

Moderator: The next question comes from the line of Mahak from Mak Seven Investment

Mahak: I wanted to ask about the new deals in Asia, Middle East and Africa region.

Umang Nahata: So Mahak, the new deal that we have secured in the APAC and Middle East geography is in the healthcare segment. It's an AI-led transformation for one of the largest healthcare provider organizations in the geography. It's a multiyear deal to deliver AI-led business transformation for the account. It's a \$5 million-plus already. And not only are we executing this deal, but we also continue to see good healthy momentum as far as our healthcare vertical is concerned across AMEA. We have a very strong pipeline to execute in the H2. And we strongly believe that healthcare will lead to a significant transformation to our AMEA business.

The AMEA business also continues to be a strong bedrock for a lot of new AI-led initiatives as well as development of our Oracle Health Services portfolio, and we are starting to see demand beyond Oracle ERP into Oracle Health as well as Salesforce and some of the other service lines that we have.

Mahak: Okay. Another thing that with more and more AI and ML, will we see a drop in employee count and employee cost?

Umang Nahata: So as far as the employee head count is concerned, our strategy is, we are not necessarily going and reducing any head count, but we are also using attrition to our advantage and not backfilling with the exact same numbers, which is leading to constant efficiency and growth. I believe in the long run, we will see the revenue per resource go up consistently. Overall head count will depend upon the size of growth, but general revenue per resource will keep moving northwards as we go forward.

Mahak: Okay. And another thing that using AI, what reduction we can see in the operating costs in the future?

Umang Nahata: So as far as our operating costs are concerned, our current and immediate focus from an internal standpoint was on our delivery, which is the biggest portion of our cost as well as business. So we were hyper-focused on our technical execution across engineering and Oracle and Salesforce and all of our capability lines, which is continuously being demonstrated in the head count reduction as well as delivering growth with the reduced head count that we have had.

As we go forward, we'll now focus and take the AI-led efficiency to our G&A side of the business also. We believe it will drive some efficiencies there in the G&A, but we haven't quantified that, but it will directionally improve as we go forward.

Mahak: I just want to tell you that the numbers are really promising and all the best for your future.

Moderator: The next question comes from the line of Pulkit Chawla from B&K Securities.

Pulkit Chawla:

Umang, if I look at your 12-month order book for the last few quarters, the overall growth rate seems to be down quite substantially. I mean this quarter, again, we are looking at close to 7% Y-o-Y growth. Is there some delay in the decision-making that's sort of leading to some sort of muted growth this year? And second, you alluded to, I think, some one-offs in AMEA. If you could help us quantify what was the impact on that because of that?

Umang Nahata:

Thank you for that question, Pulkit. As far as the general macro uncertainty is concerned, they continue to play a role in the minds of our clients as they look at decision-making. These are currently 2 or 3 important factors. One, the decision-making, especially with our U.S. customers is shifting right, and we've been seeing that as a phenomena at least for the last 2-3 quarters. Having said that, it's not that the deals are going away, it's just that the decisions are slower as compared to where they were. Two, what is also happening is whenever they had a long-term decision to make, they're making more short-term decisions.

So for example, instead of a 3-year, 5-year deal, they're signing up for a 1 year or 6 months or 1 quarter deal, which is reflecting in our order book and our backlog not moving strongly as compared to our expectations in the geography. So this general macro uncertainty is definitely playing a part in terms of the decision-making mindset of our clients.

The other important aspect, Pulkit, is the clients are also actually currently and consistently evaluating the impact that AI will have on their IT road map and budgets. And more or less dipping their toes in and trying smaller projects to deliver efficiency gains, and we'll use that to then sign much more larger strategic deals, especially with the mid-market customers where our focus is.

So we believe we are getting some right indicators in terms of signing a lot of good, strong initial deals with them, which could be backed by much longer, larger deals as we go forward. While I've said, spoken about U.S., some of the phenomena also applies to our U.K., especially the U.K. private sector customers.

As far as the one-off in AMEA is concerned, yes, there was a particular contract, which we have already delivered a sizable portion of it, but we couldn't get the formal paperwork in, and therefore, there was some WAR revenue that we couldn't recognize in the quarter, which will improve the profitability of the region as we go forward into the following quarters.

Moderator:

The next question comes from the line of Pratham Kankariya from Quantum AMC Private Limited.

Pratham Kankariya:

Okay. So first of all, my question on AMEA region has been answered. Another one is recent on Oracle, they have announced some very mind-boggling projections on the cloud deployment sales. So if you can just help me understand if there will be any positive impact of this on Mastek?

Umang Nahata:

Yes, Pratham. Thank you for your question. I think Oracle's business, generally the Oracle Cloud Infrastructure and Oracle Technology business is seeing some phenomenal changes in their business and approach. A lot of this, as all of you must have read, is driven by their capital and AI-led investments supporting some of the larger AI and technology companies in the U.S. So

that's boosting a significant growth for them. Generally, overall speaking, it feels like Oracle, clearly, as far as the infrastructure race is concerned, has a very strong hold on the supply chain of being able to deliver the GPU faster, and which is clearly adding to its advantage.

We believe from a Mastek standpoint, Oracle is our strongest partnership and relationship. The other thing that Oracle is also doing is reorganizing its healthcare business, especially the Cerner acquisition and trying to move a lot of their Cerner, which is now called as Oracle Health to cloud and cloud infrastructure, especially. And that's one area that we have a very strong presence in. We are one of the very few partners globally who do that kind of work for Oracle. And that's an area of business which we see as a really good chance to improve our healthcare business beyond back office to more Oracle Health and especially cloud and managed services within the Oracle Health segment. So that's one area.

Two, in general, as clients look at their AI spend, they look at partners who have the ability to deliver the infrastructure for demonstrating those AI solutions, and that's where our relationship with Oracle should allow us some long-term benefit. However, on the later half, we don't see anything immediate here and now, but we are quite optimistic that as we get into the AI for business, our partnership with Oracle will play a strong positive for us.

Pratham Kankariya: Okay. So just one thing to be clear. So we are majorly into Oracle's healthcare part of the business. Is that right?

Umang Nahata: We are into Oracle Cloud and within that, we are also very focused on the Oracle Health.

Moderator: The next question comes from the line of Sushovon Nayak from Anand Rathi.

Sushovon Nayak: Quickly just on the Data & AI horizontal, generally, this has been showing almost 25% to 30% quarter-on-quarter growth. Any particular reason why that has slowed down? That was one. And I had another question, which was basically on the margins. How much of the margin improvement has actually come on account of currency and how much would be on account of operational improvements? If that could be quantified, that would be helpful.

Umang Nahata: Sure. As far as the Data & AI business is concerned, Sushovon, I think it's a business that has tremendous attention and focus for us. We are seeing continued demand not just from the North America side of the business where we had acquired the asset, but really our ability to deliver it globally across all of our customers globally. We have seen some significant intake earlier in the previous quarter, both with NHS as well as with some of our large financial services engagement that we are executing. So the demand in that segment and our ability to demonstrate capability and growth is definitely helping us shape the outputs well.

Having said that, our growth of our Data service lines within North America specifically is still slower to where we expect it to be. As we speak with a new leader and team in place, we are now driving much more targeted campaigns around Data, especially Data and Data modernization-led areas. And we are confident that this is one area that will continue to grow the fastest as we move forward. As far as the bottom line performance is concerned, around 10 basis points was the impact of FX and the rest of it is operational efficiency.

Sushovon Nayak:

Okay. And just one last bit, Umang, is that if you look at whatever is happening in the U.K. with the fiscal situation there, so do you envisage that potentially there may be a reduction of spend and possibly that right shifting that you are mentioning may also translate in U.K.? Is that something that you envisage as a possibility?

Umang Nahata:

So Sushovon, as far as our U.K. business is concerned, our foundational strength of our U.K. business is the long-term trusted relationship that we enjoy with the government, including, as you might have seen recently, Ashank had met the Prime Minister. We have committed to creating newer jobs, spending in the geography. So our foundation is the long-term relationship with the customer? You are right to ask that there is a fiscal pressure and therefore, there is continued ask for more and more efficiency from strategic partners, which we believe is an opportunity for us to demonstrate our AI for tech capabilities. We are very actively and aggressively demonstrating them in our current estate and using that to create the right capability expectations of asking for much bigger, much larger businesses from that same estate on the back of the trust and the quality of the work that we have done.

So while we have the quality and trust on our side, we are currently using the efficiency asks to demonstrate how AI can deliver that kind of efficiency in our own estate first. That's the ask for most of our customers, demonstrate it in your own estate before you ask for larger businesses. We have the eye of where the larger business are going to come from, but we will have to demonstrate some efficiencies in our own estate first. And this is not just for U.K SGS, this is true for every mid- and large customer that we have.

Sushovon Nayak:

So Umang, in the last con call, what we got to understand was the type of work that we are doing for Bank of England. Now that is basically shown in the government services? Or is it in the BFSI bit? And what exactly would be the work?

The reason I'm asking this question again is because what I also understand from Accenture's con call is that they are also doing a lot of legacy modernization work specifically with the Bank of England. Is that anything very similar that you are doing? If you could possibly just give us some flavor on that, that would be great.

Umang Nahata:

Sushovon, so the work that you're doing with Bank of England is first, we are classifying it under the BFS vertical in our segmentation. Two, the work that we are doing for Bank of England is something that we're extremely proud of. It is very much core to the business. So what we're doing is we are helping them modernize their data, which is on a Databricks platform. And that data modernization platform that we are delivering to them will become the heart of all fiscal decisions that the Bank of England is going to make over the coming years.

So this is a system where we are consolidating data from lots of banking as well as external and internal centers. It's extremely high volume with near to zero kind of error rate precision data strategy and data execution that we are doing now. So, in the first part, we did strategy. Now we are doing the next 3 years of execution work for them. So, it's a business that will impact the U.K.'s economic policy decisions as we go forward. The work that some of our peers are doing are more around application modernization. This is more around data and data modernization to help them with their fiscal decision-making.

Moderator: The next question comes from the line of Dipesh Kumar Mehta from Emkay Global.

Dipesh Mehta: A couple of questions. You indicated about some kind of delay in decision-making and client preferring to sign shorter-term contracts. Do you expect that will lead to better conversion from order book to revenue? In the past, your order book to revenue multiple if I look was roughly around 1.6. If you want to do next 4 quarters kind of calculation, do you expect it to improve? Second thing is, if I look at your Q-o-Q order book growth, do you think revenue conversion will be faster than that, considering short tenure deals signed in that order backlog? So that is question one.

Second question is about Americas segment margin. If I look at it, we have seen some double digits, last year in H2. How one should look segment margin of America? We are in the investment phase. But do you think now we reach to a point where you see that investment will start fructifying into result?

Last question is about AMEA. You indicated some kind of one-off where revenue recognition not happened which impacted margin. But we might have followed matching principle, right? If that matching principal followed, then I am not clear why the impact was there. If you can clarify.

Umang Nahata: So Dipesh, thanks for all your questions. As far as our the OB to revenue ratios or some of the shorter duration contracts, that's largely a phenomenon with our North America business today. And there, we are confident despite of lower order book in this quarter, we should be able to stay consistent with our revenue performance. Like I said, earlier, we believe that the North America business will have some challenges in the short term, but will continue to deliver stronger performance as we go forward. But some of the OB to revenue ratios in North America would be better than where they were because for a lot of these contracts ACVs are much higher as compared to where they were earlier. As far as our U.K. Europe business is concerned, those are still a lot of long-term 3-year, 5-year deals. And that's the nature of work that we do with secured government or with some of the other verticals that I spoke to you about. So there, the ratios will not change so much, at least not in the immediate vicinity that we have.

On the segmented profitability of North America is concerned, like I mentioned in one of the previous questions, as we move forward and as we grow from here, come closer to like a \$28mn - \$30mn run rate in North America, that's when it will start going up to double digit or mid-double-digit kind of EBIT numbers. So, we have invested for that kind of range today. We have to still get there. And we really want to continue to hold the investments. We think it's a very healthy investment, which will deliver disproportionate results as we go forward.

On the one-off in AMEA is concerned, we take the conservative approach as far as rev rec is concerned. So unless we have all documentation is in place while we might have delivered the work, we did not recognize the revenue based on the general conservativeness that we should use in our accounting approach as we deliver our financial numbers.

Dipesh Mehta: Just to clarify, you recognized cost, you have not recognized revenue?

Umang Nahata: That is correct.

Dipesh Mehta: Okay. And a follow-up question on the OB to revenue. What portion of our revenue or order book would be from U.S., whether it reflects the revenue mix or it is different?

Umang Nahata: I think the order book mix, at least for this quarter is disproportionately high from our U.K. Europe business. Our U.K. Europe business, it's a significant higher percentage of our order booking for this quarter.

Moderator: The next question comes from the line of Varun Gandhi from Fident Asset Management.

Varun Gandhi: Umang, I wanted to a question related to AI and type of contracts. So currently, we're reporting around 40% fixed price contracts and 60% of our contracts is time and material. The new narrative is and since the larger peers have called out that the new trend is that contracts are moving more towards your outcome-based pricing, so fixed pricing. Are you seeing that? And if yes, do you see your tilt contract mix going towards fixed? And if so, how would you see the impact on margins?

Umang Nahata: So Varun, that's a great question from an overall trend of the industry is concerned. AI as far as AI for technology is concerned, which is the AI that is impacting the productivity and efficiency of technology services, it is definitely delivering more and more efficiency every day than what we had seen in our previous months or quarters. And that efficiency is what is leading to customers as well as partners trying to move towards a fixed price or an outcome-based contract so that the gains could be shared. The commercial model, I still think are fluid and everybody is trying out various commercial models in the geography.

So I'll not comment whether it will move one way or the other, right now. What is definite is that there will be more efficiency and productivity gains that will happen. What's going to be the right commercial model, whether it is fixed price or outcome-based or whether a T&M with efficiency share or something else will continue. That's a little early to comment on. We are discussing a variety of models with our customers as we speak. While they still start with T&M especially in the engineering services start with T&M as a base, but a T&M with an outcome-focused contracting is the direction of travel that it is taking. So I don't have a definite view of how fast this trend change will, but efficiency ask and a commercial model to demonstrate that efficiency ask is clearly a direction of travel that we're seeing.

Varun Gandhi: Second was, what is the impact of this shift on margins?

Umang Nahata: So as far as margins are concerned, clearly, we are also seeing a lot of efficiency on our side. Some of those efficiencies are flowing down to our bottom line. Like I said, our revenue per resource clearly will be moving north as we go forward. Having said that, some of this is also has to be replowed in the business because the bigger wave that we are all now building up for is AI for business, which is where we could deliver Agentic or other AI-led business transformation solutions for our clients. And that requires us to demonstrate and build a lot of solutions, assets, proof of concepts, working closely with our customers.

We are seeing, for example, a dozen such engagements where we are demonstrating or building AI for business road map for some of our important mid-market customers, that clearly will pave

the path forward for a much more significant overall services growth in the industry. So a lot of the savings are being plowed back into AI for business kind of investments today.

Varun Gandhi: I see. But do you think a lot of these efficiency gains would also be passed on to the consumer, I mean, the customer in this case?

Umang Nahata: Hundred percent, so if you have to do business right, you will have to pass on some of the savings back to the customers. At least our vision is making some tangible growth for us on our size of business to demonstrate and get a seat on the table for larger transformations. We will have to demonstrate not just lip service, but some real tangible benefit to our customers. And therefore, passing on a portion of our efficiencies back to them openly and transparently is going to be very important.

Moderator: We take the next question from the line of Mahak from Mak Seven Investment.

Mahak: Sir, can you quantify that one-off revenue that we have already delivered, and it is to be recognized in the future quarter?

Umang Nahata: We don't have an exact number with me, Mahak, but closer to the tune of like \$0.5 million.

Mahak: Okay. \$0.5 million. And another thing that can we have the order book bifurcation region wise next quarter onwards?

Umang Nahata: Mahak, we usually do not disclose order book. That's not how we are working at. But we continue to disclose and share our regional performance as well as our anticipation for the region, but we don't disclose order book by region.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Umang Nahata for his closing comments.

Umang Nahata: Thank you, Ryan. Thanks for helping us organize the call. Thank you, everyone, for your participation and your active and very engaging questions. We continue to see very strong optimism in terms of the macro, especially the AI-led technology disruption that we are going through.

I think as a company and as a business, disruption situation like this is the best opportunity that we could have had or asked for to create a disproportionate kind of vision and growth for companies like us. We continue to focus on that as an area of investment and deliver the true potential of Mastek.

As far as our short-term business is concerned, the market still has a lot of macro and global uncertainties, which is leading to some deferment of decision making. However, we continue to navigate those uncertainties with a strong and robust bottom line performance and looking forward to a good positive H2 as we move forward. Thank you for the call. And once again, Happy Diwali to everyone who's joined the call. Thank you.

Moderator: Thank you, sir. 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.