



“Mastek Limited
Q4 FY '26 Earnings Conference Call”
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MODERATOR: MS. ASHA GUPTA – EY INVESTOR RELATIONS

Moderator:

Ladies and gentlemen, good day, and welcome to Mastek Limited Q4 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. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from E&Y Investor Relations. Thank you, and over to you, Ms. Gupta.

Asha Gupta:

Thank you, Renju. Good morning to all of you, and welcome to Q4 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; and Deepak Kedia, Chief Financial Officer. Umang will start the call with a business update for the quarter, which will be then followed by Deepak, who will take us through the financials. And 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 statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included, but not limited to, what we have mentioned in the prospectus filed with SEBI and subsequent annual report that you can find on our website.

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

Umang Nahata:

Thank you, Asha. Very good morning, everyone, and thanks for joining the quarterly update for Mastek Limited.

Our Q4 results has been a stable quarter. And despite the various macro and geopolitical headwinds, we've been able to deliver a 3.6% quarter-on-quarter revenue growth and continue to maintain a stable EBITDA performance at 16.1%. Our order backlog in INR terms has also grown by 7.2%, and the consecutive number in USD terms is 1.6%. So overall, a stable quarter despite the various headwinds. Having said that, the consistent order book performance as well as the demand positive movement that we are seeing gives us a very positive outlook as we go forward into FY '27.

As we step into sectorial performances, Healthcare and Life Sciences, which is one of our most important sectors, continues to see a very positive demand outlook, although the current performance of this quarter has seen a quarter-on-quarter dip, which is primarily a timing gap between current projects getting executed and new projects getting started. And we feel positive that the growth will come back in the sector soon. As far as the public sector is concerned, which is the backbone of Mastek's growth, it continues to be stable. We've renewed a few more contracts of ours for a good long-term visibility, and we continue to deliver really well. The star of the quarter was financial services, and we're starting to see some really good improvement in our financial services sector.

Based on the order book that we closed earlier in the quarter with 2 large financial services institutions in North America as well as other financial services institutions in the U.K. and other financial services customers in North America and AMEA, our financial services sector is starting to deliver well as the revenue and resources ramp up. Retail and manufacturing continues to be a stable performance, although there is a timing dip of around 2% in that particular vertical.

As far as our focus and execution on AI is concerned, as we have been mentioning, we have quite a distinguished approach to AI, and we're starting to see some positive results based on the approach and strategy that we have been pursuing for the last few quarters.

Our net new AI-focused customer projects or programs that we've added in the quarter were more than 27 programs. And these includes both AI for tech and AI for business-related programs, including some significant AI road map and AI for business programs that we've added in this current quarter.

Our AI-focused execution as well as our operational excellence has also ensured that despite the severe pricing competitiveness in the market, we're able to maintain a stable profit margin, and we continue to maintain that.

Reflecting on the year that has gone by, FY '26 has been a year which has been various fundamental resets for Mastek.

As far as our focus is concerned, we re-established our focus and investment in our U.K. & Europe business, backed by the phenomenal team as well as strong market presence that we have in the geography. Our U.K. & Europe business grew around 11% in pound terms and 21.8% in INR terms. Within the U.K. business, our healthcare business continues to be our dominant growth factor, which grew around 24% in dollar terms and 90-plus percent in INR terms for the fiscal year FY '26. The healthcare growth largely focused on NHS as a key customer, and we continue to deliver some of the most significant programs for the U.K. government and also delivering a lot of innovative expansion using data and AI capabilities.

As we go forward into North America, this was a year of resetting. We've now reset the complete team at North America. We've also reset our focus and priorities that we take into the geography. Healthcare and Life Sciences continues to be the key focus going forward, along with BFSI and Retail as we step into FY '27. We see a very positive turnaround around the corner in North America, as our order book and other lead indicators start to improve quarter-on-quarter, we've had a second quarter of positive order book growth in North America. And we have good visibility to a strong order book even continuing in the coming quarters, which should soon result in positive revenue growth as we step into FY '27.

On our AMEA business, which is our APAC and Middle East business, this was a year of stabilizing and resetting the client focus that we have in the region as far as our focus on verticals is concerned. Again, healthcare backed by Oracle Health continues to be our core focus dominant area. Our Middle East business, while is facing some short-term headwinds because of the significant geopolitical turbulence in the region, we maintain a stable performance forecast

for the short-term period in the region. Having said that, we are closely watching the geopolitical developments. All our employees and customers are currently safe and secure.

On the AI front, like I said, our focus was on AI for technology last year. We've delivered significant efficiency gains across our internal operations as well as provided a lot of efficiency gains to our employees. On an overall basis, we delivered more than 12% increase in our revenue per resource in the year, also delivering lots of efficiency and gain backs to our clients and customers.

Our focus is now shifting significantly towards AI for business as we look at many new programs where we have started delivering some small but very influential AI-led use cases for our clients. As we step into the year, verticalizing the business based on AI is going to be a key mantra for FY '27.

With those updates, I'll now hand over to Deepak to share some of the other financial updates for the business.

Deepak Kedia:

Thank you, Umang. Thank you, Asha. A very warm welcome to everyone on the call, and thank you for taking time to attend Mastek's earnings call. I'll start with the quarter's numbers update and then talk about the full year earnings, plus I'll also talk about some other updates, which has impacted our FY '25 numbers as well as FY '26 numbers.

In Q4, we reported revenue of \$103.5 million, sequentially up by 1.4% and an operating EBITDA of 16.1%. On a constant currency basis, revenue remained largely flat with a marginal sequential growth of 0.3%. We had salary increase impact of \$1.1 million, which is almost 1.1% impact on EBITDA. Despite this, we were able to hold our EBITDA at 16.1% due to forex tailwind of 0.8% and execution of cost efficiencies. The EBITDA performance again underscores the strength of our operating model, disciplined execution and continued focus on cost optimization.

In rupee terms, we reported revenue of INR938 crores, a sequential growth of 3.6% and a Y-o-Y growth of 3.6%. We reported PAT of INR106 crores, which is 11%. There is a decline of 0.7% sequentially in PAT due to true-up impact of Labor Code, and I'll cover that in a while. We closed the year with 12-month backlog of \$300.4 million, a sequential growth of 1.5% and a Y-o-Y growth of 13.5% in USD and 24.4% in INR terms.

For full year, we reported dollar revenue of \$421.2 million, up 3.1% Y-on-Y. We reported an EBITDA of 15.8% for the full year, which is same as previous year despite pricing pressures and macroeconomic situations in our key geographies. This again reflects the resiliency and strength of our AI-led operating model combined with disciplined execution. In rupee terms, we reported revenue of INR3,699 crores, a Y-o-Y growth of 7%. We reported PAT of INR404 crores, a Y-o-Y growth of 7.5%.

However, in terms of percentage of total income, it was 10.7%, which is flat on a Y-o-Y basis, primarily due to catch-up impact of INR30 crores due to Labor Code changes, which had almost 0.8% impact on full year PAT. We reported a basic EPS of INR130.45, which was up 7.1% compared to last year and diluted EPS of INR129.5, up 7.3% compared to last year.

As regards Labor Code impact, as I mentioned in Q3 Earnings call, we expected an adjustment in Q4 based on clarification from the labour department. During the quarter, we recognized an exceptional and incremental impact of INR23.7 crores, which includes gratuity of INR16 crores and leave encashment of INR7.7 crores.

This impact is in addition to INR6.4 crores, which was reflected in Q3, which had gratuity of INR5.3 crores and leave encashment of INR1.1 crores. Following subsequent clarification from the Labor Ministry and an independent external review, we have now fully reflected the impact in this quarter's financials.

We have classified the true-up impact as an exceptional item below EBITDA, which resulted in Q3 reinstatement of EBITDA as well. The Q3 EBITDA has improved from 16.1% to 16.8%. As I mentioned in Q3 earnings call, the Labor Code impact got offset by onetime benefits in Q3 and hence we see the revised EBITDA to be higher in Q3, which are primarily onetime benefit related to leave reversals, which happens in U.K. and U.S. because of the Q3 quarter.

Moving on to the cash position of the company. During the year, we generated INR542 crores of operating cash, which is up 35% Y-o-Y. Our cash and cash equivalents as of the end of March '26 was INR938 crores, up 51% compared to March '25 ending. During Q4 of '26, we had a very strong collection quarter from our customers, wherein we collected \$125 million, which helped us reduce our DSO to 73.

This is the lowest DSO we have had in last 12 quarters. Reflecting continued confidence in the business, we are pleased to declare a final dividend of INR16 per share. This is on top of INR8 interim dividend, which we declared during Q3 results. This is basically 480% of our face value of the shares.

Moving on to some geo-specific performance. Both U.K. and AMEA grew sequentially in Q4, whereas U.S. was largely flat on account of right shifting of some of the projects. The U.K. continues to maintain healthy EBITDA of almost 20%.

Some business parameters now. New customers added during the quarter were 12. Total closing headcount was 4,730, an addition of 54 during the quarter. Utilization rate improved during Q4 at 80%, which was an improvement of 3.3% from Q3 and 1.7% from Q2.

Last update on some operational parameters. During the year, we merged two entities in India, which is Mastek Enterprise Solutions Private Limited and Mastek Limited. Mastek Enterprise Solutions Private Limited was a wholly owned subsidiary of Mastek Limited. This has been done to simplify the entity structure in India and to eliminate duplicate operational and administrative costs and overheads. Consequently, FY25 balance sheet has been restated.

Now I will hand over the call to moderator to open up for Q&A. Thank you.

Moderator:

Thank you. We will now begin the question and answer session. The first question comes from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar:

Hello, sir. Thank you for taking my question. Sir I wanted to understand in terms of revenue growth this year has been not that exciting as in only 3% Y-o-Y growth. But our order book has grown quite well this year, ending closing order book is quite good. So can we expect the first half of next year to be much better in terms of growth rate?

Umang Nahata:

Ankur, this is Umang here. Yes, we've had a decent performance in terms of our order book as well as our 12-month order backlog has improved significantly over the last fiscal year. As we step forward into FY27, we believe we have a strong and positive momentum behind us. Having said that, as you also understand that we are dealing with a very unstable macro environment as well as a lot of AI-led pricing pressure.

The revenue ramp-up on the order backlog has already started and will start reflecting in our revenue soon. On the other hand, we will maintain a cautiously positive attitude on the book and ship that we have to deliver for the next year. So we believe it will be a growth year next year based on the fundamentals that have improved in this fiscal.

Ankur Kumar:

But would you like to give a rough guidance in terms of how much growth do you expect? Do you expect double digit or in line with order book is it 20% growth, what kind of growth can we expect for next year?

Umang Nahata:

So Ankur, usually, we don't give guidance on future numbers. Having said that, we believe it will be a better performance than the previous year.

Ankur Kumar:

Got it, sir. And sir, on margin side, we have taken employee related cost hikes. So what kind of margin can we expect? Do we expect improvement going ahead or how should we look?

Umang Nahata:

As we have stated earlier, Ankur, we believe maintaining margin percentage for the coming period at 16% -16.1% is where we see the margin performances. This is based on two factors. While we consistently have improved our operational efficiency as well as we also see a lot of AI-led efficiency improvement.

On the other hand, the price competitiveness as well as the efficiency and budget reduction asks from the client continues. So we're trying to balance the two and also investing into new AI investments that the organization has to make to further enhance its strategic capabilities. Putting all the three together, we continue to be looking at a stable margin for FY27.

Ankur Kumar:

Got it, sir. And sir, on the AI side like there is a lot of chatter that this traditional business model where we hire employee and they get billing per hour rate. So that is under threat, what is our view on that front, sir?

Umang Nahata:

Ankur, there's no doubt that the developments and evolution in AI is significantly evolving. The Anthropic release has further significantly enhanced the capabilities of the tool in terms of productivity as well as our ability to do things faster and better. The way we are looking at the businesses, again, our belief is the T&M model will give way to more outcome-focused model.

And FY26, as I said, was more focused on efficiency and stabilizing our ability to deliver AI-led SDLC or testing or managed services, which we call AI for tech. As we step into FY27, it's

going to be much more around AI for business, which is we will use AI for delivering projects and programs that will deliver tangible, measurable benefits to our clients. And we also feel that while the technology is available, there will be enough services need to really get the technology adopted for delivering these tangible business outcomes. So the model will be moving from T&M to a more outcome-focused commercials.

Ankur Kumar:

Sure, sir. Thank you and all the best.

Moderator:

Thank you. Next question comes from the line of Sushovon from Anand Rathi.

Sushovon:

So just two questions. Do we have an order book breakup by geography and how has that grown across U.S., U.K. and AMEA? That's one. And the second is effectively on the tax rate. What do we expect the steady state tax rate to be?

Umang Nahata:

So the 12-month order backlog has definitely increased significantly in our U.K. business. While there is order book improvement in North America, however, the 12-month order backlog has not increased significantly, while we see positive momentum from where we are. As far as the tax rate is concerned, Deepak will explain that more.

Deepak Kedia:

Yes. Sushovon, on the tax rate, the reason why you see a lower tax rate in Q4 is because we had completed a few of the past year assessments. And based on that, there was some provision reversal. And again, that came from the guidance from our tax consultants. That's why you see a lower tax rate. Going forward, our average effective tax rate would be 24.5% to 24.7%. We expect the same to continue in the future quarters as well.

Sushovon:

Okay. And is there any one-off this time in the AMEA business because there was sort of a WAR revenue that was about to come, if I'm not wrong, in Q2, right? So, has that translated into revenues ?

Umang Nahata:

Yes. Sushovon. So the AMEA WAR revenue, we have been able to recognize it in this quarter, which has helped us to keep the business stable. The current situation is while the business continues and the projects are getting executed. However, the decision-making on the net new orders or discretionary spend as expected has slowed down. The general interest and execution is on, but new decision-making is currently right shifted.

Sushovon:

Sorry, would it be possible to quantify that AMEA a bit?

Umang Nahata:

So it was around \$0.5 million worth of WAR revenue that we were able to recognize that we had postponed in Q2, we were able to recognize that in this quarter.

Moderator:

Next question comes from the line of Vinesh Vala from HDFC Securities.

Vinesh Vala:

Two, three questions from my end. Firstly, on the margin front, our U.S. as well as the Middle East margins are down on a Y-o-Y basis as well as on a sequential basis. So can you throw some light on that ?

Umang Nahata:

So on North America, it's mostly the pressure of the revenue still stabilizing as well as the impact of the wage hike that we've given in the quarter. On the AMEA business, similar areas, while

our cost numbers continue to be stable, but our revenue did not move significantly. And then since we did the wage hike, that was impacted during the quarter. So that's why the sequential performance is low for this quarter.

Vinesh Vala: Okay. So sir, the wage hike during this quarter has a full impact in this quarter or there is some impact which would be there in Q1 as well?

Umang Nahata: No, it has the full impact.

Vinesh Vala: Okay. So second question was on healthcare vertical. Sir, as you highlighted, healthcare was impacted by the timing gap of projects. So it has been declining. So is it related to U.S. or U.K. public NHS?

Umang Nahata: It has happened in both the geographies. Our U.K. business, which saw significant growth in healthcare last year. Some of the projects we have now been delivering and have gone to the delivery stage. So they've gone live. And the newer programs are yet to be contracted and started, but we have very positive demand as well as outlook in that business.

On the North America business also, as you know, our North America business had a lot of project-based business in healthcare. So we've seen ramp down because these projects are going live. We are positive that it will recover as new projects start to ramp up.

Vinesh Vala: Okay. Sir, last thing from my side on the AI-led order book. Can you help us understand the ramp-up of that and profile as well as the margin in that AI-led deals, which we won?

Umang Nahata: So, the AI-led deals that we are currently seeing are in two categories. These are AI-led technology deals where we are using AI for delivering newer programs, which are like legacy modernization or AI-led testing or managed services kind of deals. And I call them AI-led because most of these deals have significant, between 70% to 80% usage of AI for delivering the execution of these deals. That's what we are calling as AI-led deals.

The second category of deals that we are seeing are more, like I said, the AI use case deployments. Now these are early stages. Quite a few of them are in the discovery kind of programs where we are working with our clients to identify their enterprise AI plan and also delivering a few small but very impactful use cases, which will set the stage for much larger adoption as we go forward. On the margin front, these are within the same range of our current gross margin percentages, nothing exceptional there.

Moderator: Next question comes from the line of Varun Kulkarni from InCred AMC.

Varun Kulkarni: So a couple of questions from my end. First one would be, would acquisitions be a strategy to enhance the AI vertical given that cash has now increased on our books? So that's one question I had. And then I'll subsequently ask the other questions.

Umang Nahata: So Varun, we are actively looking at the best use of the cash on our books as it continues to grow quarter-on-quarter. M&A clearly is an important part of that decision and discussion as we look forward to. Our M&A thesis as we look at it now is very tightly aligned to our vertical and our

vision strategy, which is trying to move to AI-led vertical growth in these businesses. We believe the current focus from an M&A standpoint will be more on expanding Mastek's domain capabilities in some of our core focus domain areas.

We will also look at some strategic but smaller AI investments and partnerships with some of the significant AI players that are coming around. So AI is more around smaller investments, but larger partnerships with key players and the M&A would be more around vertical focus.

Varun Kulkarni: Second question would be on the order book front. What would be the average tenure or the period or rather the execution period for this order book? So if you could throw some light on that would be helpful.

Umang Nahata: So again, as far as the order book is concerned, Varun, there are 2 or 3 different kinds of orders that we deal with. A lot of the orders that we get in our U.K. business, especially our public sector as well as any of the public procurement-related frameworks that we deal with have a much longer tenure, anywhere between a 3-year to 5-year kind of visibility on those orders as we ramp up and execute.

Then there are orders which are more project-driven, especially in our Salesforce and Oracle business, which are usually 1 year to 1.5 years kind of project execution. So those are the two different kind of orders that we see in our books now.

Varun Kulkarni: And lastly, what would be the share of the private sector revenue versus the government revenue in the U.K. business? And do we see any change in that going forward?

Umang Nahata: So the private sector business approximately is around 40% of the global business. The U.K. is around 30% private sector - just circa numbers, Varun, I don't have exact numbers right now. Having said that, both our healthcare as well as financial services are two sectors where we see continued growth. And in the short term, the private sector will grow faster. But overall, I think healthcare will pick up as we get into the full year view of FY27.

Moderator: Next question comes from the line of Nikhil Purohit from Fident Asset Management.

Nikhil Purohit: Just one question on the order book. So we have witnessed strong growth, of course, this quarter. Do we expect this order book to get executed in FY27 based on the historical pattern? And do we see accelerating revenue growth for FY27?

Umang Nahata: We've given you a 12-month order backlog number. So we definitely expect the 12-month order backlog to be executed in the next 12 months of our business, which is a stronger foundation as compared to what we entered into FY26. So we definitely have a stronger foundation as we enter into FY27. Having said that, as I also mentioned earlier, we are also getting into a market which is much more volatile than before.

A lot of macro as well as AI-led changes are constantly shaping the business. So our endeavour is to make sure that we deliver a positive book and ship growth also, but we'll look that with a degree of caution as we enter into a market which has a little more uncertainty than before. So

put the two together, we believe that FY27 will be a positive growth year, should grow faster than FY26.

Nikhil Purohit: Got it. And I just noticed in the FY25 full year results, the receivables went down and may be restated to contract assets. Why did this happen?

Deepak Kedia: So, you mean the previous year?

Nikhil Purohit: Yes, the previous year.

Deepak Kedia: That was basically a restated balance sheet where we combined the two entities. It's not like the business or unbilled has gone down. It's just a combination of two things. Now the enterprise unit is basically our erstwhile Evosys business and MLTD is basically our traditional digital engineering business and it's a cost-plus entity. MLTD was traditionally a cost-plus entity. So fundamentally, from the business perspective, the numbers hasn't come down. It is just a restated number or a combined number of two entities.

Nikhil Purohit: And lastly, our receivable days have come down to 73 days this quarter. What is the outlook for the medium term on that?

Deepak Kedia: It's difficult to kind of provide an outlook because it's a combination of various factors. It really depends upon how much revenue we booked during the quarter and how much we have executed out of the backlog as well and how much have we have been able to bill to the customers. And billing also depends upon like 40% of our business is fixed price projects. So it depends upon in which quarter we are completing the milestone on those projects and then the billing happens.

So of course, there will be some variation from where we are today, but our endeavour is to basically maintain the DSO at the level we have reached. Now in the short-term, you might see some plus/minus a few days. But in the long-term, I believe that we should be in a stable range of what we have kind of published in Q4.

Nikhil Purohit: Got it. Thank you so much.

Moderator: Thank you. Next question comes from the line of Prathm Kamreya from Quantum AMC. Please go ahead.

Prathm Kamreya: Hi, sir, one thing, there is a significant growth in order backlog. So what challenges do you foresee which could not translate into revenue growth for FY27?

Umang Nahata: Again, as we had mentioned earlier, while we see good positive momentum in our 12-month order backlog, which puts us into a much more stronger foundation as we step into FY27. We are also getting into a year which has two parts, right? It is execution of the backlog as well as the book and ship that gets executed within the year.

While we are super confident that we will execute the 12-month backlog that we have and which is a stronger foundation, the book and ship in the year, we are dealing with a variety of uncertainties as well as the changing phenomena on AI and AI-led deals that we are

experiencing. So putting the two together, while we feel positive that FY27 will improve from FY26, we are taking it with a degree of caution.

Prathm Kamreya: Okay. Sure. So one thing like since the start of FY24, there is a dip in active clients. And you have mentioned in the past that you have been doing some tail accounts and planned rationalization. Where are we on that part? Secondly, how do you see the employee headcount and utilization levels going forward?

Umang Nahata: As far as the active client is concerned, it will be a constant process. We will be churning out smaller customers consistently. If you look at our current book of business, while our top 30, 40 customers deliver almost 65%, 70% of our revenue, there's a large tail that supports the remaining part of our business.

Our focus and strategy have been to try to focus on strategic customers and be able to deliver more value and business to them, which would mean that some of these smaller customers will churn out. There's also a sizable project business that we have where clients do churn out once the project gets executed and the transformation has been done.

So we believe the top 50 or 100 customers is where our focus is and those are stable and continuing to grow in terms of their business. But there will be pluses and minuses that will happen in the remaining set of customers that we have. The second part of the question?

Prathm Kamreya: On headcount and utilization levels?

Umang Nahata: Yes, that's a great question. What we saw last year was a consistent reduction in headcount, especially in our fixed bid business with our ability to do more with fewer employees and which has helped us balance and sustain our profitability margins for the year. We continue to see that same phenomenon.

I think our rate of employee growth will be slower than the rate of revenue growth. This is our general anticipation. Having said that, a lot of business mix between on-site, offshore, some of the kind of programs may change that. But directionally, the headcount growth should be slower than the revenue growth, and therefore, the revenue per resource should move positively.

Prathm Kamreya: Okay. Sure. And you have mentioned that the sizable project business after a project is completed, a client churns out. So basically, is there any capability that we are lacking and that is why the client is not able to stay with us and thus churning out? Or is there something different?

Umang Nahata: So there are two scenarios. There are customers which are large customers where once the project is over, they add to our installed base and we get them into managed services or other capability areas, and that's where we've been expanding them. But there are also other set of customers which were mid- to small set of customers and where we executed and either they landed into very small managed services or into an area that was not our priority focus.

So depending upon our focus in terms of vertical and the strategic importance of the customer is where we are expanding. There are areas that are not of strategic importance, we want to consistently churn them out.

Prathm Kamreya: Okay. Sure. Thank you.

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

Amit Chandra: Thanks for the opportunity. So my question is on the AI order book that we have given. So it has increased from, say, 3% to 9% of the order book in the last two quarters. But if I see the average size of the deal is still very small, around \$1 million. So how do you see the scalability in these AI deals? And also these kind of wins are coming from existing clients in the existing spend seen or this is like net new from the existing clients? So if you can give some colour on that?

Umang Nahata: Amit, like I said, the AI deals are currently building up. And in some cases, these are larger engagements in terms of where it is AI for tech-led transformations, and not very large, but moderately large. And then there are other customers where these are still small use case deployments, but the value and the impact of those use cases are very phenomenal.

So the way we are looking at it is as we move from AI for tech to AI for business, it will be about deploying some outcome-based significant use cases to our clients. In some cases, we are also doing discovery work, which is setting the step foundation for much longer enterprise AI business as we go forward. So while that's the current rate, I think it will consistently improve in the long-term as these use cases become more enterprise scale and enterprise-wide.

Amit Chandra: I was saying that the U.S. geography and the AMEA has been the underperformer for FY26. So how do you see these two geographies shaping up in terms of the revenue growth for the next year?

And also, there has been sharp impact on the margins as well. This is because of the strategies we have in terms of cutting the tail end and we are still investing in these two geographies. So for the next year, do you see that the U.K. geography continues to grow, and we can see some stabilization in the U.S. and the Middle East? Or is there going to be still some pressure on the U.S. and the Middle East geographies?

Umang Nahata: Amit, like we've been stating, this year was a very fundamental reset in our North America business, right, from our leadership to our teams as well as our focus in terms of target markets and GTMs and everything else. Most of that has been now stabilized and are in place. We're starting to see positive lead indicators.

The current quarter was the second quarter of positive order book growth. Sequentially, we saw Q3 also growing. We've seen Q4 also sequentially growing. And we have enough lead indicators to say it will continue to sequentially grow in the coming next few quarters.

As we sequentially grow in our order book, the other important factor to know us, our North America business was a lot more project-based. So, while our order book and ramp-up is growing, there's also some of the older projects that get executed and therefore, their ramps come down.

So, on one hand, we are trying to improve the order book. And on the other hand, we are systematically trying to change the colour of our business to have more long-term and stable revenue projects. We believe as we go forward with the lead indicators moving in the right direction, our North America business will start to show positive growth as we move forward. And we are quite positive that FY '27 will be a good growth year for North America.

As far as our AMEA business is concerned, like we've said earlier, we have reset our focus and attention on that geography. Again, that reset has been well executed now. Healthcare and BFSI and manufacturing are 3 key verticals, especially healthcare.

A lot of focus has shifted from just doing back-office work to doing pure-play bedside and clinical and patient engagement activities is how we have changed that business. So a lot more larger and strategic engagements with our healthcare customers, especially on the back of Oracle Health is how it is developing.

The geopolitical uncertainties is definitely a factor. But if you eliminate those uncertainties out or if you make an assumption without the uncertainties, we are positive that AMEA is also turning around towards growth in FY '27.

Amit Chandra:

Okay. And on the U.K. government business, obviously, we have been doing well there and winning deals from the newer departments. But from the existing ones or the older customers that we have, what kind of renewal discounts are we seeing and also in terms of the pricing pressures that we're seeing in terms of the existing contracts which are coming up for renewals? And also in general, the increase in the competitive environment wherein many new players have entered the geography because it's a large spend pool?

Umang Nahata:

And this is not just for U.K., this is across the board, Amit. The renewals clearly are being extremely price competitive. A lot of that is very evidently available with the ability of AI to deliver things faster, better. And therefore, the ability to do the same business in less effort is very visible and hence, the price competitiveness of these renewals.

Like we had mentioned in our earlier quarters, we had renewed some of our contracts with anywhere around 10% to 15% discount. But depending on the nature of business and the nature of customers, it could go much higher than that as we go into these discussions.

Like I said, while it creates a cost pressure or revenue pressure in terms of executing the current business, but it is equally creating many more opportunities of winning net new strategic customers because they also see us as equally capable and confident partner to delivering those businesses.

So, it's a mix of the two. These price pressures will continue. Our endeavour is to now shift our business model from T&M to much more fixed bid outcome-based contracts. In fact, underneath

the T&M commercial framework, we were delivering a lot of outcome-based programs for our clients. So, we're now trying to bring that into the commercial frameworks also.

Moderator: Next question comes from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: Yes. Hi, Umang a couple of questions from my end. One is on the M&A, right? Just wanted to understand in the evolving nature of how IT services is evolving, how has your philosophy on M&A changed. So what are some of the skill sets or some of the gaps that you see in your business that you want to fill through an inorganic growth opportunity? Can you just give us your view on M&A?

Umang Nahata: Hi, Prolin, I think it's a very good and strategic question to ask. See, the general view that we had earlier and which is some of the earlier M&As that we did was more based on capabilities and skills around Oracle, around Salesforce, around data and so on and so forth. Our view and our vision for our business is going to be much more domain and vertical specific.

And therefore, our ability to understand the business and deliver business outcomes is how services will be offered going forward. Mastek is also making an important shift towards verticalization as well as using AI for delivering these vertical solutions. In that context, our M&A thesis is now looking at assets that could give us core domain capabilities.

So while continuing technology, but looking at technology, which are more core to the business rather than some of the periphery or digital activities that we had looked at earlier. So that's one part. Like I also mentioned earlier, while there is significant in-house M&A developments, a lot of positive M&A developments are also happening with start-ups all around. So we continue to also look at using that ecosystem both via partnership and some degree of investment if required.

Prolin Nandu: Okay. So what I take is that domain knowledge is important and that's the thing that you're looking at. Umang, second question would be, I'm trying to triangulate a few things here, where first you mentioned that things are moving towards outcome-based solutions rather than time and wage thing, one is that.

Secondly, you are also saying that even in this evolving AI world, there will be a need for a lot of technologies, a lot of IT service. And thirdly, you mentioned that still most of the AI is more AI to drive tech rather than AI to drive business. So in such an environment, don't you think that as we move towards more outcome-based and we move towards AI in the business-based kind of deals, don't you think the need for service will ultimately come down? How do you see, can these three things happen simultaneously together or one has to fall off?

Umang Nahata: So the way I see this, Prolin, is this, while ability to deliver technology has definitely evolved significantly. But what has also evolved significantly is the potential of things that you could do, which you were not able to do earlier. And this is in many context. And this is not just in terms of writing code, but in terms of variety of analysis, variety of research that you could generate, the workflows that you could operate in.

The UI that you could have and so on and so forth. What it means is a lot of businesses, in fact, a large majority of businesses will have to relook at their business processes, their business

workflows, the way they make decisions. There will be newer revenue opportunities that they will create and so on and so forth.

All of this means that underlying technology or business workflows will have to change completely to adapt to this new opportunity that AI has provided. As we look at delivering these or as clients look at adopting these new possibilities, while the technical capability of creating an agent or generating a code faster is very much available and that can be delivered.

The ability to deliver an outcome is not just about writing the agent. It is a lot more about whether the background data is in place, whether the workflows are correct, whether there is adoption of the technology that they've taken out and how they are really measuring the impact.

If you look at the AI adoption so far, while people have bought a lot of platform licenses, the ROI is still not visible to many of the non-IT clients. And that ROI realization will take significant surrounding services to get the clients to business outcome. So that's how we see this business. So services will continue. The kind of services will change from developing to much more helping the clients with relooking at their workflows, adoption of technology and delivering outcomes.

Prolin Nandu: Sure. Umang, can I push one more question because this is just related. So what you're talking about is a net positive, right, of AI because of workflow modernization or data modernization. When and where do we see this playing out for Mastek? I'm talking about the order book, or maybe the revenue.

Umang Nahata: That is a great question.

Prolin Nandu: Sure.

Umang Nahata: No, when it's a great question, there's no clear directional number. But what I can tell you is good lead indicator data. So clients have started realizing that just buying platform is not good enough. They've started working, and we are seeing quite a few orders, including a few in this quarter itself, where our job is to work with the client on readiness.

We're getting orders with the client to deliver business process change. We're getting orders with our clients to deliver an ROI adoption framework. Governance is becoming a critical part of the discussion that is happening. So, the lead indicators of surrounding services around AI for getting the true value out of AI, we're starting to see those happen. Having said that, many of them are still in smaller either discovery stages or smaller use cases, as I mentioned earlier.

When it becomes enterprise scale, and it will become enterprise scale because it is not just about 1 or 2 workflows. It has to change the entire landscape of business. That's where sizable revenue and business impact will happen, which will clearly overthrow whatever we have been doing so far and significantly increase that. But like I said, I can only tell you lead indicators, exact timing is unknown.

Prolin Nandu: Thank you so much, Umang, for answering the question all the way best.

- Umang Nahata:** Thank you.
- Moderator:** Next question comes from the line of Sanjay an Individual Investor. Please go ahead. Sanjay, please go ahead.
- Sanjay:** Actually my question is answered. So thanks for that and wishing you all the best.
- Umang Nahata:** Thank you, Sanjay.
- Moderator:** Next question comes from the line of Sushovon from Anand Rathi. Please go ahead.
- Sushovon:** Just two questions. One is how much would be your project-driven business as a percentage of revenues overall and within the U.S., if that could be quantified? That's one. And the second bit is with whatever has happened with the Oracle layoffs and the fact that there are rumours Oracle may actually plan to sell its Oracle Health business, the Cerner business, do you think that may have any impact on your business from an Oracle implementation perspective? Because we're also seeing that degrowth on Y-o-Y basis. These are the 2 questions.
- Umang Nahata:** So Sushovon, the fixed bid business that we have currently is at a company level, circa 40%, some plus/minus. It is a little higher in North America. It's more than north of 50%, 55% is fixed bid business in North America in our current setup. So that's our two areas. And we actually believe that these percentages will grow even further, and that's the commercial model that that's how it will move forward.
- Having said that, going back to the other Oracle part of the question that you have. See, the core tech area, which is writing codes or testing or managed services, etcetera, definitely has become far, far more advanced than it ever was. And therefore, if you look at any product development or areas that were highly dependent on pure-play technical engineering skills and especially these companies which are themselves on the edge of technology, they will be looking at a reduction in human effort in terms of those core services that they had.
- On the other hand, their investment in their business. So if you look at their platform modernization, the degree of AI workflows that they started introducing, the investment that they have on their infrastructure and capital allocation for AI and getting their businesses completely transformed to AI is significant. It is far outrunning the kind of reduction that they would have in these employee-related cost savings.
- So if you put the two together, the business is seeing a systematic shift from traditional SaaS deployments to more AI-enabled business transformation. And we will consistently see that. So SaaS will become to the cloud or SaaS transformation will eventually grow into AI-led transformations. And there could be some timing gap in terms of business there. But in general, the transformation business will continue to do well.
- Sushovon:** So would you be able to capture value in this is what I'm just trying to understand. And I just had one more question.
- Umang Nahata:** Sorry, what do you mean by "capture value in this"? I didn't understand.

Sushovon: Given the transition from the SaaS-based business to the AI-enabled bit, so if it is automated to a larger extent, what is it that you would be able to capture value within the Oracle implementation part of it?

Umang Nahata: So these are already starting to happen. Most of our Oracle transformation projects are now starting to become AI transformation projects because it started with back-office transformation, but people are using a lot of AI-enabled solutioning to relook at their workflows. So the traditional workflows are changing. They are relooking at their UIs. They're, in fact, also relooking at their existing workforce to say, okay, how will their workforce deployment change in terms of their back-office systems.

These projects are becoming the bedrock for further AI-led transformations in their front office or in their mid-office or even helping them open and operate new streams. So being a part of this back-office transformation puts us in a very unique position to be early in the client delivering AI adoption in some of their back office areas and therefore, the ability to propose and build this transformation in the front office and other parts of their business.

Sushovon: And just one last question is when do we expect ramp-ups of the 3 deals that you've announced in March, the ATLAS, FCA and Biometric?

Umang Nahata: The FCA deal has already started ramping up. We've now had more than 60 on-site resources on the account, and we'll continue to see ramp-up in Q1 on that deal. So we think we'll be fully ramped up by the end of Q1 on FCA. As far as the other 2 deals are concerned, we are negotiating the new SOWs. These are existing renewals, but with an expanded scope. So as we speak, under the contract, we are discussing with the clients the new SOWs for which the ramp-ups will have to happen. So we expect those to happen sometime between Q1 and Q2.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Umang Nahata: Thank you for all the question and answers. Like I said earlier, FY'26 was important but very fundamental year to Mastek, where we've seen a lot of resets in terms of our approach, our teams, our order book and backlog that we are carrying now as well as the kind of services and focus that we will have.

FY'27 is going to be much more about focus, trying to drive the business towards some key verticals and key accounts while continuing to deliver a stable EBITDA margin in the business. So that's what we're all looking forward to. We believe we have a strong, stable team now in place. And it should drive good positive momentum as we go forward. Thank you.

Deepak Kedia: Thank you.

Moderator: On behalf of Mastek Limited, that concludes this conference. Thank you for joining us. 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.