



Mastek Limited
Q4 FY'20 Results Conference Call

June 15, 2020



MANAGEMENT: **MR. JOHN OWEN – GROUP CEO, MASTEK**
MR. ABHISHEK SINGH – GROUP CFO, MASTEK
LIMITED
MR. UMANG NAHATA – CO-FOUNDER, EVOSYS
MR. RAKESH RAMAN – CO-FOUNDER, EVOSYS

MODERATOR: **MS. ASHA GUPTA, CHRISTENSEN IR**



*Mastek Limited
June 15, 2020*

Moderator: Ladies and gentlemen, good day and welcome to Mastek Limited Q4 FY'20 Results 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from Christensen IR. Thank you. And over to you, ma'am.

Asha Gupta: Thanks Aman. Good afternoon to all of you and thanks for joining Q4 FY'20 Results of Mastek. The results and presentation have already been mailed to you and you can view that 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 Mr. John Owen, Group CEO and Mr. Abhishek Singh, Group CFO. Also, today over the call we have Mr. Umang Nahata and Mr. Rakesh Raman – Co-Founders of Evosys. Mr. John will start the call with a brief overview of the year and the quarter gone by which will be followed by Mr. Abhishek who will be going into detailed financials and Mr. Umang Nahata who will share his experience with Mastek, we will then take the Q&A session.

I would like to remind you that everything that is said on 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. This risk 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.

With that said, I now like to hand over the call to Mr. John. Over to you, sir.

John Owen: Thank you Asha and thanks to everyone. I hope everybody is safe and well in this lockdown period. Welcome to a belated earnings call for Mastek's Q4 Fiscal 2020 results. As always, it is a real pleasure to review our results with you and this time we will also present the full year performance for fiscal '20 which started with the first of many Brexit extensions through the year and ended with coronavirus global pandemic. So it has certainly been an interesting year.

Due to lockdown, although we are in different locations, as always I am pleased to be joined by Abhishek who will cover our financial performance and today I am also pleased to introduce and welcome for their first earnings call the former promoters of the Evosys, Umang Nahata and Rakesh Raman, who are now significant shareholders in Mastek. As we said, Umang will share his perspectives on the early days of the acquisition and how it has been received by his Evolite employees who are now Mastekers, his customers and his partners. Probably more importantly in the shadow of COVID-19, is the adjusted market outlook we have for ERP cloud migration which is really exciting. Also, the new incremental opportunities we all see for Evosys is now that it is part of the larger Mastek family. We all think there is a real opportunity to make one plus one equals three plus which is our ultimate goal.



*Mastek Limited
June 15, 2020*

Before I give the business update, please let me first apologize for the delay in announcing our results and the inconveniences that were caused. I appreciate this will have led to many frustrations for you, at absolutely the wrong time as the general market confidence evaporated and we slid into a global pandemic. It seems hard to believe that only in February our stock markets were at historic highs and today when I am staring in the face of probably the deepest recession in history.

Hopefully today, we will be able to provide those much needed KPI's that give you more clarity and confidence in where we are, what we have done and where we are going.

From the data already provided, I hope you now recognize that Mastek is a more resilient business. Mastek does not operate in a vacuum and like any other company it cannot fully insulate itself from the impact of COVID. However, I do believe we can significantly mitigate the downsides better than many of our peers.

I think Mastek's resilience is primarily driven by four factors -

One is we have strong market fundamentals. We have a resilient market segment in the UK public sector and the ERP cloud migration, which we expect to remain solid growth engines through the whole of FY21. I know last year we may have sometimes been viewed as having unhealthy customer concentration around the UK public sector however, today, this must be seen as a real key asset. A major customer that continues to grow with an excellent payment record is invaluable to anchor stability. Now add to this stability, the dynamic cloud migration business of Evosys and we now have another growth engine to fuel our growth and effectively find Mastek on more cylinders through this crisis.

The second point of differentiation is our organisational speed and agility. It is worth remembering that we operated with a distributed and empowered workforce since the introduction of Mastek 4.0 back in 2016. As we move to a work from home model, this culture has certainly helped us maintain the goodwill and ownership of the business outcome at the operating level, which is now a critical success factor to our productivity, our innovation and our business continuity with our customers.

I think another aspect is our management experience. Last year we had the Brexit uncertainty and we managed that. We demonstrated our ability to protect the quality of earnings with a softer revenue performance. Our ability to strip-out overheads without damaging our front end productivity, quality and customer relationships will remain an invaluable capability through this new crisis.

And finally, I think strong financial management. We have generated strong cash flow over the past 3 years which will continue into FY21 and with our operating footprint we have the financial strength and agility to weather this storm.



*Mastek Limited
June 15, 2020*

I know the COVID crisis quite rightly dominates every conversation at the moment. However, it is still worth remembering that this was a quarter when we originally intended to celebrate the progress Mastek has made over the last 3 years under the disciplined strategy of Vision 2020. Today, we exit the Vision 2020 phase with a very solid platform for growth, revenues at historic highs with more to come as we layer in the full impact of Evosys in active quarters, a more diverse and balanced business, improved business controls, better forecast predictability and the financial health to execute our plans and finally, a robust management team that focuses on delivering outcomes, not excuses. It is these attributes that will now help us successfully navigate the current crisis and thrive.

Our intent is for this crisis to have a shallower impact on Mastek, and our recovery to be faster and this will allow us to expand quicker, once the market normality is established – a landscape I have to say I think will look very different post COVID.

Enough context setting, let's review Q4 performance. As previously stated, we described Q3 was a turning point and we still maintain that position. Overall Q4 delivered to expectations with revenues rising 38% quarter-on-quarter in constant currency driven by a strong return to growth from the UK and the partial revenue consolidation from Evosys. With political clarity on Brexit, our UK business returned to a solid growth at 7% quarter-on-quarter, our public sector remains the power house and despite the Brexit headwinds we discussed, it grew at 12% year-on-year.

We still experience challenges with our US operations which was particularly badly impacted by its exposure to the retail sector and then compounded by the effects of COVID with orders delayed, projects deferred and ultimately customer ramp downs. These events immediately triggered a further reduction in our capacity and cost structure. Our working assumption going forward is that the US market will recover slower than our other units across Mastek, but we are still seeing strong traction in the short-term. The addition of Evosys will certainly help build some much welcomed critical mass to our US operations and although both operations are in a nascent stage, we do see some encouraging signs and expect gradual improvements in both revenues and earnings from this geography in the second half of FY21.

I am extremely pleased we continue to sustain our quality of earnings drive and in Q4 we delivered solid EBITDA improvement performance at 17.3%. This is a strong performance when you layer in some of the non-recurring costs of the M&A transaction fees, writing off bad debts and upgrading our cyber security infrastructure to accommodate a widespread working from home model. This is encouraging as we deliver a more robust revenue line and better leverage our fixed costs and SG&A, which will become more important as we will need to absorb the natural price pressure that will result from a contracting labor market. Sustaining margin improvement longer term will require a more accelerated adoption of new delivery models and technologies such as automation. Operating EBITDA increased by 73% driven primarily by the increased revenue, strong cost management and our active management of the COVID crisis.



*Mastek Limited
June 15, 2020*

To be truthful, at the start of the crisis back in January nobody, especially me, envisaged we would be where we are today with approximately a one third of the global population in lockdown and economies coming to an emergency stop. I think where we benefited at Mastek was that we did classify early on the coronavirus was a potential enterprise risk to the company. This meant we mobilized a cross-functional team to look at the potential impact, our response and aligned our resources accordingly. This pre-event planning and mindset has allowed us to make informed decisions way ahead of the curve and be proactive with our customers. This enabled us to respond faster and more efficiently than many of our peers who saw this as a quick v-shaped impact and immediate recovery, which obviously has not been.

This active management had led all our customers to execute their business continuity plans smoothly and this enabled us to transition within three weeks both Mastek's and Evosys's full operating model from a previously 95% office-based delivery model to today 100% work from home operating model.

This plan have three priorities that shaped and will continue to shape our thinking. Number one, we protect our people as both their physical health, their mental health and their economic well-being. Secondly, we protect the business. So we have moved to work from home. We have reconfigured up some of our customer deliverables and we have got secure relationships with our customers. We have invested in cyber security. And the third element to balance that is we also protect our company. So you will see the cash collection improvement. We stopped discretionary spending and we quickly resized the business for the new economic reality because the existing capacity curve was way ahead of the projected demand curve.

We completed the work just before the UK lockdown hit on March 23rd and that also included our secure delivery to the UK government customer, which has been a critical area for us. Going back to how important Mastek 4.0 culture is, this is what an agile, empowered and customer-centric business can do with dedicated and collaborative employees. And I think our loyal customers and my fantastic employees for delivering this herculean outcome. We literally transitioned our business overnight and we did not drop a heartbeat with our customers on quality, velocity or productivity.

I do want to especially thank all 3,500 employees for allowing Mastek to literally move into their homes. Without their support and ongoing goodwill, our business would have been more damaged but as you can see from our results in the short term, we have responded extremely well.

Let me give you some commentary on what the future is likely to look like. Trading in January and February was strong, but by the middle of March the depth of the crisis seemed to crystalize and it became clear our original FY21 growth plans and aspirations would need to quickly adapt. We immediately shifted gears to implement our tactical strategy across the group called "Cut and Grow." Necessity truly is the mother of invention. By the end of March, we had already removed all discretionary spending, initiated some cash conservation initiatives like deferring

the annual bonuses, the executive team took a voluntary pay reduction and we renegotiated terms with our major suppliers. Please remember this work was also being done when we were also converting the whole of our operation to work from home.

Let me expand a little on the “Cut & Grow” strategy that replaces Vision 2020 in the short-term. Our working hypothesis is that the most severe impacts of COVID will be frontloaded into the first half of FY21. Stability hopefully is coming around Q3 and gradual market improvement in Q4. The market is certainly contracted and continues to be fragile. We are assuming it will be at least a good few quarters before the general economic confidence returns. So effective immediately, we needed to rebalance our business to realign our capacity with the new realities of a new demand curve. Going into FY21, we were planning to invest approximately 5% per quarter in building capacity and grow into that new capacity backed by a solid pipeline. We have now reversed that assumption which means we immediately stopped hiring, deferred new starters in the system, removed external contractors, placed non-productive staff on furlough and actively managed our bench and removed any investments where we did not see a short-term return. As market confidence further eroded in April and May, we have already shared with our people that there will be no annual pay hike this year and potentially job cuts if we do not rebalance fast enough. This is extremely painful but unfortunately necessary. Our current plans suggest that we will have our capacity and demand fully aligned in Q2 which would put us in great shape to move forwards.

Cut and grow is essentially a two sided coin. Side one is to reduce our costs and our capacity quickly and repurpose those resources into side two which accelerates the demand side where we are currently seeing a robust pipeline from our two growth engines of the UK public sector and our Evosys cloud migration business.

The UK public sector is attractive because it is our core and also counter cyclical in the market. The UK government needs to accelerate its digital transformation to help save even more money and pay for the furlough measures it has taken over the last few months. So let us not forget, we also have a Brexit agenda to deliver later this year. So, the application of different infrastructure still needs to be built. Mastek is already recognized as a trusted delivery partner and so we need to increase our coverage, broaden our base and leverage this position.

The Evosys portfolio is also very attractive because this crisis has brought home the need for enterprises to have a more modern, economic, secure and resilient application infrastructure that can be accessed remotely. This means that cloud migration of legacy applications continues to enjoy strong pull factors couple that with the old on-premises platforms being sunsetted by both the market leaders of Oracle and SAP means the market demand remains robust.

In both portfolios, UK public and cloud, we have seen increased pipeline activity in Q1 which gives us optimism of focused plan is executable.



*Mastek Limited
June 15, 2020*

Let me now move to the acquisition of Evosys and how the transition has been going. I will let Umang provide his own perspectives later, but from my perspective I am really pleased to have the Evosys business as part of Mastek. The whole migration story will significantly help us drive growth through this COVID crisis and we must fully exploit the pull factors from cloud migration. Personally, I am also very pleased to have Umang and his team as part of the management where they bring a new perspectives, additional talent and ambition.

You will see from the presentation material that Evosys has brought strong diversification to Mastek which mitigates the challenges from the last few years being overexposed in the UK market. Evosys brings another growth engine to Mastek group and for the first time Mastek has a strong repeatable customer acquisition engine in a totally complimentary and growing market space of ERP cloud. This customer acquisition engine provides a fantastic platform for future cross-sell opportunities.

I am pleased to report a good start to the transition. Both Evosys and Mastek are performing well independently or as I have previously stated column-3 and column-1 sales motions remain intact and on track. We are keen to ensure the acquisition does not become a distraction to the core performance of each unit and we have reported separately to help you provide this transparency. In addition, we are also building good pipeline in column-2 to cross-sell upside and I am pleased to report we have already secured our first joint customer win in the UK with the \$4 million TCV. As the saying goes, one swallow does not make a summer however encouragingly, we are starting to see similar projects in all regions appearing in the pipeline. I think it is also important to recognize the impact of Evosys of now being in the larger Mastek. We have been able to win larger deals and open up new partnership channels. Evosys is now recognized as a next-generation services partner which will act as a positive disruptor, similar to the way Mastek drove positive disruption in the UK public sector four years ago.

The acquisition of Evosys was always intended to add a complementary market segment to Mastek. Our customers are starting to recognize the benefits of Mastek being able to support them as a “digital partner for life”. I am also pleased that Gartner has recognized the Evosys in their Magic Quadrant analysis this year which further supports our credibility and will further support our sales efforts.

It is no secret 70% of acquisitions fail, and as I said before I fully appreciate and recognize the concerns many investors will have had on the size and timing of this deal. These concerns would have only been amplified under the COVID and subsequent information vacuum. And I hope the results demonstrate some early proof points to help reassure you. Today, we operate more diversified Mastek and with Umang and Rakesh settling into the management team, I hope this gives you increased confidence that this acquisition will fall into the 30% of successes.

I think this provides an appropriate segue into quantifying the progress Mastek has made over the last three years under Vision 2020 which culminated by the divestment of non-core assets in the likes of Majesco and the reinvestment of that cash into cash generative assets like Evosys.



*Mastek Limited
June 15, 2020*

Since we started in Q3 FY17, Mastek's revenues have strengthened 167%, our earnings have improved by 322% and our order book has improved by 250%. Our people capacity has increased by over 2,000 and our customer base now stands at over 400, but when we started we had only 91. So overall I hope you now see a more balanced, resilient, cash generative Mastek with a clear purpose and direction of travel. Despite the current challenges, we are very well placed to continue our positive progress, build a sustainable company and deliver value creation for all Mastek stakeholders.

In summary, I am pleased with our performance and remain cautiously optimistic for the future. Our mindset is correct, and we have the clarity in following a short-term "Cut & Grow" plan which should mitigate the worst impacts of this COVID crisis. The impact of COVID on Mastek is intended to be shallower than our peers and the recovery is faster. External shocks such as COVID creates winners and losers. Our job is to make Mastek a winner and I hope from our results, our decision-making and our focus will share our believe that this is a realistic outcome.

I will now hand over to Abhishek to take us through the financial breakdown and to provide more context and then Umang will share his observations and we then happy to take your questions.

Abhishek Singh:

Thank you, John. A warm welcome to everyone on this call. I am going to share with you the highlights of our financial performance for this quarter as well as FY20. You have the deck circulated ahead of this call which contains details of our financial performance. So, I am going to focus on the snippets of our performance.

Having said that I would like to start with a bit of a recap. A lot has been articulated by John and published by us in our narrative. However, it is important to note that we started the FY20 with the challenge in our major markets, UK and US. While UK had overhang of Brexit coupled with political uncertainty and all of that had a bearing on both our private and public sector businesses. US business had just completed a restructuring and we were in the process of appointing a new management team in the early part of the financial year. We started the financial year with these backdrops. And in that light most of our performances have to be looked upon. That said it did not prevent us from driving our strategic agenda. We continued to invest in our management team and solidify our delivery and sales capability. If you recollect, we had appointed Dennis Badman as head of delivery. In the early part of the financial year we made investments in the sales roles and head of Americas role across US, UK and India. All of this was done in parallel and with agenda that we had that is monetize our non-core assets and bring it back into the business in the form of making an acquisition. You have noted that we have sold 60% of our stake in Majesco and 40% is again up for grabs and we are pursuing that. We continued to scout for inorganic opportunities which culminated into acquisition of Evosys in February 2020. And all of this was happening we just paused to catch up our breath in February when one of the largest health crises in the form of COVID-19 surfaced and which eventually culminated into a global economic crisis. So organizations and countries have all been dealing with this phenomena ever since and everyone is working to adopt and adapt themselves to this challenge,

service the customer and essentially survives. At Mastek, we are no different. So having said that the year that started with Brexit uncertainty actually helped us in being a little bit better prepared than anyone else because we have been dealing with the cost management, business efficiencies and cash focus right from the beginning of the financial year, not necessarily triggered by the COVID initiative. And as a result you will see the financial performance which reflects some serious toil and maneuvering of the business in difficult times which has resulted in protection of our employees servicing our customers and in essence protecting the value for our shareholders.

I will start the financial commentary with Q4 & FY20 highlight and I would like the audience to note that quarter has had the impact of business consolidation of Middle East business of Evosys for one month and the demerged portion of the business for two months. If I look at Q4 FY20, our total income stood at Rs. 336.7 crore which was up 38% quarter-on-quarter. Our operating EBITDA stood at Rs. 58.2 crores which was up 73% quarter-on-quarter and PAT stood at Rs. 38.9 crores which was up almost 50% quarter-on-quarter. If I move on to some of the key metrics of Q4 FY20, I like to mention that cash and cash equivalent continued to be the focus and it stood at Rs. 414.7 crore and net of that the cash stood at Rs. 81 crore. The bad debt phenomena continue to be accelerated in the quarter. US geography experienced a very significant impact of that, a lot of it accelerated by COVID. We had to make provisions for Rs. 12.5 crore for the potential bad debt that we are staring at. However, we continue to be engaged with the customers and try to kind of collect it and connect it feverishly to ensure that these phenomena have minimal impact on the business. Looking at our order backlog which stood at Rs. 785 crores for the consolidated business of Mastek organic as well as inorganic business. We added 24 new customers during the quarter which was evenly spread across organic and inorganic business.

If I move on to FY20 just as a snapshot view, our total income stood out Rs.1,112.8 crore, up 5.2% year-on-year. Total EBITDA stood at Rs.196.7 crore which was up 25.8% and PAT stood at Rs.113.8 crore versus Rs.101.5 crore in the last year.

Now the biggest testament of our cash focus is essentially the free cash flow generation and if you look at the numbers we generated around Rs.168 crore in free cash vis-à-vis Rs.60 crore that we generated in FY19. And this is what helped us prevent any possible delinquencies that we experienced in each of the geographies at heightened rate though UK was a lot more insulated than US and India. If you look at FY20 in totality, we had to make provisions for Rs.18.8 crore in bad debt, the big one of that was Cox & Kings bankruptcy in India.

So, long story short, the way we have looked at it is, it was very clear that the year started on challenging note, cash management, cost management, efficiency drivers were the core focus. And based on that, we have been able to deliver the financial performance yet driving down the strategic objective of monetizing the non-core assets and plowing it back into the business in the form of Evosys acquisition. I will take a few minutes to just add some color for various geographies whatever we have experienced and that will give the audience better insight into

what Mastek has dealt with in each of the geographies. So, if you look at UK as John alluded, the year started with Brexit uncertainty and which had some bearing on the revenue as well as the behavior exuded by public and private sector customers. However, it is important to note that despite all of these uncertainties, the UK public sector grew by 6% year-on-year. However, the story on the private sector was a lot different and it degrew by almost 14% on year-on-year basis. Because they were looking at conserving cash and they were looking at certainty before they committed to the discretionary spend. The fact that our public sector continues to be robust and provides with a good visibility of opportunities, we have augmented our sales team further with the appointment of Steve Latchem as Executive Director of UK government business. He brings in a significant experience in UK public sector and he is also an ex-Masteker. It is an amazing combination that we have had in his candidature. And he is leading initiative with the UK public sector.

If I move on to US geography, the geography started very well with H1 growing nicely over the prior year i.e. FY19. However, H2 was marred by negative seasonality in Q3. And it was further impacted by COVID phenomena in Q4 there was a lot of our engagements were canceled by the customer, proof-of-concepts not honored and essentially the request from a lot of our customers to move the business to the later part of the year for conversations. As a result, the business degrew by 10% on year-on-year basis. However, the new sales team under Raman's leadership is in place and we now see a very structured approach to the US market which gives us confidence that we will be able to make good on our investments and see the growth in coming times. Some data points on the retail industry in the US given the fact that 100% of the Mastek business in digital commerce space is retail sector focused. You will be amazed to know that in the CY2019, 9,300 US retailers closed their physical stores, this was almost a 60% jump from 2018. But, in contrast, the other data point that gives us a lot of confidence is that the e-Commerce sales are expected to grow in the range of 12% to 15% which means that there are a lot more of application development and there is a lot more of IT services that are needed to augment those capabilities of brick-and-mortar retailers to move towards e-Commerce.

We also bolstered our offering by furthering our alliance in partnership, the two of the notable ones were Commerce360 and Skava. And pandemic actually has offered opportunities for vendor consolidation as well. We have seen that a couple of our top customers have looked at this opportunity to consolidate a lot of fringe roles in the managed services fashion and we have responded to a few of those opportunities as we speak. We would also like to notify that to service our customer better we opened our new Canadian entity, Mastek Digital Inc. in Canada and we have already landed our first SOW in the geography.

Moving to India. The story in Indian business is a mixed bag. While we appointed a sales head in October last year, we have continued our focus on reducing the footprint in the government business and expand our footprint with the private sector customer and we have had some good results and good traction coming in from the private sector customers. However, the biggest

event for the geography was the bankruptcy of Cox & Kings, which was also the largest customer in the sector.

I would like to briefly touch upon our Evosys acquisition. A lot has been written, a lot has been shared by John as well and I know that Umang would share his details. But in the first 60 to 90 days, what we see is that this is a very resilient business and it has got a fundamental demand coming from its customers. Even amidst the pandemic we have seen demand there and as a result it gives us the confidence that the existing customer base that it brings in and the capability that Mastek brings on to the Evosys cloud migration, ERP implementation can create a new-gen company which can service the pent up demand that is there in the sector. So, we feel very-very optimistic and confident about it.

Last but not the least is COVID. A lot has already been again said about COVID, but I would like to reiterate that as an organization, we are hawkishly focused on our employee safety, augmentation of IT infrastructure and cyber security because remote working brings its own set of challenges, all our employees are safe and in their home. In the first 30 days, we had practically 24,000+ meetings hosted over MS Teams and WebEx and employees continue to be very well engaged within their own teams and with the organization and the leadership to ensure that we have good employee engagement and we are looking at their health and safety while we are supporting our customers globally.

With that, I would like to hand it over to Umang for his comments and which will then be followed by Q&A. Umang, over to you.

Umang Nahata:

Thank you, Abhishek. Hello everyone. This is my first call on investor analyst call. So I am very, very excited about it. I will start by giving a little more background about how do we and our side of the team Evosys, Evolites, and our customers and partner service, our feeling around the demerger and acquisition that has happened.

So, I think first thing that is quite clear is the business opportunity for which this transaction was done is very-very clear. And I think that is more than half the battle won there if you have a clear vision going forward. So what we are trying to do here is build a next-generation IT service provider which looks at delivering tangible value to our customers by delivering modern digital technology. So there are three key things, right. So next-generation, delivering tangible value and using modern technology and that is what the combination really means as a key focus that it would love to deliver.

From Evolites point of view, I mean, this is something that we clearly all of us understand since the outcome and the objective is so clear so the discussion with the team and the sentiments back to the entire Evolites was very, very positive. We all understood what we are trying to do here and we all are completely in sync with that approach.



*Mastek Limited
June 15, 2020*

From Evosys customer stand point, again, Evosys has been a loyal and long-term partner for many of our customers. We literally have one of the largest installed base of Oracle, Cloud customers with Evosys. And I think what they see with us here is an opportunity of not just continue working with us on our Oracle side, but looking at us as a partner who could now bring a much more holistic digitization approach to them. So, not just on the back office systems that we were really good at, but now to look at the back office, front office and everything together around it. So that is overall plus and we have seen lots of positive customer e-mails from all across the world.

From an Oracle relationship point of view, again, I think it is a very-very positive side for Oracle. They saw us as one of their top partners in the Oracle application space, on the cloud application side SaaS. Now with Mastek, I think we have a much stronger technology partnership also that we can really grow. And that makes us a much more holistic partner which can cover not just apps, but technology equally well.

So, I think all in all, all the three key areas from an employee, customer, and partnership standpoint, it is a very positive and much more well directed move that we have. We all know what is the goal and the vision that we want to achieve and therefore we have hit the ground running literally. As you can see, we have already closed our first transaction together. There has been a lot of other integration aspects that have moved very-very fast.

From the experience of being a Mastekeer over the last few weeks, I will give an interesting analogy. So, when we were doing the transaction, I was given the advice that this is like a marriage. So now I feel although it was an arranged marriage, but it always felt like love, because it seems like we have known each other for a long time. That is the kind of transparency that we are sharing in the integration discussions. We are very, very welcoming in terms of ideas, opinions and advice on each other, very quickly, the organizations are learning and sharing and giving feedback to the teams, we are working on various areas of business together already. And I think jointly crafting our way up into the vision that we have in trying to create a next-generation IT company together.

Quick view on our business impact from COVID and how Q4 was and how have things moved there. So COVID clearly as we all know has been the biggest economic shock that we have all had and initially like John said, we all at the feeling maybe this is the knee-jerk, that is going to bring us all down or what. But I think as we grow steady and we have all learned to deal with it, I think we are all in a much better position so has been our customers, employees and the market in general and everybody seems to have learned to adopt. So, our business continues to be very resilient as we move forward. We have had more than 90% of our projects continue and some of the ones which were closer to go-live have deferred it at least, but none of the customers have dropped off or canceled their business. 100% of the Evosys team has moved to remote working environment.



*Mastek Limited
June 15, 2020*

Also, the new order book and pipeline continues to flow in. So Oracle recently closed its Q4 at the end of May. And we had Q4 which was better than the Q4 that we had last year. So, we continue to have new customers flowing; we have more than 30-customers logos that we signed in, in this quarter also, and various transactions which had multi-million dollar values in order book.

Going forward, I think on the cloud business side, with COVID I think it is an opportunity in disguise for us as an organization. Digitization or cloud or automation has always been on the agenda of most of the companies. However, I think this is going to push that agenda much more ahead in the list that the clients had. For example, all the customers who had already moved to a cloud platform I think are finding it much more easier to operate their business than the ones who are in the midst of transition or are thinking of transition. And now I think everybody is going to move around looking at that automation in a hurry and which is really big and important opportunity for us as we try to build an environment where you can work remotely, have a much secured environment which takes the latest and the best of technology, automation, all of it together and provides the environment that is much more safe and secure. So, I think it is going to become a much more business essential item than good to have kind of initiative that was there three months back maybe.

On the Oracle business side also, I think Oracle continues to lead the market as far as the Cloud ERP is concerned. We are very strongly catching up on the Cloud HCM and the other cloud products. So, as the market starts looking at a much more holistic cloud platform, one which can really solve their end-to-end cloud approach right from ERP to supply chain to HCM to CX to technology to database, I think Oracle is the solution. We are the only ones that have a full end-to-end footprint here and which is very well recognized by most of the analyst reports that you look at. So, Evosys is recognized as the leading partner for Oracle Cloud.

On Evosys side, we also think that our alignment with Oracle is really working well. They see us as their 'Partner of Choice' for transitioning on-premise business to cloud. We have built some really strong assets that allow us to work in that direction. So we have an asset called Evosys Glide, which has three strong flavors. It has an Evosys Glide for eBusiness suite, it has an Evosys Glide for SAP and an Evosys Glide for PeopleSoft. It is an accelerator that allows us to migrate customers on these three legacy applications to oracle cloud platform. We have seen extremely good traction. We have had more than 90 customers that have already migrated from on-premise to cloud using the platform that we have and the results have been phenomenal. So with the use of the platform and going after the direct market that we are really looking at which is not just the Oracle installed base but also SAP and PeopleSoft installed base, I think the market opportunity is phenomenal that we are looking out for. It is only about our capability to deliver and grow is going to be the constraint that we would have that we have to look out for.

So, I think all in all, we are seeing a really good Q4. We are seeing pipe continuously come in. We are seeing order books continue to come in. We are seeing lots of go-lives that have happened over the last quarter and we continue to see many more customer success stories that would

come in. So, with that background in mind, I think it is been a phenomenal experience. The last few weeks have been really encouraging and we look forward to building a much stronger joint company that would expand and offer a much larger solution to our customers and a much larger footprint for Oracle in general.

Thank you and that is a brief overview from my side. Please open the line for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: My first question is on the Evosys revenue. It was reported in the presentation that Evosys contribution for the current quarter is about Rs.87 crore, of which Rs.24 crore would be from Middle East. So, if you can give a breakup of rest of the geographical revenue for that?

Abhishek Singh: Thank you, Nirmal. So, remaining of the revenue that you are looking at is coming from the UK, US, Australia, New Zealand and Indian market to name a few. From a revenue point of view, obviously, UK and European market contribute a lot more compared to US market and Australia and New Zealand market, so that is where the rest of the revenues are coming from.

Nirmal Bari: So that was my second question, actually, what would be the organic growth rate in UK for us in the current quarter because there is a jump and some of that is coming from Evosys?

Abhishek Singh: You are looking at Mastek in terms of the core services? So, we have experienced 6% to 7% quarter-on-quarter growth in the geography.

Nirmal Bari: The second question was on the government services. So, I believe you have started classifying NHS as a separate health vertical. Is that understanding correct?

Abhishek Singh: NHS as well as the healthcare customers that comes as part of the Evosys acquisition, we have got a decent footprint across the world as part of Evosys service offerings in the healthcare customers. So yes, we have picked up NHS as well as all the other healthcare customers to show it separately.

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

Mohit Jain: First is on the outlook for June quarter. US, I am assuming the hit will be more in 1Q because last quarter we only had March as the shutdown impacted retailers. And third is also if you could add Evosys FY '20 numbers in dollar terms?

Abhishek Singh: See, Mohit, the first question on the US business, actually we experienced significant impact in Q4. Q4 to Q1 we do not see any significant movement either way. I would say that what you have is a reasonable representation.

Mohit Jain: UK, what is your outlook given that order book is coming off, but Brexit is behind us. So, what is your overall outlook in the UK business?

John Owen: The order book at the moment there is a deferral. So we are getting a lot of extension orders for two quarters as they basically renew some of their contracts. So the order cover is not as strong as it should be, but the government particularly are not giving out longer-term contracts, they are just bridging at the moment. We expect that to be corrected over probably the next two quarters. I think the UK government generally are looking at going back to austerity. Although they released their spending review budgets for fiscal '19 and '20 in January, they have reversed those already and the budgets are coming under about 15-20% reduction. So I think government are adapting and sort of trying to absorb that shock and recut their plans. But, if I look at the pipeline coming through probably the next quarter, it is robust from a pipeline perspective. I think we have just got to be cautious because I do see things being maybe moved to the right a little from an order book perspective which means that we get a smaller order book just to bridge that gap if that makes sense. So the market is robust in the public sector. I think the private sector is troubled and I think we will see a lot more softness as we come out of Brexit because I think when furloughs starts to be reversed, I think the true unemployment figures in the UK will start to be reflected. But I think we can offset that with a strong public sector order book.

Mohit Jain: So, you are not anticipating significant decline in the June quarter given your order backlog and others?

John Owen: I think we are looking at stability is probably the right word, and stability has plus or minus, but we are not falling off a ledge like lots of people if you were in say hospitality or transportation, I mean that is a desperate sector to be part of. We are not in that situation by any stretch. So stability would be the word.

Mohit Jain: Lastly, on Evosys, how has the business moved on QoQ and what were FY '20 numbers from YoY comparison perspective?

Abhishek Singh: Mohit, in terms of the business growth, we have seen Evosys has experienced 10-12% organic revenue growth year-on-year in fiscal '20 versus fiscal '19 and on a normalized basis baring all the acquisition and transaction-related expenses, we are looking at 18% to 20% EBITDA profile of the business.

Mohit Jain: Any deterioration from last quarter to this quarter, how much was the impact? Anything you are anticipating in 1Q?

Abhishek Singh: As I shared earlier, the business has had some impact for sure where the customers were not taking the delivery or they were deferring the go-lives and same thing on the sales side where they had relatively tepid last 10 to 15-days of the quarter. But having said that, Oracle's favorable seasonality is the month of May wherein they gone from June to May cycle. So we are in one of the better quarters and we expect the momentum to continue.

- Moderator:** Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.
- Madhu Babu:** Sir, considering this is an exceptional situation most of the companies are giving a guidance for 1Q. So could you give us any view on how much the decline because larger vendors are saying 5-7% kind of Q-o-Q decline in revenue, so for us, how it is going to shape up because I guess Evosys will have an incremental revenue for the next quarter so could you quantify how much incremental from Evosys will come and how the overall portfolio will span out in 1Q?
- Abhishek Singh:** Madhu, the obvious benefit would be of the full quarter consolidation. Part of the business was consolidated for two months. That was the demerged part of the business. Middle East business was down only for a month. So there we will get a full three months impact there. So those would be the natural augmentation on the business. On the core services side, we expect a stable quarter as John alluded to it. So all in it will obviously be positive and higher from the levels that we are at.
- Madhu Babu:** So that incremental revenue from Evosys on a steady state, how much it will be – Rs.4 million, 5 million quarter-on-quarter because of the full impact of consolidation? Because \$12 million we had this quarter and if it is \$68 million kind of annual, it is almost like \$17 million quarterly run rate. So...
- Abhishek Singh:** You have already deduced that, Madhu Babu, it is fairly close.
- Madhu Babu:** Last one on the share count. We have to take factor a dilution as well, right, for FY'21, the fresh 28.4 million kinds of shares post-dilution.
- Abhishek Singh:** Yes, once NCLT approval comes, and those shares will be issued.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Svan Investment. Please go ahead.
- Sachin Kasera:** On this Evosys, from what I understand from the presentation at the time of acquisition, they were running at 22%, 23% EBITDA margin in FY'19 in LTM what we had shared. So in FY'20, is there some sort of correction in EBITDA margin Evosys has seen or...?
- Abhishek Singh:** That is right, Sachin. There is a significant investment made in the training workforce for fulfillment of the upcoming project. So this is a business where you hired the freshers and put them through three to four months training process and then two months on-job training where they are not necessarily billable. So the growth that we are seeing, part of that cost was already taken in early January and some of that will impact us in fiscal '21 as well as the trainees are going through the training process. But, it is part of the business growth cost rather than any kind of quality of earnings dilution, Sachin.

Sachin Kasera: Secondly, on the US business excluding Evosys if we see the core business of Mastek, I think we had a sharp correction this quarter. So you were going through a rough patch there, then two, three quarters, we saw some improvement, again this quarter, there is a correction. So what is the road map out there? Are we looking in terms of some sort of a call to be taken, closing it down or is there again some more strategy to again get back on track, can you just help on that?

John Owen: That operation came by an acquisition and it was heavily dominated by the retail space and the retail has been a rollercoaster and I fully respect and we are not out of the woods. I think if I look at it and go back to a little bit that Umang talked about, in retail, Oracle probably is competitive in the retail where the Oracle Cloud Commerce. But in the ERP space, they are absolutely a market leader and I think ERP is their core of their business. So, I think the combined assets of Evosys and Mastek will start to give us a better platform. But, it is more about we have stabilized, it is not a drain, and we are taking corrective action. If I look at some of the projects over the next two quarters... and I am conscious I've said this before, so it comes with a health warning, I feel we have got some stability. We have certainly upgraded the caliber of the sales organization, and we are starting to see traction with the pipeline and we are starting to win some new logos. But I think it is a wait and see, not we need to either knee-jerk into doing something and retrench or we are going to expand massively. It is a wait and see, build the traction and then start to break out from that smaller base.

Sachin Kasera: On new order wins, from what I understand, we had invested substantial resources in terms of trying to bid for the larger order wins. And I think that new leadership team has spent lots of time at the Mastek. So are we seeing some signs of we being participating in some of the larger-sized order books and we could see some success maybe Q3 or Q4 onwards, what is your sense on that?

John Owen: Yes, I would share that sort of timing of Q3, Q4. I think they will come out of the UK in the public sector side. I think with respect trying to compete the new logos in the private sector is difficult at the moment particularly when you cannot go meet people. So we are all in sort of lockdown. So, I think there is a natural retrenchment to your existing supplier base. But if I look at the pipeline, the deal flow coming through the UK public sector and health is we are broadening our account base outside just the home office, the NHS and the MOD. So we are broadening that base. And as you say the average order value is getting higher as well. But I would expect those to start to flow through Q3, Q4.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, first question is Evosys for FY'20, you are saying has done 10-12% organic growth but I see around Rs.300-odd crores in 4Q by Evosys. So, what has been the order book growth rate for Evosys from FY'19 to FY'20?

Abhishek Singh: The order book growth rate is roughly in the order of 35-40% year-on-year.

Sarvesh Gupta: Secondly, because of this COVID crisis, you have work from home, travel restrictions. So while we understand that there is a gap in terms of order book growth, but what can be the net cost savings quarterly for the organization given that a lot of the expenses are not being incurred from both fixed and variable perspective?

Abhishek Singh: I will give you a few perspectives on this one. The very obvious biopic one that comes across is that you do not have travel expenses; you do not have hospitality, boarding, lodging, those kinds of expenses. But at the same time, you do have customer ramp downs or rate reduction ask or for that matter you have to invest into enhancing your cyber security platforms and infrastructure. So while there is an optical reduction, but there are enough and more investments also that go hand-in-hand to ensure that there is seamlessness with the customer as well as employee engagement. So I would not take away or discount the fact that there would not be another \$1 million or \$2 million that would come on an annual basis, but I guess it also comes up with its own set of costs which is hidden in various other pockets.

Sarvesh Gupta: Any ballpark savings in terms of overall operational cost that you can do this year apart from saving on the hikes for the employees?

Abhishek Singh: Employees are key to the organization success. So they are not just looked upon as a means of saving cost. We have participated in this decision and we have taken them along to say that this is a balance of how do we service our customer, retain a healthy bench and deliver to the remits that are going to come in three to six months' time based on what we see in the business, for example, I just mentioned that at Evosys we have hired 100 to 150 trainees earlier part of the year. We need to hire some more in the Q2 timeframe. So you have to balance this with various other puts and takes that are there. But yes, if you were to hard and fast quantify it, let us just say, a couple of million dollars is not off.

Sarvesh Gupta: On the US side, all the restructuring is done now or we will continue to see restructuring cost affecting us? And bad debt and restructuring, is it over on the US side?

Abhishek Singh: So US restructuring happened last year itself, that is done and dusted. Under Raman's leadership, the new management team is in place. All the sales positions have been hired and that is through. As far as bad debt is concerned, what is visible is clearly accounted for and we are trying to collect ahead of time or work with the customers to ensure that this is not repeated not in this magnitude for sure.

Moderator: Thank you. The next question is from the line of Ashish Aggarwal from Principal AMC. Please go ahead.

Ashish Aggarwal: Sir, just wanted to understand how should we look at your margins going into FY21, majorly 1Q and then FY'21 please?

- Abhishek Singh:** So I would say that this quarter, it has been a tad higher than what a normalized basis we would like to see or we would see it actually. And the reason for that is the business combination that comes across on account of Evosys consolidation because it is not the full quarter intact, some businesses off for two months, yet other businesses off by just a month, so it will balance itself out. But mid-teens is a good reference on a consolidated basis, Ashish.
- Ashish Aggarwal:** So 15%-16% should be the level we should look at?
- Abhishek Singh:** 15% is what I endeavor for. 16% is what you wish for.
- Ashish Aggarwal:** But will there be a sharp drop in 1Q or it will be just stable across the four quarters?
- Abhishek Singh:** We do not see any reason for any sharp drop unless there are some customer level developments. For now what we see is a relative stability.
- Ashish Aggarwal:** So going into FY'21, it is very clear, retail will be the weak vertical and compensated by the government vertical as well as the health. Am I right in assuming that?
- Abhishek Singh:** That is right.
- Moderator:** Thank you. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.
- Amit Doshi:** My question is for Umang. With reference to Evosys, while we have discussed that you had 10%-12% organic growth last year and you also mentioned that this COVID-19 will push your cloud platform business much faster. So with reference to that, can you give some idea as to what your pre-COVID growth targets for 2021 versus post-COVID in reference to that cloud platform business?
- Umang Nahata:** I think we are looking at upwards to 20% is what was our pre-COVID targets and we would have had not more than 300, 400 basis points revision. So still we are eyeing around 18-20%. We were high 30s earlier, maybe we are around 18-20% now.
- Amit Doshi:** Anything you can give a breakup in the sense of organic versus cross-selling, I mean, considering the merger and the new client-based access that you will have vis-à-vis Mastek?
- John Owen:** Amit, we are trying to account separately with the core business of Evosys keeping that financial integrity of its own business like-for-like and the core business of Mastek like-for-like. The column-2 is accretive and those numbers do not come in. And at the moment, we are still trying to model that. Although we have won £4 million contract, we are still building the pipeline, we are still actually looking at that and that will get reported later in the year. So cross-selling at the moment is not baked in.
- Amit Doshi:** By then cross-selling benefits you see it coming in or when you intend to start it?

- John Owen:** I think we have started, but I think we would have more confidence when we have had a couple of quarters under our belt to be brutally honest.
- Amit Doshi:** In terms of margin, like you mentioned that there were pay cuts and executive team also took some cuts on that front and apart from this work from home cost saving, of course, there will be some sort of, as Abhishek did mention about some additional infrastructure cost on work from home, would it not by some way at least improve our margin profile considering that you gave a bit of a stability as far as current quarter is concerned or what you may likely see going forward compared to peers which you mentioned your strength is, so would not the margin profile improve, which Abhishek mentioned as you know 15% as is target so to say?
- John Owen:** We are still trying to find stability and we found it with our UK public, we found it with our Evosys. I think the market has still got to digest COVID a little bit and its response. But I will let Abhishek give you a more sort of structured answer to that.
- Abhishek Singh:** Thanks, John. So the answer is, yes, we are always looking for efficiencies and initiatives that can help us augment it, but I would also give a counterbalance that the simple example of cross-sell is not going to happen without its own share of investment. It needs an investment and it needs a dedicated focus. So on a balance we look for a stable operating EBITDA profile and year-on-year as you can look at it last fiscal '20 gone by, we were mid 12%-13% of the range. And with the combined organization, we are upping our ambition to get towards the mid-teens. And as the business stabilizes and leverage happens, I do not see a reason why we could not have a northward trajectory from that level itself. But then again, there are enough and more moving parts here right now for us to project anything further than that.
- Moderator:** Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.
- Nirmal Bari:** Most of my questions have been answered. There was one question on the current asset side that saw a steep increase in the consolidated balance sheet from Rs.49 crores to Rs.149 crores. So what would be the key component in there?
- Abhishek Singh:** It is mostly on account of consolidation with Evosys. Arun, you have any specifics to add there please?
- Arun Agarwal:** Perhaps you are right. It is predominantly because we have completely integrated Evosys into our consol financials. So there is a movement because of that as well.
- Nirmal Bari:** The second thing is on Evosys. We do not have any cash payment to pay out to make as of now. It would just be the share issue that is pending. Is that correct or...?
- Abhishek Singh:** That is right.

- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Svan Investment. Please go ahead.
- Sachin Kasera:** Sir, just on this payment for Evosys acquisition, so the cash that you have paid out is for the 70% stake, right? And for the remaining 10% that we buy every year there will be an additional cash and stock that will have to be paid, is it correct sir?
- Abhishek Singh:** That is right.
- Sachin Kasera:** And when does it become due the next 10%, means, is it from timeline like put or call, something like that?
- Abhishek Singh:** September '21, September '22, September '23.
- Sachin Kasera:** On this cash flow from operations, you have seen significant improvement. So going forward, should we look at the '19-20 as the average in terms of the cash flow to EBITDA conversion, is that a fair metrics to work with?
- Abhishek Singh:** Biggest problem is that everything has just been shaken on two counts -- one is COVID, another one is we have just integrated a very large organization. So, I would say if you have to model you take your floors and caps. Obviously, we will not go down to the FY'19 levels because there is a method that we have developed and we are driving our business on that. But that obviously was exceptional year and on a very clean basis. As COVID has changed everything on that we will see some impact there for sure.
- Sachin Kasera:** You mentioned that you continue to evaluate the non-core assets. So you mentioned one is the remaining 40% stake in Majesco. Do you continue to still evaluate the real estate because I believe the post-COVID that segment may see some sort of a softening in terms of demand or are we continuing to aggressively look in terms of monetizing the real estate also?
- John Owen:** The strategic direction of divesting non-core assets and reinvesting in the core business remain solid. But, you are right, there may be a timing of those divestments. We do not want to remain as a 40% investor in Majesco. So, at the right time, at the right price, that will be divested as will real estate. But at the moment, as you quite rightly say, it is probably not the right time. But I will let Abhishek give a more structured answer.
- Abhishek Singh:** The key point is that absolutely it is there. Probably we may have just use of the asset as well. But the way we are growing with our Evosys part of the business and the footprint that we have in Pune as a city. So, everything is under evaluation and balanced. Depending upon the offers and the timing, we will take a call.
- Sachin Kasera:** Post-Evosys in terms of how we look at dividend payouts?

Abhishek Singh: Nothing abrupt or severe. I would not say it post-Evosys. It should be post-COVID and how it impacts the business. But at a policy level, no significant changes.

Moderator: Thank you. The next follow up question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: The first question is for Umang. If you can give some commentary on your Middle East business, particularly with the oil crash and what kind of response are you now seeing in that part of the business? And if you can comment on your growth rates in FY'20 and beyond for that particular side of business?

Rakesh Raman: Sarvesh, from the Middle East perspective, the COVID and the oil impact started around end of February and first week of March. So in spite of that, the Q1 has been relatively stable for us compared to the general market conditions. And we have seen an increase in the revenues as well as gross margins across most of the countries in the GCC region. So, if you look at our overall business, in spite of the lockdown, we have managed to add around four to five new accounts in the first quarter. And the collections from our existing accounts also have been pretty stable unlike what most of the companies predicted that with the COVID and oil prices, the collections in general would go in the negative. So, what we have seen till now has been relatively positive not very bad compared to what the general perception was. Having said that, from the delivery perspective, what we have also observed is some of the projects did face some delays in terms of the go-lives because of the initial knee-jerk reaction that most of the clients had which did impact the revenues to some extent, but later on, after the initial two to three weeks, it picked up and we were able to manage the deliveries pretty well. So, we are now taking it on a quarter-to-quarter basis. The Q1 and Q2 seems to be relatively okay where we see at least 10% growth in both revenues as well as in the gross margins. On top of that, what we are also embarking on is a clear list of steps to increase our gross margin. Our gross margins last year was pretty lower than what we anticipated and that is where we have actually taken and executed certain steps starting from February which we have already seen the results in Q1 where our gross margin improvement would definitely be more than 20-30% from the previous quarter and that is going to sustain in the Q2 and Q3 as well. So that is broadly the outlook that we see for the Middle East in spite of the COVID and the oil impact.

Sarvesh Gupta: Second question is for John. I think my understanding of your UK organic business is that on the government side we will see some stability with our order book not increasing much till the second half of this year because governments would want to commit to smaller projects. But on the retail side, are we going to see lower levels of revenues or are we seeing stability continuing, so if you can throw some color on the UK retail?

John Owen: The UK retail, if you think about it, we shut the economy three months ago and I think the effect on that was for our customers revenue dropped 90%, 95% and some customers have furloughed probably 60%, 70% of their workforce. That has got to have a profound impact on the economy. And we are no different, we are not isolated or insulated from that. What I think we will do from

UK geography is we will be able to offset the worst case of that retail space with the solid public sector. So I think where we are seeing the UK is it is stable, but it is not having sort of the peaks or the troughs that we are seeing in other competitors at the moment because we do have an element of our business is incredibly solid with a customer who is sovereign debt and you are going to get paid. Unfortunately, as the economic impact filters through the economy, I think there will be corporate failures, corporate bankruptcies and I think we would not be impacted that severely there. But if you are talking about growth and profitability, I do not see anything coming in, in the first half of the year up until probably next calendar year from the UK private sector which means that we have to really fire quicker on the public sector and the cloud migration. So it is in the round, we are stable, but underneath that, there is a massive amount of churn particularly in the private sector.

Moderator: Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.

Jay Daniel: Sir, you have milestone driven payments for Evosys September '21, '22 and '23. Now post-COVID, has the milestones been changed or it remains as it was?

Abhishek Singh: No, it remains the same, Jay.

Jay Daniel: So can you give us some more color on what kind of payments and what kind of equity dilution will happen?

Abhishek Singh: We will be looking at 14%-15 dilution for the demerger part of the business. The shares would be issued post the NCLT approval. We expect that timeframe to be anywhere between four to five months from where we are right now. And from there onwards, the plan is structured to buy 10% every year which is split into 70% cash and 30% equity portion. So, if you look at the current valuation, if you do 10% of that, 30% of that would go in the form of equity, 70% of that will go in the form of cash in the remaining three years.

Jay Daniel: And this is subject to milestones being achieved, right or there is no milestone?

Abhishek Singh: Yes, this is an EBITDA performance-based grid. So higher the EBITDA achievement better would be the payout and vice versa.

Jay Daniel: But, as things stand today, you will have to make 70% payment in cash and 30% in equity?

Abhishek Singh: That is right.

Jay Daniel: And that will be 10% every year of current valuation?

Abhishek Singh: Of the then valuation.

Jay Daniel: In case of Evosys, you said that you are looking at somewhere around 18-20% growth. Considering the challenges Mastek's organic business faces, that means your Mastek core business, existing business will see no growth in the current year?

Abhishek Singh: Yes and no, Jay. From where we stand right now, just out of the COVID impact in US business and in the UK retail, we start from a base which has shrunk a bit. Most of our customers with discretionary spend have had some or the other reduction or stand down ask. By the same token, they have asked for increase as well because it may have been a knee-jerk reaction on their side. So for every organization, it is what everyone tells us optically is a 5%-10 growth or degrowth is essentially a significant compression followed by the expansion. The net result of that could be 5% degrowth or 5% growth. We are no different at this point.

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

John Owen: Okay. Thank you for joining this call. I think in these type of crisis, we all go back to our sort of stability and stability is the word. Cash is king. And I think what we have shown is our cash management has been good and we will continue to be focused on that as Abhishek shared. And it is all about finding stability. And I think at the moment of this crisis, we are still in the early phases of it and the true impact has not really filtered through. But hopefully you see with our "Cut & Grow" strategy, we have taken that quick and decisive action. And it is a two-sided coin. We can neither cut our way to success nor can we just blindly invest and grow our way. We have got to balance that two-sided coin. I think we have made a good start at the end of Q4 and we are taking that into Q1. Hopefully, you have seen that the acquisition has provided stability and that will be a basis for long-term growth. And you can see that our UK public sector can also be a significant growth engine for the organization. So, for me, my parting words in summary are we think we have got a resilient business model. We have got resilient customers. We have got a very resilient operating model with our people. I think we have got the experience to navigate through this from a business perspective based on the experience we gained through last year through Brexit and we have the financial strength to navigate and absorb any punches that come in from left field. So, it is all about execution. I look forward to sharing our Q1 performance in probably about 60-days now. And I think that will give us another check point. But our message is we have a plan, we are executing it, we hope the impact on Mastek is shallower than our competitors and our recovery is faster, and I think that is the mindset we have got, and we are executing to that plan. So thank you for your support and thank you for your questions. And we look forward to updating you in the near future.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Mastek Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.