



Mastek Limited Q4 FY21
Earnings Conference Call

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

Moderator: Ladies and gentlemen, good day and welcome to the Mastek Limited Q4 FY21 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 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 of Christensen IR. Thank you and over to you, Ma’am.

Asha Gupta: Thanks Rayomand. Good afternoon to all of you and thanks for joining Q4 and full year FY21 earnings call of Mastek. The results and presentation have already been mailed to you, and you can also view that on our website www.mastek.com. In case anyone does not have a copy of press release and presentation, please do write to us and we will be happy to send the same to you.

To take us through the results today and to answer your questions, we have the top management of Mastek, represented by Mr. Ashank Desai – Vice Chairman and Managing Director; Mr. Abhishek Singh – President Designate, UK Business of Mastek; Mr. Umang Nahata – Co-Founder of Evosys and Mr. Arun Agarwal – Group Vice President, Finance.

Mr. Ashank will start the call with a brief overview of the quarter and year gone by, which will be followed by Mr. Abhishek who will be sharing the business update. Umang will share an update on Evosys business and Arun will share financial update. We will then open the floor for Q&A session.

I would like to remind you that everything that is said on this call that's 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.

With that said, I now hand over the call to Mr. Ashank. Over to you, Sir.

Ashank Desai: Thanks Asha. Good afternoon, good evening, good morning to all of you all over the world. Thanks for attending this event and call today in spite of very difficult situation we have in India as all of you know.

Let me take the stock of the whole year and this quarter. It gives me a great satisfaction, really, to talk about this quarter, of course, where we have shown a growth as you see. Almost nearly 10% quarter-on-quarter revenue growth and also 7.7% PAT growth, which gives us a momentum for the coming year. But what is more important and satisfying for me equally is the annual results when I look back. When we had begun year, the situation was not most enviable as all of you know and there were different predictions which were made about IT industry.

I am glad to see our performance extremely well placed in terms of industry benchmarking and per se with our own performance. And you know we have almost grown 61% year-on-year in

terms of revenue, which includes of course, the acquisition that we did during the year. We have improved EBITDA margin considerably, almost +6% and with almost 21.2% and so is the PAT, which has also grown almost 121%, and the improvement is almost 416 bps. But to me most satisfying is the order backlog because that is what really shows up what is going to be happening for the next four quarters. And that is where I am most satisfied because we are showing 42% year-on-year growth rate (CC) in terms of 12 months backlog, which is almost \$155 million now. Now this order backlog includes the acquisition of Evosys because it is at the beginning of the year and end of the year. So, this has no additional impact of acquisition. So, this is a great achievement, I feel and that has happened because of very strong order booking that happened during the year. In fact, order book growth has been almost 70%-80% more than the growth rate of revenue and that has generated this backlog, which gives us a big traction as we move forward.

When I stay look back, it is the journey of four years ago that we started on digital, digital suited us the best, because we are about large projects, we are about product, we are about solutions. As you know Majesco is one example of that, which was separated, but Mastek continues its journey as a digital transformation company. And to add to it, sales engine that we now have got through Evosys, which is booking large number of customers for us. This year we booked almost 160 customers and all of them are actually candidates for digital transformation if we choose to, which is where Mastek will come. So, the synergy of Evosys and Mastek is also another component of the growth apart from the growth in our base business of Mastek in digital transformation and Evosys in terms of Oracle ERP, HCM and SCM.

So, with that in mind, what we really want to focus now on next year's growth. We had a very fruitful quarter where we have a three-year plan, which we have worked on. And given that we are completely focused on digital cloud space, we look it with a great promise because we are in a space which is growing the fastest. We do not do much of the old legacy jobs whose growth rate, as you know is not very high.

It is great satisfaction to me also that over last year we have built capabilities to get into this growth mode for the next three years. We have added enough people in leadership. We have added enough people in terms of skill sets and we would be adding sufficient capabilities as we move forward in terms of acquisitions that we would have as we move forward. The three-year plan identifies the acquisition areas that we want to get into. We have a complete clarity what we want to do in-house and what we want to acquire, and we want to move with that as a charter to move ahead. And most important part is that, as we are focused on the growth charter, we are not letting up on our other standards that we have always lived which is about high corporate governance, transparency, and other standards that all of you value very much.

So, I would stop here with a great satisfaction and a hope to move forward Mastek into the next year's growth and next three years growth. Thank you.

Abhishek Singh:

Thank you Ashank. Thanks for a great background that you have set.

Hi folks, good to connect with you again, especially on the backdrop of an excellent quarter that we as an organization have delivered and a meaningful role played by the geography in delivering that result.

I would start with a quick backdrop for the way the financial year started. Some of it that Ashank alluded to and it becomes very interesting for UK as geography, given the fact that a lot of work that we do is with the public sector that is government. A lot of work is in the security cleared space, where there's a huge degree of sensitivity to who works and how they work and where they work. So, we started the year when the pandemic had just started, work-from-home was the concept, and we were trying to figure out how do we deliver seamless experience to our customers. And most importantly, get them to agree to have the work, which was being done in their office, under their parameters, on their systems to be done from our employees' home and then move it in a work-from-home environment.

I would say that the biggest achievement to start the year for us was the customer confidence that we had coming from the fact that they were able to allow, or they accorded us the permission to take the work home and keep delivering to their remit. Our ability to create a secured work environment and give that confidence to the customer was a big plus as well.

On that backdrop, we started the year and then we built on it from strength to strength across the quarters culminating into Q4 which actually had the many first for the whole organization and not only the geography. I am happy to share some of those in this conversation.

Just to start with the first and the biggest one obviously, we signed our first £25 million deal with one of the existing customers. It's a three-year deal with an ability to move it to 5+ years under extension clause that we have, which gives you a sense of around \$35 million-plus as a deal opportunity.

We also signed a new logo in the financial year, which was on a quarter-on-quarter basis, very tactical support and by the end of the financial year we were able to convince them for a long-term engagement and it became our fastest £10 million engagement, from 0 to £10 million in a space of six months.

We also opened our first logo in the local government space, as most of you know that, through our Evosys engine, we have got a meaningful presence in the local government and we were trying to do that in the cross-sell and co-sell mode. The first customer landed in the month of March in the local government space as well. And a special mention reserved to our healthcare customers in UK, essentially in the NHS space. We have been doing work in the digital transformation space with them. We have been engaged with them in many different sub-departments, but we made a concerted effort to move into arm's-length bodies and trusts which form a major part of NHS landscape. I am happy to again report that we made first forays into trust and arm's-length bodies as well.

So, this quarter was about many firsts and a lot of them were small and beautiful to many of them which were large and amazing degree of stability that it accords to the geography and hence to the organization. And that actually gave you the kind of leading indicators that will give you a degree of confidence in the business. Our order booking, though we do not share it but just to give you a degree of magnitude, grew almost 90% year-on-year in the geography. And that's what gave us a degree of revenue growth as well.

Public sector, which has been our bedrock of growth in the organization as well as in the geography grew above 35%. However, private sector did have its own share of challenges. Most of you know that our clientele is between retail and financial services and they had that degree of compression driven by the COVID environment. But if we continue talking about our successes, public sector actually went from strength to strength, landing new logos, expanding into the existing customers so, the twin pillars of our strategy deepening the relationship, as well as expanding the customer base. We did build on both the parameters, having delivered on order booking as well as 12 months order backlog that we have shared and the net revenue growth within the year that the sector experienced.

Delving little bit into the landscape that we see from here, with this win that we have had, now it paves the way for a degree of referentiability and customer confidence that Mastek is and was always a trusted partner and is now able to handle the orders of this magnitude. We have upped our ambition and now our pipelines do have bids which are upward of £35-£100 million range which is where we are also trying to get a seat at the table. Some of these big ones are definitely in a partnership mode where there are incumbents, large Tier-1 incumbents and they are interested in partnering with Mastek, again a reflection of our capability and the trust that we enjoy with our customers. And obviously the pipeline is also building very nicely and converting into opportunities.

All of this gives you a flavor of the revenue that we have secured last financial year, the order booking that we have had in the last quarter, the pipeline that has built up and the size of the deals in the pipeline, which gives you a degree of comfort that with this momentum, we can accord ourselves larger and bigger wins that Mastek truly can deliver upon.

Little bit more time on the private sector business to give you a flavor, clearly caught compressed because of the COVID impact on our customers. Their businesses went as low as 10% of the pre-COVID level, as a result their discretionary spend went down. As a result, our businesses also compressed. We also lost a couple of customers. However, amidst all this gloom and doom, there have been also some good stories to share here, especially in the fourth quarter, where we became a digital transformation partner for a financial services customer of Japanese origin, operating in UK for a very long time. And they have necessarily wanted to partner with us in the digital space of bringing the digital apps in their landscape to address their customer.

So, while our reach was also limited in the private sector space, with the limited reach we have been able to convert a few and that brings me to a point that you have been asking for some time on, how are we looking at the private sector business overall, both in UK as a geography and

overall, as Mastek? So, I am happy to report that we have now landed our private sector Head of Sales. He joined us in early part of April. We have further solidified the leadership as Ashank alluded by having a Head of Delivery in UK joining us. He will have a dual responsibility of managing the geography as well as holding into the larger global Head of Delivery that joined us in the month of January.

And continued investment in the capability and sales coverage is the mantra on which we are focusing on. Cloud capability and cloud space is at the forefront. AWS and Azure are according to us the opportunity to grow our business in both public and private sector space. And hence the sales coverage, continued investment in the sales coverage. Vertical capabilities are also our focus. We have figured out what our sweet spot are, which are the enterprise customers, which vertical should we focus on. Hence our ability to build capability in that space continues to be invested upon.

In the same grid, I would like to cover our US business as well which recorded a record number of new logos that came in this year, 13 of which 10 of them were in the non- retail sector. Now, this is very important data point for all of us because the legacy business was only retail focused. And the challenge that it accorded was it was highly cyclical. It had impact of COVID significantly and all of that reflected in the financial performance, but the growth or the customers which will accord us the growth in the coming times, majority of them are in the non-retail space which should give us a degree of confidence that we can build on this one. Also, the fact that many of these customers are \$1 billion-plus in their own size which means they have a significant IT wallet where we can not only bring in our retail transformation capability but also the digital or traditional IT services capability that we have had, we can bring it to those customers.

Some of the interesting trends we are experiencing in the US geography, I would like to share with you here is that across industry competition, as well as cooperation is becoming real. We are seeing continuum of medical devices to apparel retail kind of competing as well, co-opetition as we call it. There has been further demand on touchless experience in the retail space especially in the apparel retail space further driving the trend that came in BOPUS, Buy Online Pick Up in Store, has moved further into the touchless experience space which means that our need to deliver bespoke application on top of the digital or the retail infrastructure that is out there, is needed.

And another development which will help us solidify our US business is a framework agreement that we are chasing with a large retailer. They are looking to transform their work. These are of Canadian origin and they are looking for off-shore support as well as in-Canada support that we are working on and we believe that, that will be a big driver for our growth forward.

If I had to sum up the overall business landscape across US, UK, and the Middle East business in the digital transformation space, I would say that cross-sell and co-sell continues to be a big engine that we have invested in and further solidifying. Cloud capabilities continue to be the

sharp end of the spear driving our business forward. Investment in sales continues to be there as well as capability which can help us keep the momentum and build on it further.

With that I'll hand it over to Umang for his views on the Evosys business and ongoing partnership with Oracle.

Umang Nahata:

Thank you, Abhishek, thanks Ashank, for the detailed view of business. First of all, hello to everybody and I hope all of you are keeping well and safe in these tough times that we are all going through.

On the Oracle Evosys side of the business, I will divide my information that I want to share with you in four broad segments. As a key part of our business that we looked at last year and going forward, these have divided into these four broad strategic initiatives and these are the four segments that would drive our business.

The first and foremost is our focus on growing our business in North America. North America clearly is the largest market for Oracle and hence also the largest growth market for us. Our current market share is quite small and therefore the headroom that we have is phenomenal. This year we continued investing in North America, we had doubled our sales force last year and we continue to grow our sales force this year in going forward. And we are now starting to see a significant impact of that change in our business. We, this year closed our order booking in North America literally grew by more than 120% as compared to last year. And also, the number of new customers that we are acquiring are much more sizable, much more bigger and we are moving to the up-market kind of customer base that we are focusing on. While we are growing in North America in general, but the growth in North America is also very targeted to two key verticals that we really want to establish ourselves in that market. These verticals are healthcare and life sciences and manufacturing and retail. 35% of our business in North America this year came in healthcare and life sciences and around 25% came in manufacturing and retail. So, as you can see while the North America business is where our real focus is in terms of growth, it is also super specialized in terms of the area that we really think we will be able to build a significant brand for ourselves and continue to grow there. I think this focus and attention that we have in Oracle cloud, but again a super specialized through key verticals that we think we will be able to build a significant brand and value for ourselves in, is allowing us to deliver results in that market.

The second key area focus for us is going to be the SAP Compete market that we are really aggressively going after. As I had mentioned in few of the earlier calls also, it's a brilliant market for us because given our size and focus on Oracle, it literally makes us one of the only partners who is focusing on SAP Compete. Because most of the others in our size also run an SAP Practice and hence are not able to go after a Compete to the SAP business. And as you could also see from the notes that Oracle themselves are sending out, SAP Compete is becoming a significant market that Oracle is also planning to go after and trying to gain. And I think within that space we are really creating a strong name for ourselves. In fact, in the last two quarters, we have closed five really marquee customers, either winning them against SAP S/4HANA and in

fact, out of the five, two customers were such who were using SAP-ECC as their legacy application. So, this continues to be the second big foray. It is also a market that is going to allow us to move a significantly forward in the UK and Europe region. It is a strong foothold of SAP. But I think our intentions and ambitions are to spearhead this Compete.

The third key area that we are now focusing on is the managed services on cloud applications. As the cloud application business or the implementation business matures, more and more customers have now migrated towards Oracle cloud applications and that population continues to grow all the time. While some of them chose large 4-5 consulting firms for their initial implementations, as they turn towards managed services, their expectation of delivering output and value is growing. This is where niche specialized partners like us have really become important. That continues to become our next key focus of business, wherein we want to grow our business on managed services, not only converting or creating managed services on cloud applications for our install-based customers, but also competing and winning customers who had been implemented by other large consulting firms. This year also marked some really important deals in that segment with close of our largest managed services transactions this year in that space. The managed services space is also very complimentary to the Mastek Evosys combination that we go after, because now we are not only a partner that can offer services around Oracle cloud applications, but with the combined team we can actually cover a much larger breadth of services looking at various technology platforms right from integration to cloud migration to DevSecOps, etc. So, that continues to be a key focus of our business. We had really good growth in that segment and our intentions and ambitions are to grow our business or reputable revenue coming out of managed services by at least 10 points higher than where it is in terms of percentages.

The fourth key part of our business segment that I want to talk about is the co-sell and cross sell which is again the key essence of the transaction where we are really focused on trying to grow that business. This year has been a year wherein we had looked at various aspects of cross-sell and co-sell. We have tried various combinations that has been a year that has given us a lot of earnings in terms of what is going to work, what will require more enhancements and how do we sharpen our proposition. Very interestingly, we have identified very important key propositions that we think are successful and we know where our target markets are, managed services being one that I already spoke about.

The other important aspect that we have already learned is going to be the combination of e-commerce plus Oracle CRM, and then the back-office ERP along with it. Very happy to report that we have closed multiple transactions working with Oracle impact, the Oracle e-commerce business for Mastek grew significantly this year in terms of the number of new customers that we have been able to acquire. So, as we create this combination of Oracle e-commerce plus Oracle CRM as an offering, it creates, or it makes us a significant partner from a retail segment as far as Oracle is concerned. And that will continue to be a key focus area from a co-sell point of view.

On the cross-sell side again, a lot of very important learnings that we have had. We have looked at our customers, we have also looked at the areas that we would want to invest in, we are also starting to see and win deals in the right segments, so local government, that Abhishek earlier mentioned and retail, being the two segments where we are seeing good wins in cross-sell and we are also sharpening our propositions and development of those as we move forward. Cross-sell has had good success, and I think we know our strengths and weaknesses much better, and we look forward to a much more substantial cross-sell growth also as we move forward.

Lastly to sum up, I think these four strategies continue to be our key focus area going forward. I think they are all very-very relevant and now proven with the success that we have had in this year and in this quarter. We will continue to invest on all of these four lines to look at growing our business at even faster pace in the coming quarters and years. So, that is broadly a sum up of where we are. And passing over to Arun for more financial comments.

Arun Agarwal:

Thanks, Umang. A very warm welcome to everyone on this call. While the deck was circulated much ahead of the call, I will be focusing on the key highlights of our performance for the quarter and year ended 31st March 2021.

Quarter 4 was another quarter of consistent financial performance. Our healthcare business continues to accelerate while government sector in UK reported another quarter of sustained growth. Our Oracle EBM and cloud space continues to be exciting as explained by Umang. Our value propositions are supporting us win against large SIs across geographies. It is reflected both in order booking which Abhishek talked about and both Umang as well, and as well as it is quite clearly reflected in the revenues which we reported during the quarter and for the year.

We entered into three large deals in this quarter, primarily in the UK government and the health space which makes us much more confident into the league in which we operate. The deal sizes are increasing, and we are increasing our place in a multi-year, multi-million dollar deals while we engage with these departments.

On a full-year basis, our revenue stands at \$231.9 million reflecting a growth of 60.7% year-on-year. Our operating EBITDA for the year is 21.2% which is up by 667 bps year-on-year, quite a significant improvement driven by control of discretionary spend, bringing the improvement in terms of operating levers and so on and so forth.

Other financial highlights for the quarter includes, operating revenue for the quarter stands at Rs 483.2 crores, up 9.1% quarter-on-quarter and 43.5% year-on-year on a quarter basis. Operating EBITDA for the quarter is 21.9%, lower by 153 bps, quarter-on-quarter, which is primarily driven by full quarter impact of wage hike, which we gave effective December. And also the investment which we have made in the leadership and for building the capability and sales for next set of growth. While there are operating levers, which are getting improvements and reducing the impact of this investment partially and hence net impact of 153 bps was made quarter-on-quarter. PAT stood at Rs 75.7 crores versus Rs 70.3 crores in the previous quarters, up 7.7% quarter-on-quarter and 94.4% year-on-year for the same quarter. Gross cash stood at

Rs 848.9 crores versus Rs 778.6 crores in the previous quarter, while cash net of debt stood at Rs 588.6 crores versus Rs 528.9 crores at the end of December 2020. It is again a very good year and quarter of cash collection driven by reduction in DSO, as we have seen our DSO in the range of 75 versus 81, we closed last year at. Consequently, our free cash flow to net income ratio stood at 110% for FY21. And as I mentioned, improvement is driven by a focused collection across geographies and with supported reduction in DSO and improvement of cash, in addition to the sale proceeds which we got from the Majesco share sale, all put together supported our cash balance to go up significantly during the year. During the quarter, we added 45 new customers, 10 customers of them have \$1 billion-plus revenue in dollar terms which keeps us excited seeing the potential to further mine those accounts. Our head count stood at 3,792 at the end of March 2021. We added 190 resources during the quarter.

To add some more color for the geographies and key vertical performance, on organic side, UK geography continued to maintain its growth trajectory and delivered 11% growth quarter-on-quarter in constant currency terms, which is again driven by strong performance of government and health vertical. We continue to open new department and at the same time strengthening our relationship which is helping us to participate in large value multi-year transformational deals both in government and health vertical as stated by Abhishek.

Coming to US geography, we saw some compression in the revenue quarter-on-quarter which is primarily due to delay in some of the contract signatures. However, the lead and lag indicators as we see in the form of pipeline, order book and the discussion which we are having with the delivery in the headcount, we expect US to grow from this level.

Now, since the focus has shifted to D2X strategy, there we are providing customer with comprehensive digital transformation solutions, we on-boarded 10 non-retail customers during the year, which further helped us to diversify from the retail sector and these customers has very deep pockets and they spend significant money in terms of IT solution and our D2X strategy places us well in terms of mining further this account and also on-boarding the new accounts in this space. It's keeping us exciting, and it proves that strategy is working for the geography.

Coming to the Evosys side of business, cloud SAAS market continues to be exciting. Oracle EBM is playing a critical role in it. Joint go-to-market strategy is working well and is evidenced by the deal closures which we reported since Quarter 1 till now, two deals in UK, one deal in US and one deal in ROW. Out of four or five deals, three deals we have multi-million-dollar deals. And two of them were a multi-year as well. We believe the cross-sell and co-sell will continue to expand. As we are making further investment on the back of learning which we have got in FY21 we are re-investing further to enhance the capability and cross-sell and co-sell will continue to be focused as we move into FY22.

Strong value proposition accelerators are helping Oracle EBM space to displace large SIs as we compete with them across the geographies. We saw continued deal wins quarter-on-quarter as we keep adding new and new customers. However, our offshore delivery and remote delivery supported us in terms of servicing them.

To conclude, our growth pillars in form of UK public sector and Oracle EBM cloud is firing. The kind of investment which we have made in private sector and also making in next coming quarters, we believe this pillar will also come to the party and all the pillars soon should start firing.

I would like to thank you all for your continued support. Exciting times filled with phenomenal opportunity is how we see it. Thank you everyone for the patient hearing. I handover the call for Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Madhu Babu from Canara HSBC.

Madhu Babu: Congrats on a good quarter. Just on the £25 million deal, could you give us what is the scope of work and who were the competitors or are we going as a sub-contractor in this deal?

Abhishek Singh: Thanks for your question. And we are the prime absolutely. We are not the sub-contractors, and this is with the home office in the biometric space, as a multi-year deal, three year at this point of time with an opportunity to extend it further by two and in special case can go up further by two, so potential to go up to five, if not seven.

Madhu Babu: Second, with this kind of strong exit and a strong pipeline and order book. Next year, I think 25% kind of growth is also quite doable. At least even in large caps are growing at 15%. Should we take that comfort that 25% dollar-term is doable next year?

Abhishek Singh: I'll always avoid those kinds of speculation Madhu Babu. The idea is to endeavor and deliver the best.

Madhu Babu: Last one, when this Evosys transaction, how the cash outgo will happen and when the share count increase will be reflected in our P&L?

Arun Agarwal: Madhu Babu, the cash transition will start or the 10% each buyout which is supposed to happen over three years will start for financial year 2022. So financial year 2021-2022-2023 are the years on the basis of which the valuation will be done and H2 of each of the financial year will keep acquiring the balance 30% equally. I hope that answers.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: First question is on the margin front. I think this quarter we saw little bit of dip despite a 9% Q-o-Q revenue growth. If you can give some color on that and how the margin trajectory can play forward given that things are opening up in UK and US where vaccination is mostly done.

Arun Agarwal: In terms of margin, as I stated in my narrative, there is a full quarter impact of the wage hike, which was effective December and also, we are investing in terms of building our capabilities and also the sales team for next set of growth. So, investment continues and at the same time the delivery team also, there is onshore pressure coming from the clients. So definitely we need to

ensure the team is available with the clients to ensure it is delivered in agile and discretion manner and on the time basis. So, there are investments which are being made and which is reflected in quarter-on-quarter. If you see on a full year basis, we have reported 21.2% EBITDA. We believe that's a good level. There could be a completion of 100 bps or likely depending upon how we want to make investment and drive that investment to build further growth. That's the balance which we will be doing. But the current levels in terms of annual is a good indication to further work on.

Sarvesh Gupta:

Second question is more for Ashank, I think now that we have been carrying Rs 500-600 crores of cash. So, one is on the CEO hiring and second is on the capital allocation going forward given the amount of cash that we are having or are we waiting for the CEO to be onboarded before which we will take a significant capital allocation decision? How are we looking at these two interconnected decisions?

Ashank Desai:

I will answer both the questions. As regards CEO, we are very much nearing the completion of the process. I am very pleased actually from the response that we have got from very senior people in the industry which gives me great pleasure in terms of traction Mastek is creating in the industry. As you know, in this process, when you have such large number of very qualified people, it makes it difficult for us to make a choice too, so it's taking some time. We will soon finalize, we almost completed all the interviews, but it depends on when person can join, how much time he or she has, etc. But I am comfortable that we will have very soon someone in the place.

As regards to investment, I think it is not waiting for CEO in that sense. Obviously, CEO will have his input and it is always valuable. But what we had done, as I told you, we have done a three-year planning as to where we want to be. And in that strategy, acquisition is going to play an important part. And that is because industry is growing fast, the skill sets, and the capabilities required are changing very fast. Now, if you have to continuously do everything in-house it may stretch you and your abilities to make it happen. So, faster way and maybe efficient and effective way is sometimes to get someone from outside. So, what we have done is we have done an exercise where we want to be doing in-house and where we want to acquire. We are almost through it. And search is anyway always on. We look for always good candidates. So, most of the cash that we have will be utilized as we move along.

Moderator:

The next question is from the line of Karthik from Unifi Capital.

Karthik:

You mentioned that there is a clear fixed plan for the acquisition that's probably in mind going forward, but is there any focus area that you have in mind that can probably mention?

Ashank Desai:

See, the digital and cloud space is opening so many areas where new competencies are required by the customer and Mastek being very well entered in that space and we see how to grow our customers to \$10 million kind of large accounts, it will be necessary that we acquire related skills around it. For example, if we are going with ERP and cloud that have many surrounding spaces around that which opens up for us. So that is one. If we are going in digital commerce area,

digital commerce opens up certain part of customer business to us, but then we see a lot of other surrounding areas where we would like to do acquisition. Cloud migration is another big area. So, we are making judicious choices between what we want to do in-house and what we want to acquire. And any company may not come in a specific capability as we want so we may like a mix of it. We would be also open to look at customer and market driven acquisitions if some company is available in our space, apart from just skills and capabilities. So, difficult to identify a list, because it will be a very long list.

Karthik: And just a quick number on Evosys. What's the exact USD revenue that was done this quarter?

Ashank Desai: We don't disclose revenues region-wise. Do we? Maybe Arun should answer that question.

Arun Agarwal: We had given vertical splits, a proximation can be taken, but we don't do very specific split. I think it's one business now.

Moderator: The next question is from the line of Ravi Menon from Motilal Oswal.

Ravi Menon: Just wanted to ask you about, given the current unfortunate situation we are in, are you seeing any supply disruption, employees needing to go on medical leave either for their own sake or for their family. Should we think about any headwinds in Q1 coming from that?

Ashank Desai: You mean the impact of COVID on the employee effectiveness and availability, you are saying?

Ravi Menon: Yes.

Ashank Desai: Yes, we do of course see in various geographies a certain impact of COVID, but I don't think it is something that has some significant impact from the revenue perspective because as you know the percentages are all lower. However, yes we do see upsurge of COVID amongst people and as well as the families that they have. That is a fact. But if you look at it as an overall percentage of our total workforce it is a very small number. So, we would take care of it.

Ravi Menon: Second thing, given that you are primarily doing digital work and there is a lot of I think talent shortage for that. Do you think that we may need to probably look at a more aggressive wage hike sometime say in FY22 or maybe a hostile bonus or something like that? How should we think about that and say impact on our margins if we take some initiative like that?

Ashank Desai: We are closely tracking our statistics as to what percentage of our offers are being taken up, and what kind of salary levels that people are getting, etc. And if a correction is required, we will do it. Because the business growth is such that we need to see that the supply of talent is non-stop. So, whatever is required to make it happen, we will do so long it is an effective measure. However, you must know that some of it is very skill specific and it is not all around. There are certain skills, certain talents which requires high demand today. So, we have to be carefully looking at in such a way that we don't increase wage costs to beyond what we can offer. But, we will take any step required to get the talent.

- Ravi Menon:** And you were talking about how you are starting to win much larger deals. So, if you could just give us some color on what's the largest deal that you have won over the last year or so.
- Ashank Desai:** Abhishek if you can answer it. And Umang also can answer in terms of increasing size that he is seeing in terms of his deals.
- Abhishek Singh:** Yes, I did share in my narrative, but I would like to add a little bit more to it. The simple answer is, the largest one we won was around \$35 million-plus that was in Q4. However, another interesting one that gives you an idea of the velocity, the first £10 million single SOW kind of engagement came in January of 2020. And from there onwards in the last calendar year, we had two of those. So, if you look at the five-year journey that we have been in this phase of Mastek, it took us five years to get the first £10 million gate. And then in the 12 months, we doubled it and then in the next year, in the first quarter itself, we have moved to the next level at £25 million-plus, \$35 million-plus deals. That's the largest one for you.
- Umang Nahata:** On the Oracle services side, the largest deal that we did this year was close to \$8 million and this was in the managed services space, so it's spread out over three years. But as we look at our business, we are already seeing implementation deals which are one-time project implementation deals also moving up. So, there are quite a few deals between the £5 to £10 million space that we are currently competing on.
- Ravi Menon:** Right, and just a follow-up here. To manage those deals, it is not really following the same kind offshore centric delivery model that you have been doing for Oracle implementation?
- Umang Nahata:** Yes, largely offshore. So, it's on the same percentage division, yes so, largely offshore.
- Moderator:** The next question is from the line of Nirmal Bari from Sameeksha Capital.
- Nirmal Bari:** My first question is on the balance sheet. Other financial liabilities have increased from Rs 170 crores to Rs. 452 crores. So, is there something relating to the 30% stake of Evosys and the payout?
- Arun Agarwal:** Nirmal, as you rightly articulated, so what happens the 30% which we have to buy out as per IndAS and IFRS requirement, it has to be valued on the basis of reasonable assumptions how the businesses are doing. And as you know the business has done good. So, every balance sheet we need to mark-to-market with the valuation. And the current valuation is much higher than the last time and hence that has been reflected into the liability.
- Nirmal Bari:** So, over a three-year period this 450 crores would go down as the buyout happens.
- Arun Agarwal:** Absolutely. You got it right.
- Nirmal Bari:** Second question is on the UK private sector. That is one of the areas that has not performed but you gave some commentary on we are expecting it to start performing. So, what are the triggers that we are seeing there? And specifically, now that Corona seems to be subsiding in UK as well

as the uncertainties that were there around BREXIT, those are gone. So, what is the business environment that we are seeing right now in the UK private sector, if you can comment on that?

Abhishek Singh:

So, it is a very good question. To put it in perspective, we do expect the enterprise customers or private sector as we like to call it both in UK and in Europe to grow and at varied paces in different countries, different sectors will grow at a different rate. But it definitely is poised for growth as Corona ebbs or the COVID impact ebbs. So, in that spirit, we have put our focus there. We have had the Head of Sales joining us. Now in specific context of UK, if you look at it, we do believe that UK has got a decent manufacturing base and there are enough and more manufacturing as well as CPG customers who need that digital transformation support. Not to forget that the 5G rollout is also giving or putting forward the opportunities in the Telco space. So, we are very optimistic about it. And that's why we have put the Head of Sales there and we are trying to increase our coverage. Not to forget the fact that every quarter via our Evosys customer acquisition engine, we do land a handful of customers in UK and Europe which needs to be addressed from a cross sell and co-sell point of view. So, these are the opportunities, and these are the insights we have on the industry or rather the sector and hence we are making our investments to tap into that opportunity.

Nirmal Bari:

And this £800 million deal that we signed, so it's with us. 11 partners and if I recall right the deal size for us would be around £15 million pounds or would it be much higher?

Abhishek Singh:

Let me give some clarity on that and I am glad you brought that out. So, it's £800 million pounds framework agreement that we have signed with one of the divisions of NHS. 12 partners have identified, and different partners have different capabilities. Some of us like Mastek and some of the other local players who are big competition for us, they are full-service partners and then there are some who have got very specific capabilities like design thinking, digital services, design capabilities that they bring on table. So, this framework is for four years and across 12 partners, but not all 12 partners have got the capability to do everything. Some have, but many others are niche. So, the ability to look at it as £800 million over 12 or 12 over four years, that's not the way you can look at the opportunities. Having said that, every quarter we have got 5 to 6 RFPs coming to which we have to respond. Not all 12 are qualified to respond. So obviously the competition goes down to something like 4 to 5. And then may the best solution provider win. But that's the way it is providing us the opportunities.

Moderator:

The next question is from the line of Baidik Sarkar from Unifi Capital.

Baidik Sarkar:

Starting off with Evosys, Umang, Oracle has been very bold and vocal with their SAP attack program and the numbers really seem to show that across Fusion, Gen 2 Cloud, and everything else. My question is what are the cohorts in which Evosys is an active partnership with Oracle? And is there any reason for us to not pencil-in a growth rate of 30% here? And the only reason I am calling that number out Umang is because Oracle seems to be very vocal about these numbers. I would love to hear your thoughts on these.

- Umang Nahata:** If I get the question right, what you are trying to ask is how are we participating in the SAP attack and why are we not calling out our...
- Baidik Sarkar:** Which kind of cohorts, with Fusion is it Gen 2 Cloud, is it NetApp, there are lots of things that Oracle is doing very well. And is there any reason not to pencil-in their kind of growth rate, which is really between 30% and 100%?
- Umang Nahata:** Our focus on the SAP attack is still on the SaaS side of the business which is clearly wherever we are able to migrate SAP, ECC customers to Oracle cloud applications. We are still not so much focused on the Oracle OCI platform. That's something that we are now developing and building on and we are expanding our services from a pure SaaS to now also IaaS PaaS, especially with merging with Mastek is also giving us much more technology breadth to expand into that area. That's one. But on the SaaS side, like I mentioned earlier, we are one of the leading partners for Oracle and amongst all the deals that Oracle is encountering we are having a fair share of our pie in terms of the deals that we are participating and winning in. As far as specifically calling out that number, like I said, it's a broad part of the overall growth. We are growing as far as our order book is concerned, very much in the range that Oracle is growing at. And we look forward to continuously beat that rate and grow our market share.
- Baidik Sarkar:** Abhishek hi. It's probably a quarter since you have transitioned to your new role and I really hope you are enjoying that. But the question is given the opportunity set in the UK especially the government side of things, expectation has been as a hockey stick kind of number kind of range the past 12 to 15 months, what is your assessment of where we are in that journey in terms of both the pace of growth and the absolute marketplace opportunity that I think we are yet to cover.
- Abhishek Singh:** Thanks, Baidik. I think both are very relevant questions. I would say that we are enjoying the momentum in this sector and as I had articulated earlier that the twin mantras are, deepen the relationship with our existing customers as well as expand the customer base. And we are surely and steadily succeeding on both the parameters. The large deal that we talked about is from the existing customer stable, and that's a reflection of our capabilities, the level of trust that customer enjoys with us and the dependency that we exude, and we are using this success and some of the earlier ones as well to up our ambition and get the seat at the table for the larger deals. We had outlined in prior quarters that in the defense space there are large framework deals, \$100 million-plus where we are participating as part of the consortia. And on our own as well, we are bidding for the bigger ones where we are getting to the last two last three that gets you the degree of confidence our solutions have our capabilities have. So, the pipeline continues to grow. The conversions are happening and most of the growth that you have seen both in the geography and overall, as an organization on the organic side of the business is predominantly driven by the public sector there. So, I would say that we are in good place, both enjoying the credibility that we have in converting that into opportunity. There is a very well-orchestrated program to land the new logos with a hunt of population there. With a degree of insight, there is a partnership program with small and experts, small and medium enterprises who have got expertise in new logos to help us get a toehold which we then convert into foothold and household. And by the

same token we are also partnering with the behemoths who have been in the large accounts or in the large opportunities but need our expertise to take it to the next level. So, whichever way we have decided we are enjoying the space that we are in with the momentum and the conversion.

Baidik Sarkar: Last question for Ashank on the CEO appointment. Ashank, given the multiple leaders that you already have in the business, what do you really expect your new CEO to drive? And is there a timeline that you have in your mind?

Ashank Desai: So, as we have said earlier, area of fastest growth over next three years for us is going to be in US. That's an area where we are not strong as a percentage of our revenue. And the kind of skills and capabilities we have that is the market which is best suited for us for future growth. So, we are getting a person who is going to have a deep experience in US market. So, that is the main thrust that we have. Obviously, the person apart from the US experience of marketplace, who bring a deep knowledge of running a large service business, because many of them are running much larger size business in fact, and they bring in the whole capability required to make it happen, be it in delivery, be it in HR, be it in getting the salesforce, etc. So, we are looking for a well-rounded person, who would lead the existing team which we are also proud of each one of them and some of them are here. But we will bring a person who will make all of them more effective. Let me put it that way.

Coming back to you and answer when? It is most difficult question as I said. As many of them have different terms of resignation, etc. So, it is difficult for me to say, but we are at the end of selection actually. We are very close to that. After that it will be just an event where obviously we will have to wait. In some cases, it is very quick. In some cases, it is not. So, it's a mix of all. So, I would not answer the question because I don't know exactly when it will be, but it will be as soon as we can.

Moderator: The next question is from the line of Mohit Jain from Anand Rathi.

Mohit Jain: I have two questions, one is for Umang. So, you spoke about this US growth being your target number one for next year. How big are we really in terms of US for Evosys? And what are you looking for? What kind of growth numbers are you looking at after doubling the sales team?

Umang Nahata: US from a revenue point of view, still around 20%-25% of our numbers and our order books did double up this year. So, we are hoping that the revenue numbers will look at substantial growth there as we have a good backlog. And our ambition is to again go for a similar kind of growth in terms of the order book. I think the market is there, our capabilities are very much there suited to the market. It's just about execution. So, we are aiming for a substantial turnaround in the coming year also.

Mohit Jain: So, doubling of revenue is what you are probably...

Umang Nahata: Doubling of order book is what I am talking about. But yes, that's our ambition.

Mohit Jain: And second was on the margin level, maybe Arun or Abhishek can answer. The gain tax plan and what kind of sustainable margins you are looking at for 2022. And is there an on-off in this quarter when you are looking at the margins?

Arun Agarwal: Mohit, there is no one-time as such. Whatever the operations related one-time will always be done in every quarters. So, nothing to call out. And in terms of margin level, as I mentioned, on an annual basis if you see we have done 21.2%, and that's a good indication. Now it's a balance which we need to do between the investments to drive future growth and some of the expenses which will come back after more of travel starts. The customers are asking to work from onshore wherever needed. So, there has to be a balancing. We believe, 21.2% what we have given is a good range. There could be compression of a 100 bps and so, but our endeavor is to maintain in the range where we are.

Mohit Jain: So, 20%-21% is the range that we should look at or you are referring to 21%-22%?

Arun Agarwal: I'll say 20% is a good range for you, but that's our endeavor, it's a balancing act which needs to be done between the growth and the margin.

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

Amit Chandra: My question is regarding the large UK government deals that we have won. Traditionally, the UK government deals were largely onsite and subcontracting to you. So, has this changed significantly in the wins that we have announced? And the offshore component is higher in these deals? And also, what kind of supply fulfilment we have to cater to this kind of demand? And also, when things normalize can we expect the onsite components to increase which could have an impact on our margins?

Abhishek Singh: The large deal that we are talking about is in the secured government space. So, the ability to bring a major component of that offshore is limited. Having said that, certain phases of it getting over as it transitions towards maintenance phase, some of it can definitely come offshore. And not to be just limited by the current offshoring definition that we have, we are also proposing proactively to the various departments of doing their work in a secured government environment in a very quarantined and separated environment here from offshore. We already have a handful of customers in healthcare as well as other departments that we are servicing from offshore. So, we are also trying to build on that to encourage and showcase the art of the possible. So, it's a combination of both here. The first phase, the answer is no, but as it develops the answer is yes, and we are doing few things proactively as well to encourage the usage of offshore. And there are twin benefits to it. The first one is obviously the budget gets stretched and the departments and the owners can do a lot more with the amount. But the most important part is the ability to scale at a certain speed which in the geography is heavily constrained by the supply of the talent pool. So, these are all the parameters in the play, and we are approaching it proactively.

To the other part of your question, yes, the supply pool, the whole industry is experiencing, the IT sector and the industry is experiencing a significant demand and to that extent fulfilment is a

constraint, attritions have gone up and we are no exception. But we are working on that proactively, working on our graduate and apprenticeship program in the geography, as well as hiring the freshers and training them for the key skills and the offshore environment as well. So that's one of the ways of addressing the fulfilment challenge.

Amit Chandra: My last question will be on the investments that we are planning. We have seen some hiring, some sales and increase the normal focus in US and UK. So, are we over in terms of sales investment or still there are some areas or pockets where we want to increase our investments?

Abhishek Singh: Quickly from my side Amit, if I look at it, the private sector that just started with the head of the sector coming in and few sales folks that we had. Clearly, we want to increase the coverage there. And, as we keep succeeding, we would like to accelerate that in the public sector as well. That's what we see there from a capability point of view as well and the vertical specialization, those would also need investments. But as Arun articulated and we have also said it in past, there is a degree of quality of earning that we definitely commit to maintain and anything beyond that will be ploughed back into the business. So, take it in that balance that as we keep earning and keep succeeding, we will also accelerate our pace of investments and look into these areas. But sales coverage is definitely a first in the list and continues to be invested in.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: In your opening remarks, you did mention about driven by strong order backlog and good could migration as well as digital transformation services where you are looking to sustain the growth momentum. So, just wanted to understand what is the benchmark here, what we are talking, because if you see last 5-6 quarters, we did a commendable job of growing at 15% sequentially. So, is this the benchmark one is looking at?

Ashank Desai: Benchmark in the sense, I am not clear. What we are saying is the order backlog...

Deepak Poddar: It is about sustain the growth momentum, so what is the road you are looking at?

Ashank Desai: As we said, we do not specifically talk of growth rates that we are targeting at, but I strongly feel that we have done better than industry, and our performance so far including backlog growth shows that we will do better than the industry growth, that is the way I am benchmarking ourselves.

Moderator: The next question is from the line of Omkar from HCL Technologies.

Omkar: My question is on the technology front. So, Oracle is coming off as one of the primary technologies that is contributing to the revenue. What are other technologies that are contributing primarily to the revenue? Can you shed some light on that?

Ashank Desai: We being a services company, obviously we go with the requirement of the customers. As we speak, we are on multiple cloud platforms, depending on what customer needs and all the names

all of you know. We are on the multiple platforms in terms of technologies, so it will be difficult for me to kind of enumerate all, even our vast coverage all over the world in terms of customer base. Oracle of course, plays important part in terms of relationship and growth but we cover all host of areas. Like in government space, it's completely open space and there are a lot of host of things that we do.

Moderator: The next question is from the line of Darshit Shah from Nirvana Capital.

Darshit Shah: Thanks for the opportunity. Most of my questions are answered. Just one suggestion, if you could give us some sort of a press release on the exchange or once we kind of sign some really large deals upwards of maybe \$20 million to \$25 million or pounds, that would be really helpful for the investors.

Ashank Desai: Sure. We will keep that in mind that. We will look at that.

Moderator: The next question is from the line of Siddharth Bang from Goodwill.

Siddharth Bang: I just wanted to understand how much equity will be diluted as a part of the US deal.

Arun Agrawal : Once the demerger is approved by the NCLT, the numbers which we have already agreed as part of 70% acquisition, the 15% is that roughly number, the numbers keep changing because as you issue more stock option it's getting converted, that's a little bit up and down. But broadly 15% is the addition which will happen. And as part of balance 30% acquisition as well there is a portion which will be paid through equity. Now that's something will be decided upon the valuation and what kind of the share price we have as per the different formula and other stuff. But 15% to 20% is a good range which will happen eventually over the period of three years.

Siddharth Bang: And will Umang and others, they also if shareholders be classified as promoters of Mastek?

Arun Agrawal: No, they are not classified as promoters.

Siddharth Bang: And my second question was, a lot of companies are saying that doing acquisitions is getting tough because of the valuations that some IT companies are demanding. And because we are looking at acquiring, but not at a very high valuation, will we consider a paying back the cash or doing a buyback or something in case we don't get a good deal within the next year?

Ashank Desai: I think this is something that we will look at as the time comes. As of now, we are clear that we will able to use our cash in terms of buying our acquisition candidate.

Arun Agrawal: And also, Siddharth, what happens when you drove out, there are multiple assets and Evosys was one of the examples. Like it depends upon what those promoters or the entrepreneurs are looking for. There is a possibility of win-win situation for both. And it is a multiple combination which work into play. And the objective of both has to be met, it's both capability, value creation and others as well. So, we are positive in this trend.

- Siddharth Bang:** Yes, exactly my question. If there's a timeline if you can get an asset otherwise give them money back.
- Arun Agrawal:** Will be decided as we move on.
- Moderator:** The next question is from the line of Ashish Das from Sharekhan.
- Ashish Das:** I just wanted to know, you mentioned all these regular setting of data center in Middle East. But our growth in Middle East is mostly strong. What is your outlook? How is the growth?
- Umang Nahata:** I think the data centers have been set up now, we have got set up in the last 3-4 months and the pipeline in Middle East is starting to reflect already in terms of the surge that we were anticipating. It is a cycle. So, the first wave is in the pipeline and I am sure as we move forward the growth will be reflected in the other parameters also. But the pipeline is already starting to reflect the impact of the data center being present in the region now.
- Ashish Das:** And the second question is your hiring strategy for 2022? So, what kind of employees you want to add in?
- Ashank Desai:** Hiring strategy is like any other service company. We are looking at hiring fresh talent from the colleges which is required to have a proper grade mix and future software engineers ready for future. At the same time, we also have attrition rate that at a higher level as well as more positions are required because of new projects and new situations. So, we will also be hiring people at higher levels on a lateral basis.
- Ashish Das:** My last question is on the local government. You alluded and Abhishek told, brought 4 customers and again in this March in the local government. So, what is the deal size there and what kind of growth you are looking in the local government?
- Abhishek Singh:** Ashish, this is the first customer we acquired in the local government space. Let me clarify that. Not four, but definitely we acquired the first one in this space. Now local government, the budgets are small, and their transformation requirements are also very focused. They tend to buy a lot of over-the-shelf products. So, in that space we are trying to understand that market. It is very clear that there are 350 plus decision-makers there. Even if the ticket size was anywhere between quarter of a million pound to three quarters of a million pound, it presents us a large opportunity. We have just had our first success. So, let us develop this to see what potential it accords us. But definitely from the size point of view and the number of decision makers it's large and the size of the deal could be in the medium range.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- Ashank Desai:** This is the time to thank all our stakeholders, our customers who have been very generous in terms of our order books. They have been very kind to tolerate obviously the inefficiencies

sometimes which happened due to COVID, where people movements are restricted. So, we are very grateful to their commitment and their long-term commitment and faith. Our employees of course, have been doing great job in spite of all difficulties, working from home, not allowing them to move out, sometimes psychological difficulties, etc. So, I really salute our Mastekiers all over the world who have done this great work in these difficult times and shown the results for the whole year. And all of you as an investor group who have been kind enough to look at us and take interest in us. So, as I said, I start this new year with a great hope ahead, creating a three-year vision, building capabilities for future, and building leadership at all the levels so that we can grow at a level much faster than what we have grown otherwise. Thank you.

Moderator:

Thank you very much. On behalf of Mastek Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.