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October 28, 2026

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ISIN: INE759A01021	

Dear Sir(s) / Ma'am(s),

Sub: Transcript of the Earnings Conference Call held on the financial performance for the quarter & half year ended September 30, 2026

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call held on the financial performance for the quarter & half year ended September 30, 2026, conducted on October 26, 2026, for your information and records.

The Transcript of the conference call can also be accessed from the website of the Company at <https://www.mastek.com/investor-financial-information/>

Thanking you.

Yours faithfully,
For Mastek Limited

Reena
Abhijit Raje

Digitally signed by
Reena Abhijit Raje
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Mastek Limited
Q2FY27 Earnings Conference Call
October 26, 2026

Moderator

Ladies and gentlemen. Good day. Welcome to Mastek Q2FY27 Earnings call. We will begin today's session with a presentation from Mastek's management team, followed by a Q&A segment. I'll now hand the conference over to Mr. Niraj Khemka. Over to you, Mr. Niraj.

Niraj Khemka

Thank you, Melissa. Hello, everyone. Welcome to Mastek Limited's Q2FY27 earnings call. In the call today, we have with us Mr. Umang Nahata, CEO, and Mr. Deepak Kedia, CFO. In the course of this call, we'll make certain statements which are forward-looking and may involve a number of risks and uncertainties. All forward-looking statements made herein are based on information presently available to the management, and the company does not undertake to update any forward-looking statement that may be made in the course of this call. In this regard, there is full disclosure included in the investor presentation and the press release. We consider that as read. With this, I'll hand over the call to Umang. Over to you, Umang.

Umang Nahata

Good morning, everyone. Thank you, Niraj.

First of all, very good morning, everyone, and I appreciate you all joining the call early in the morning today. Looking forward to a healthy interaction with all of you over the next one hour. Our Q2 performance has been pretty healthy and very close to expectations in terms of most of the parameters. From a revenue standpoint, we had a very healthy growth of 2.4% QoQ in constant currency terms. The revenue numbers landed at \$107.3 million for Q2. The EBITDA performance landed at 14.4%, which was around 100 basis points below Q1, largely on account of salary hike, and we will discuss the details later in the call. Our order backlog, 12-month order backlog grew by 2.3% YoY. There was some softness in the order book, and we'll talk about that also as we go forward in the call. Overall, from a performance standpoint, I'll initially describe the performance from a geo standpoint. We'll then really spend time talking about how are we transforming Mastek into an AI native organization and some of the really interesting stuff that is going on there. And we'll later pass the call to Deepak to explain more on the financial performance in detail.

As far as our geographical performance is concerned, from a UK standpoint, Q2 was a very robust quarter. We actually delivered a 4.1% revenue growth in the quarter. Financial Services continues to be a very strong subsector within the UK business. Our Financial Services grew by more than 16% in the quarter. And we continue to see good, healthy momentum in that sector. Public sector, which is our biggest sector in the UK-Europe geography, continues to be stable. We saw a decent growth in public sector, both supported by some growth momentum as well as higher working days in last quarter. Healthcare & Life Sciences, which was a key driver and continues to be a key growth driver for us, still is lagging behind in the quarter performance, primarily due to some right-shifting in project starts, as well as some order book. Although, having said that, I would be happy to report that some of these orders that were right shifted have been concluded post the close of the quarter. And we expect the numbers to start improving as we go forward in H2.

The other important development from a UK-Europe point of view is opening up of a new front, which is around energy and utilities. Happy to report that we've landed three new frameworks in energy and utilities and also started landing new contracts within these frameworks. This is primarily aligned to our strategy of going after sectors which buy like public sector but operate like private sector or privately held organizations. And that has allowed us to open a new front in energy and utility as well.

We continue to focus with our same strategy of going after arm's length bodies who buy like public sector kind of organizations. As we go forward in the year, we'll report progress on how is the Energy & Utility sector really building up as we go forward. Last and not the least, the UK also saw a change in prime minister last quarter. As the new ministers take over, we are expecting and watching the change of policy or any direction, if any, from them. It currently seems that while healthcare will continue to be a focus, social care might be another area of important focus for the government, and we are trying to make sure that we align back to the policies. The budgets for the new government are going to be announced anytime this week, and we are closely observing the developments there.

Till some of these activities happened, few of the contracts that were to be decided have been put on hold or canceled, these are the orders in pipeline, and would be hopefully launched back after the budgets have been finalized, which resulted in a softer quarter from an order book standpoint for our UK business in Q2.

Moving forward to North America, our North America business continues to see a very strong deal momentum. And we, again, this quarter had a very positive order book. In fact, our total order backlog for the geography, if you do a year-on-year comparison, has grown by more than 50%. These order bookings are both in terms of focus on key verticals, which is around Healthcare & Life sciences, retail and manufacturing. But a lot of AI native transformation deals are also happening in the geography. And we'll talk about some of them in the following slides as I go forward.

On APAC and Middle East point of view specifically, as you all know, the uncertainty in the market continues. In fact, it is getting more stringer as we go forward. While in Q2, we had some of the old standing contracts being signed and therefore a decent bounce back in revenue there. However, the overall outlook for Middle East continues to be uncertain. And we are closely observing the situation, especially the situation that is unfolding in Saudi Arabia and making the right and judicious calls as

we go forward.

As I move forward and explain our business from the most important forward-looking lens, which is the lens of how is Mastek transforming itself to become an AI-native organization. Like I mentioned, our vision is to focus on transformative business and make Mastek a leader in AI transformation in our select-focused verticals that we operate in. In account of that focus, we have taken two really important new steps, new offerings that we have been working on for the last few months and which have launched in this quarter.

First is around Healthcare & Life Sciences, where we have signed a very strategic partnership with a company called Innovaccer. Innovaccer is a market leader in providing contextual data in Healthcare & Life Sciences domain. And we will be partnering with Innovaccer as one of their largest partners globally to help transform Healthcare & Life Sciences businesses on the back of the contextual data platform that Innovaccer provides. We believe this partnership will be very strategic in positioning Mastek and Innovaccer as one of the leading providers of AI transformation services in Healthcare & Life Sciences globally. The partnership has immediately started ramping up also, including development of good pipe in the first quarter of its signature itself.

The second important part was around Service-as-a-software. Again, this is one area that Mastek has been working on in the backgrounds. With our experience in enterprise applications, especially around Oracle and Salesforce, as well as our strong engineering and data domain, we have now been able to combine all the three into a new offering, which we're calling Service-as-a-software. It primarily has two angles. It is more about process transformation, but it can also do a lot of replacement of traditional SaaS softwares with new Service-as-a-software solution. In fact, Mastek internally, we've switched our CRM software, we've switched our procurement software, we've switched our recruitment system, as well as our accounts payable and expense systems on the same model, delivering not just good savings in our subscription cost, but also tremendous upliftment in terms of the way AI native solutions are being used and improving business outcomes and quality of performance. As we launch these learnings into the market, we've already closed our first few deals on Service-as-a-software, and we are seeing good momentum as we go forward.

The last part of the area, again, which we call as AI Foundation, which includes governance and security, roadmapping, et cetera, is the third part of the business, which is also taking care well. Cyber was an important component that we thought we should add to our AI foundation. And we've been working on it over the last few months with some investments within our public sector market. And again, I'm very happy to report that the investments have started bearing results. And this quarter, again, we saw our first few significant wins in the Cyber for AI space. In our public sector deals and I'll talk about some of these deals in the next slide.

Overall our AI momentum continues to be very strong more than 40% of our deals even in this quarter are AI deals and these deals are really helping shape Mastek towards the future of becoming a Data and AI organization, which we are doing not just for our customers but we are also internally shifting Mastek, as I had explained earlier.

I'll now share some experiences of what kind of deals that we are seeing and some of the learning or references that we are creating so that investors can better understand the kind of work that is happening.

The first example here is senior care skilled nursing facility. This is a Service-as-a-software deal out of North America, a multi-million dollar transaction where we are replacing the core SaaS platform of a skilled nursing facility and helping them develop AI native SaaS platform, which will have contextual data alignment and aims at delivering a significant business outcome for our client in that region.

The second deal is a life sciences company, again, in dental technologies. This is, again, an America's deal where we've used AI-led productivity improvements to replace an incumbent. And it's a 10 million plus transaction, another large deal for North America in this quarter, where we are delivering AI-led productivity solutions to the client to help them improve their cost of IT services while delivering more value to that particular organization.

The third deal that you see here is the UK central government deal. Now, this is a cybersecurity deal that I was talking about where we are delivering cyber solutions and cyber assurance for public sector customer in the UK. Again, it's a multi-year contract, multi-million dollar in setup, and allows us to deliver cyber assurance, specifically cyber assurance even covering beyond the regular kind of cyber activities to our client.

Similarly, the fourth deal is a process transformation deal, again, on the Oracle platform for a police department in UK, and where we are delivering a lot of the AI-agentic solutions that Oracle has to offer. In terms of delivering process transformation for a police department in UK. Also, the methodology that we use for these fixed-bid projects is called ADOPT AI, which is our platform for delivering fixed-bid projects from a process transformation standpoint.

There are a couple of other deals. Again, this is a managed services deal. The next one, again, AI productivity, where we've been able to replace an incumbent with an aggressive AI productivity offering. Again, using our ADOPT AI platform, delivering a significant outcome-based managed services contract to the client.

The last deal is in APAC and Middle East, which is again, delivering Healthcare & Life Sciences process transformation for a strategic healthcare partner in the region, where we are helping them modernize their legacy application to an AI native solution going forward.

As you can see, the nature of these deals span across AI productivity, AI for transformation, Service-as-a-software, and a few around AI foundation, which is from cyber to governance, et cetera.

All of these deals give us good confidence that the three core pillars of our AI offering from AI Transformation to AI Foundation and then AI Productivity are all gaining good traction. And they're

not only in some cases helping us win net-new, but also in many cases helping us deliver outcome-based business contracts to our clients. The direction of travel, in general, we feel is very positive. And we're moving actively towards transforming Mastek into an AI-native organization.

With that, I'll pass over the call to Deepak to share more details around the financial performance for the quarter.

Deepak Kedia

Thank you, Umang. A very warm welcome to everyone on the call, and thank you for taking the time to attend Mastek's earnings call so early in the morning. I'll start with a quarter's update before providing updates on other matrices and some key changes on investor data sheet.

In Q2, we reported revenue of \$107.3 million, sequentially up by 2.4% and an operating EBITDA of 14.4%. On a constant currency basis, revenue had a robust sequential growth of 2.4%. In rupee terms, we crossed four digits for the first time and reported a revenue of Rs. 1,018.7 crore, a sequential growth of 3.4% and a YoY growth of 8.3%. We reported PAT of 105.7 crore, or 10.3% of the total income. We closed the quarter with a 12-month backlog of \$286.2 million, a sequential decline of 7.7%, and YoY growth of 2.3% in USD and 10.4% in INR terms. The sequential decline is because of deferred start and slower consumption of new projects.

We reported a basic EPS of Rs. 34.1, up 8.3% compared to last year, and a diluted EPS of Rs. 33.9, up 8.4% compared to last year. EBITDA was down 100 bps sequentially, led by increments and ESOPs, which had a 190 bps impact, which was partially offset by AI-led productivity efficiency and additional working days. In Q2, the margin was on expected lines. Our endeavor will be to improve by at least 160 bps in the medium term. However, the velocity of improvement will be to some extent dependent upon macro and geopolitical factors.

There were certain exceptional items during the quarter. We completed the sale of property in Chennai, resulting in a profit, which is reflected in exceptional items. The profit was offset by workforce restructuring cost due to AI-led efficiencies and write-off of old receivables in the book. This is one-time in nature.

Now I'll move on to the cash position of the company. During Q2, we had another good collection quarter, wherein we collected \$120 million from our customers, resulting in DSO of 74, a decrease of one day. A DSO of 74 days is one of the best in the industry, reflecting our current cash management and aggressive collection initiative. This also provides us with greater flexibility towards strategic decisions.

The closing cash and investment balance net of debt is Rs. 582.7 crore. During the quarter, we paid a dividend of Rs. 50 crore plus loan repayment of around Rs. 55 crore. Despite that, we were able to add almost Rs. 36 crore to our net cash and investments.

Now I'll move on to geography performance and industry-specific performance. All three

geographies grew sequentially in Q1. UK continues to maintain a healthy EBIT of 18%. North America closed yet another quarter of healthy order book, as mentioned by Umang earlier, improving the total backlog position by 7.8% sequentially and 47.9% YoY. As mentioned by Umang, our AI momentum continues, and in this quarter, we closed 53 orders, which were AI deals, and almost 45% of the total order book were AI deals.

In terms of industry, public sector business continued to show its strength by growing 6.1% sequentially, and private sector, namely Financial Services, grew by 15.3% sequentially. Utilization, including trainees, was down by 0.8% sequentially because of the investment we are making in domain resources.

Now I'll talk about some other business parameters. During the quarter, we added 18 new customers, which was 13 in the previous quarter. Total closing headcount is 4,810, a reduction of 87 due to workforce restructuring and change in onsite/offshore mix. Our last 12-month attrition rate is down for the second consecutive quarter by 1.2%, from 16.4% to 15.2%.

Lastly, I would like to call out some specific changes we have made in the Factsheet to better represent our performance. We have made few changes in client data to provide more meaningful representation of the business. This includes Active clients during the preceding 12 months, Active clients during the quarter, Forbes 1000 clients, Top 5 and Top 10 clients, Repeat business, and then we have made some changes in employee metrics by Segment and employee metrics by Time.

With that, now I'll hand over the call to the operator who can open up for Q&A. Thank you so much.

Moderator

Thank you very much. We will now begin the question and answer segment.

Our first question comes from Amit Chandra from HDFC Securities. Amit, please proceed with your question.

Amit Chandra

Thanks for the opportunity. My first question is on the order book. Obviously, you mentioned that we have been winning deals mostly AI-led. And also, we have been showing strong traction in terms of deal wins in the US geography. So the weakness in the order book is mostly led by slower execution in terms of the deals that we have won earlier. Or is it some kind of pressure we are seeing in the UK geography? And also, in terms of the commentary that FY27 will be better versus FY26, where do we stand on that? And some of the deals that we have won, what would be the ramp-up schedule for those deals? Thank you.

Umang Nahata

Thank you for your question, Amit. From the order backlog standpoint, there are two situations that we have. One, clearly, one of the large deals that we had won in North America last quarter with the

federal government, the start of that deal has been currently delayed till post-midterm elections. And that has led to right-shifting of 12-month backlog numbers. That has caused some of the backlog to shift there. And similarly, there was also a deal in UK where we've already won the contract, but again, the consumption is slower than anticipated. We're hoping the consumption will pick up around Q4. And therefore, there also we've adjusted the 12-month backlog, looking at the slower consumption than anticipated. Having said that, we are still quite confident that we will be able to consume all of these orders, but the rate of consumption definitely is slower than expected. And like you said, that's one of the reasons why the 12-month backlog has seen a little softness in this quarter.

On the second part of the question, Amit, as far as our forecast or our judgment that FY27 will be better than FY26, we continue to be optimistic that our H2 performance, there's no reason for it to be slower. We currently are positive that H2 should continue to do well. Having said that, some of the Middle East situation is definitely worrying and a little out of hand and out of control. And we've already seen a sizable dip in terms of Middle East performance to where we were hoping for. But currently, the UK and US are clearly managing that gap and therefore allowing us to deliver what we have to. So that's where the current situation is. From where we are, we feel comfortable that FY27 will do better than FY26. But there are some of these geopolitical uncertainties and that is a little out of control for us.

On an overall basis, the AI-native transformation is where we are also trying to adjust and pivot the organization to because those deals are consistently coming in, and the demand cycle on those is much stronger and much higher. As well as the execution is also much faster and better.

Amit Chandra

And some of the AI deals that we have won—are they coming from existing clients or are they coming from net-new clients? And also in terms of the size of these deals, where we see these sizes going on because most of the deals you mentioned are like smaller, project-based kind of deals. So when can we expect some large deal traction or some annuity kind of deals on the AI side? And also in terms of the overall revenue mix—if you can give what is the overall revenue from AI—and in terms of how the AI is growing YoY versus the non-AI part, it will be helpful for us to understand the mix.

Umang Nahata

Sure. So Amit, the AI deals are coming both from net-new customers and amongst the examples that I showed also today, at least two of those deals were net-new deals, which would not have been there if not for AI. So they are definitely net-new additions. Some of them are also with our existing customers where we are working with them to transform or improve productivity within their businesses. So it is definitely active both in terms of net-new as well as existing customer business.

On the deal sizes of AI, I think they're currently running anywhere between \$0.5 million to \$5 million kind of deal size today in terms of AI. Some of the deals are even smaller, but those are like starting points, could be entry points, could be smaller. But average \$0.5 million to \$5 million is where we are

currently seeing these deals.

The AI transformative kind of deals, I believe initially would be small, but they'll be more evolving into larger deals instead of the customer signing one large deal at a go. We believe they'll sign transformation in pieces and you will keep evolving the business continuously. And that is our expectation from how these deals will move forward. So it might not land as one large order, but it will continue to evolve and grow into a stable, large, repeatable business within the same account and same project.

As far as very large AI deals are concerned, the only area where we see them is if we're able to do an AI-led productivity takeout kind of work. And we are also pitching for those kinds of deals. We have quite a few of those deals in our pipeline today, but still to go out and execute and win some multi-million dollar transactions.

I gave you one example of the life sciences deal that we closed, which was a \$10 million plus transaction. Again, an AI productivity kind of deal that we were able to execute. So AI productivity kind of takeouts are large, but AI transformative deals will still be under the \$5 million bucket that I said.

As far as the AI revenue and the sequential and consistent performance of AI from a revenue standpoint is concerned, we'll be starting to outline and present those numbers starting next quarter and onwards. So you will get a clear view of where those numbers are. But from where we see them, they are already contributing a significant percentage of our overall revenue.

Amit Chandra

Okay. And my last question on the margins. Obviously, the margins have been slipping down. So if you can provide the breakdown in terms of what actually led to the margin drop—in terms of what were the ESOP expenses plus the wage hike impact. And also you mentioned about 160 bps recovery in the medium term. So, if you can provide the bridge like what we have to watch out in terms of the margin trajectory. And also, in terms of the margins among various geographies, is it that the margins in the UK geography—which we are operating at the higher end, high teens—is there a risk of margins in the UK coming down because of productivity benefits demand? And also the margins trajectory for the US and the Middle East geography? Thank you.

Deepak Kedia

Hi Amit, Deepak this side I'll take this question. I'll take the questions in parts, and if I miss out on anything, do let me know, and I'll be happy to cover that as well. There are three parts to the margin drop. I think a couple of them you already highlighted. One is increment, and one is ESOP. Both combined, we have a 190 bps impact.

Second impact which we are seeing in the business is basically a mix change. What I mean by mixed change is there are some large or high-margin projects which are ramped-down and replaced by low-

margin projects. The reason for the low margin was primarily sovereignty ask, and security cleared resource ask mainly in the UK territory. We have seen a drop in the margin in that particular segment. The impact of that is around 200 bps.

Now, we have been able to drive a lot of AI-led efficiencies internally as well, and you would see I called out workforce restructuring costs as well because of that. That has given us an improvement of almost 200 bps. We are back to 150 to 160 bps drop from where we were, which was the 16% mark. That's basically the primary leverage.

In current quarter, we did not have a significant forex impact, which typically is the case. That's possibly like a 20 bps tailwind which we got. In terms of future direction, we will have to go back to what we want to definitely go back to that 16% mark. Now, the velocity of how we can drive that will depend upon a lot of external factors.

One factor which I said which basically has dropped the margin is the onsite mix wherein the ask for local security-cleared resources is definitely going up and localization is definitely going up. And we will have to deal with that and that will require a systematic change internally for us to basically recover that. There are plans in place internally. We have identified few areas which we are working on to basically improve the margin.

Now, in the short-term to medium-term, as I said, the velocity will really depend upon how the macro factors move and if there are any changes in the current policies or the way the government is asking for security-cleared resources. We all know that our 60% - 65% of business comes from UK, which is primarily T&M. So, we'll have to abide by the rules which are given by the new government in UK.

In terms of US and Middle East, we do definitely see an improvement in the margin space in both the geographies, starting Q3 itself. And that is definitely going to help us recover some of the margin which we have lost out in the UK because of the mix change.

I hope Amit, I answered all your questions. If I missed any, please let me know.

Amit Chandra

No, it was helpful. Thank you, and all the best.

Moderator

Thank you. And our next question comes from Dipesh Mehta from Emkay Global.

Dipesh Mehta

Thanks for the opportunity. Just want to understand from a growth perspective, North America if I look at it, seems to be relatively muted. We were hopeful about growth rebounding in that geography. Can you help us understand which vertical is creating headwinds in that business? Because BFSI

seems to be doing well, healthcare is where the weakness lies. If you can give some geographical angle to these two verticals, how both markets are playing out.

Second thing is about AI. Some of the deals which you indicated about momentum and other things. Can you give some sense about whether you are observing size changes in some of those deals after the POC or maybe initial conversations and execution? Whether you are seeing size growing subsequently, and what kind of gross margin you make generally in those deals during subsequent execution?

Thank you.

Umang Nahata

Thank you, Dipesh. As far as the North America business is concerned, like we've been saying over the last few quarters, the order book momentum clearly is moving in the right direction. And H2 is where we had predicted it will turn around, and we are sticking to that forecast that – North America business will start seeing meaningful turnaround from H2 in terms of its growth momentum. So, all the buildup that we've done for the last year or so—in terms of our order book, team structure, AI offerings, et cetera—has helped us create a strong base. And we believe starting H2, you should see a meaningful turnaround in North America from a growth standpoint.

Healthcare & Life Sciences will continue to be our strongest vertical in North America, not just from a traditional business, but our AI focus is also very high on Healthcare & Life Sciences, including the Innovaccer partnership which is driving good positive momentum in terms of pipeline on AI transformation deals for Healthcare & Life Sciences in the geography. That's from the North America standpoint.

As far as the AI deals are concerned, your observation is right. Especially the AI deals which start with POC or small use cases or transformation in one process area are leading into newer areas. So, as we deliver the transformation in one process area, it is opening up use cases for other areas to deliver transformation. Also, the potential of a solution to evolve is very, very high. And as the client sees benefit in the initial solution that we deliver to them, then there is an expanded scope of delivering similar kind of outcome or benefits in other areas of their business. So, we are continuously seeing that once the AI engagement starts in an account, it is clearly evolving into a continuous engagement of delivering more and more solutions. And it's not like a one-time, one-project kind of situation.

From a margin standpoint on AI businesses, AI transformation or AI foundation kind of deals are running with a good margin of 40% plus gross margin and sometimes even running north of 50% plus gross margin kind of businesses. The AI productivity kind of deals are much more price aggressive, and we are clearly taking a very aggressive forward-looking three-year bet in terms of delivering anywhere between 35% to 60-70% productivity on some of our traditional IT services. In those deals, the margins are actually compressed. It will take time before we have upfront margin compression, but over a period of time, we'll be able to improve margins on these kinds of deals. That's where the

AI margin story is. Hence, the focus is to move towards more and more transformation business, which is much sweeter in terms of Mastek's capability than just compete on the AI productivity, which is clearly a red ocean.

Dipesh Mehta

I understand. And just on the vertical sense on the North America and UK market, if you can give some sense on BFSI particularly and healthcare, how those two markets played out in terms of growth trajectory?

Umang Nahata

So, BFSI, as I pointed out, continues to be a strong vertical for us. The BFSI growth is largely orchestrated by our UK-Europe business, where we are seeing really good traction. A lot of the work that we are doing is very modern data kind of work, which I pointed out earlier a couple of quarters back—the kind of deals that we had won with Bank of England and Financial Conduct Authority and a few others. And that deal momentum continues to do well. We're delivering some really good business value to these customers, and therefore continuing to grow the business in these accounts.

The North America financial services market is also seeing good openings. We've opened a few interesting new logos in the geography. However, it needs still a lot of work to grow the Financial Services business in North America. We're still in the early stages.

As far as Healthcare & Life Sciences is concerned, on the other hand, we are very strong on our capability both in North America as well as UK-Europe, and even in Middle East and APAC. And that is one of our strongest verticals and has a lot of focus and attention in really becoming an AI transformative partner for Healthcare & Life Sciences. A lot of the business that we are doing already in the vertical is AI transformative business. Plus, the Innovaccer partnership, some of the Service-as-a-software business that we are delivering are all in that Healthcare & Life Sciences vertical. And we are quite confident that the Healthcare & Life Sciences business overall, while it has been slow for the last two quarters, but we are very confident that it will bounce back and continue to be one of our strongest growth engines as we go forward.

Dipesh Mehta

I don't know whether I missed it in your earlier comment, but your order book seems to be softer this quarter. Any comment whether we are seeing any delay in decision making which weighed on the quarterly order book number? Or if you can comment about how to look at the order book going forward?

Umang Nahata

Yeah, some obvious areas, for example, the Middle East market continues to have a softer performance as far as order book is concerned. Like I said, although we recovered some numbers in

this quarter, but from an overall year point of view, we are running significantly behind plan. And we were still watching the market out in terms of how it will play. As far as North America is concerned, I'd mentioned this clearly – the order book performance continues to be strong. On the UK side, what we observed was, and again, this is still hard to determine a pattern, but some of the important orders got stalled during the quarter, which we were hoping to get them signed. Again, the change in Prime Minister has led to a change of cabinet. And then they are also re-evaluating their areas of policy and focus. And like I said, the budgets will also be announced later this week. So once we get more clarity, and I'm sure the departments also need more clarity on the areas of focus and budget. So we are sure that the order book should, or the momentum in terms of public sector order booking should get corrected as we go forward.

The other important area that I wanted to bring up was, in general, the large deal pipeline that we are seeing in UK-Europe specifically, and also in North America, continues to grow phenomenally. There is this trend of consolidating business into larger deals, and we are seeing a very healthy pipe of \$100 million plus kinds of deals sitting in our pipeline, which will be adjudicated over the next six to nine months, some of which we have already submitted, some which we are going to submit over the course of the next three months. So that's another important factor which can change the order backlog in a single transaction itself. It can impact the numbers sizably.

Dipesh Mehta

Understand. Thank you.

Moderator

And our next question is from Sushovon Nayak from Anand Rathi.

Sushovon Nayak

So, just a quick thing on the horizontal split. The Oracle implementation revenues—I think disclosing that and the Data & AI revenue as a percentage of total—is that something that you can provide a view on or can that be disclosed at this point of time? That's one. And also, the other thing which I just wanted to understand is if you could provide a little more color on the order book or the order backlog, which you're providing by geography. How do we look at it in context of the fact that the numbers also, I mean, despite the order books increasing, the revenues are possibly not translating. Is that something if you could provide some color on these two aspects that will just be helpful?

Umang Nahata

Thanks. If you could repeat your first part of the question once again, so we understand it well.

Sushovon Nayak

The horizontal split—I think this is something which you used to disclose in the earlier quarters where

Oracle implementation revenues and Data & AI revenues as a percentage—I think that has not been disclosed this time around. If you could provide some color on that bit.

Umang Nahata

Like I said earlier, from next quarter, we are re-looking at the way we should present our horizontal split. And we will definitely be providing a Data & AI kind of view on the organization. That's the direction of travel that we want to take our business to. And I'm sure it will be important for us as well as all of our analysts and investors to understand the growth and movement in that side of the business. So we'll be providing that view going forward.

Sushovon Nayak

I just missed that initial part. Apologies, I missed your initial part of the remarks. So that's my bad. Sorry.

Umang Nahata

No worries. So, as I mentioned, our focus is on transforming and moving into an AI-native direction. And therefore, we will be providing a split of the segment specifically on Data & AI portion of our business. So, we are reorganizing our overall performance in terms of horizontal and we'll be starting to share that again from next quarter from a Data & AI lens as you go forward. We've been giving the order book numbers but we will start sharing revenue and other details also starting next quarter.

As far as the Oracle business is concerned, in general, the Oracle business continues to do well. In fact, we have very healthy net-new traction with Oracle, specifically in North America, as well as in UK & Europe. And therefore, the Oracle net-new traction continues to be strong. We are also seeing some good traction with Oracle, not only in terms of delivering implementation services, which was always good, but also in winning net-new managed services, which are more AI-led. We have an AI-led offering of delivering productivity on Oracle managed services, and that is also attracting a good pipeline.

Sushovon Nayak

I think we've also provided this time the order book by geography, the executable order book by geography. How do we look at it in context of the revenue growth and the next 12-month executable order book? How do we basically look at these numbers by geography? That is what I just wanted to understand.

Umang Nahata

Our intent is to present those numbers in terms of how our current position looks like. Having said that, see, the 12-month order backlog is a judgment based on the orders that we've got and the

current understanding from our client in terms of executability over the next 12 months. The variability, which is what has been causing the backlog not to convert into revenue with speed, is how fast does the client really consume. In some cases, the clients defer or there's a slowness in consumption on their side. And therefore, the 12-month backlog moves up or down based on their consumption pattern.

Case in point will be the \$25 million deal that we had closed last quarter with the federal department in North America. We were hoping to really ramp it up fast. And that was all the indications that we had from the client. But given where their internal movement was, as far as the elections, et cetera, they've decided to hold back the start of the project till the mid-term elections. And that was not anticipated. And that led to an adjustment of our 12-month backlog because the start is now delayed. And we had to adjust the 12-month backlog numbers.

So the 12-month backlog number is an indicator of where we see the business moving as on date when we share that number. But there are moving factors, specifically in terms of the speed at which the client may consume some of this, which changes that indicator or defers it from the plan that we had put forward in terms of the 12-month rate at which it should have been consumed.

Sushovon Nayak

Just one follow-up on that is, is it possible to get a view on what would be the exact tenure of these deals by geography? Let's say you've given the order book of North America, UK as well as AMEA. Is it possible to get what would be the average tenure of these orders by geography?

Umang Nahata

We might not have exact details on the call right now, but what happens is there are quite a few variety of deals. There are some businesses which are pretty tenured. For example, a lot of our business in UK-Europe are tenured, three-year plus two-year, five-year kind of deals. A lot of the Public Sector as well as Healthcare, even the Financial Services. So, we look at a three-year tenure in terms of order book there. As far as North America is concerned, average tenure would be around 18 months to 24 months in terms of tenure of these deals. Again, the project businesses sometimes could be shorter, but I'm giving you an average ballpark number.

Sushovon Nayak

Understood. And I believe when it comes to the project businesses as a percentage of total revenues, I believe earlier it was close to 40%. Is that something that you're seeing change in the mix more towards the managed services, lesser towards project? Is that something that you can provide some colour on?

Umang Nahata

It is improving, so it is growing, but not at a rate that would change something significantly. So, it has

definitely improved from 40%, it has gone up to 44%-45% now. And we are closely observing. We definitely are positioning more and more outcome-based as well as fixed-price contracts to our clients wherever possible. Having said that, a lot of our business is UK Public Sector and UK Healthcare, where the government still buys on rate cards. And therefore, the number doesn't shift meaningfully just from there. But if we have moved the number from 40% to 45% in spite of the UK business, which means a lot of our other businesses are seeing a move towards fixed bid, outcome-based kind of contracting.

Sushovon Nayak

Sorry, on this, I was referring more to the project-based businesses. So the shorter tenure ones. So you're saying effectively the fixed bid and project can be construed the same or am I missing something?

Umang Nahata

No, not necessarily the same. But a lot of our project business is definitely fixed bid. High majority of it. Some of the managed services or long-term contracts also have a fixed bid nature. But a large percentage of the project business is fixed bid.

Sushovon Nayak

Understood. Thank you so much.

Moderator

Thank you. And our next question comes from Pulkit Chawla from 360 One Capital Market.

Pulkit Chawla

Thanks for taking my question. Umang, my first question is on the Healthcare vertical. If I do look over the last year, this vertical has been down more than 25%. One, is it due to specific geography that you're seeing this particular softness? And usually due to some of the orders getting closed post the quarter. So do you foresee that, you know, by Q3, we should get back to the sequential path?

My second question is on your foray into the energy and utilities vertical. What really prompted this foray? I mean, you were earlier talking about being slightly focused on a few verticals. So why get into a new vertical now? And what is sort of your strategy looking to expand into this vertical?

Third, could you talk a bit about your Top 5, Top 10 cohort? I believe it's been slightly on the weaker side for the last few quarters now. So, is this any specific reason or some specific clients that are slightly soft?

And fourth, for Deepak, I think subcon costs have been decently high at this point of time. Do you think it's more of a structural issue? And where do you really think it probably lands up finally?

Umang Nahata

Yeah, so on the healthcare side, Healthcare & Life Sciences, like I said, the current softness that you are seeing is primarily coming out of our UK-Europe business, which was really growing pretty high on healthcare last year. The reason for that softness is most of these projects that we executed last year have now finished their discovery or alpha phase of business and are now getting into beta, which is basically getting ready for production kind of development there. And for doing the beta work, there is a recontracting that has to happen on these orders. And it's a timing gap between the alpha and discovery work getting over and the recontract for the beta work that happens on these accounts. Some of these timing gaps have taken longer than we anticipated, in terms of getting them, and this is more from the government side, from the timing point of view to organize these bills. And that's been one of the reasons. Two, we also saw a ramp-down in one of our traditional healthcare offshore accounts in the UK, which has also led to some of these slowness in the healthcare business from a UK context.

Overall, however, having said that, like I said, most of these beta contracts have now been bid for and we're expecting or awaiting results in Q3 or latest early Q4. And that's when we expect them to start ramping back up with high speed as we go forward. Having said that, like I said, the Healthcare & Life Sciences business globally is also ramping up pretty well. The order book that we have in North America has a high portion of Healthcare & Life Sciences, and we'll continue to see good traction. A lot of the AI transformation deals that I mentioned earlier are also in the Healthcare & Life Sciences space. And therefore, our overall belief is that Healthcare & Life Sciences will come back not only to meet its previous numbers but outperform the rest of the verticals from a Mastek context. So we are quite optimistic that Healthcare & Life Sciences, the dip that we're seeing is temporary in nature, and we will be able to recover and grow it faster.

As far as the ENU vertical is concerned, our focus was to go after organizations that buy like public sector, which is through frameworks and the RFP process of buying and use the same credentials and criteria. And of course, operate like arm's length bodies or private sector. That's the same method with which we got Financial Services customers last year. And we continue bidding on that same format. The strong RFP and public sector framework muscle that we have in the UK can be easily used to go after these areas. And it is the fruit of that business that we are really seeing in these new areas. That is the reason why we went after these energy and utility frameworks and clearly have landed three of those frameworks over the last 90 to 120 days, and also starting to land contracts under these frameworks. Now that we have landed in this area and been able to make good initial openings, we are going to continuously focus and expand these specific accounts where we have made some strong initial inroads.

On the top 5, top 10 customer situation, again, some of the top 5, top 10 also had these healthcare customers into the mix. And that's the reason why you see the balance. But in general, the relationship and business overall strength in these accounts continues to be very positive.

Deepak Kedia

Pulkit, I'll take the last question which you asked around the subcon cost. Traditionally, our subcon cost has been around 18% to 20% of our revenue, and that is exactly where it is even now. I don't see these numbers going up significantly. However, I should basically give you more color around what's happening in the UK in line with Umang said earlier. There is definitely a big ask in the UK in the current cabinet or the minister, wherein they're asking for more localization and security cleared resources. So any resource which requires special or specific skillset and security cleared in certain durations, we might see a need to hire subcon in the short term, to be replaced by FTEs eventually. So given that particular ask, subcon cost may move up and down by one percentage point or so. However, in the long run, I don't see the subcon cost going extravagantly higher than what we have today, which is 20%.

Pulkit Chawla

Thank you so much.

Moderator

And our next question comes from Hitaindra Pradhan from Maximal Capital.

Hitaindra Pradhan

Thanks for the opportunity. Just need one clarification. You talked about the UK NHS renewal and the new Data Transformation sort of project last quarter. So just wanted to understand – I understand it is lagging, but is it part of the Order Book that you mentioned now or it's going to be an H2 event?

Umang Nahata

That's an H2 event.

Hitaindra Pradhan

If you can give us any color, like in terms of the renewal because we are doing a new Data Transformation sort of project and you are just waiting for that beta phase to start. So in terms of TCV, will it be higher than the previous contract or it would be in the similar line.

Umang Nahata

What we've got right now is a bridge contract between now and whenever the large deal gets confirmed. So this bridge contract is, like I said, for covering us for the shorter term—next six months approximately. But the large contract that we are currently bidding for and competing for is north of 100 million pounds deal.

Hitaindra Pradhan

Okay, that would be an addition to our current TCV.

Umang Nahata

Yes, absolutely.

Hitaindra Pradhan

Okay, thank you.

Moderator

Thank you, everyone. Ladies and gentlemen, that brings our Q&A session to a close. I will now hand the conference over to management for closing comments. Over to you.

Umang Nahata

Thank you, everyone, for joining in the call and sharing all your insightful questions. Like I said, it's an interesting time to do business. A lot of things are shifting from traditional IT services to a lot of modern AI-native solutioning and transformation. It is not only leading to changes in solutioning but also in the approach to doing business. There are a lot of new offerings and creativity, a lot of new kinds of partnerships that we are evaluating. Our endeavor and vision is to transform Mastek into a leader in AI transformation in our focus verticals. And we are moving significantly in that direction. We continue to be positive about our performance as we go forward. And we are really bullish that over the next in a few quarters, we would have transformed Mastek into a leader in the market of the future. So with that, I'll thank you once again, everybody, and look forward to connecting with you next quarter.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.