Mastek Limited

Instrument	Amount (In Crore)	Rating Action
Fund-based Limits	4.0	[ICRA]A+(stable) reaffirmed
Non-fund Based Limits	9.0 (revised from Rs. 10.00 crore)	[ICRA]A1+ reaffirmed
Fund-based/ Non-fund based limits	6.0	[ICRA]A+(stable)/ [ICRA]A1+ reaffirmed

ICRA has reaffirmed the **[ICRA]A+** (pronounced ICRA A plus) rating on the Rs. 4.0-crore[1] long-term fund-based bank facilities of Mastek Limited (Mastek)[†]. It has also reaffirmed the **[ICRA]A1+** (pronounced ICRA A one plus) rating on the Rs. 9.0-crore (revised from Rs. 10.0-crore) short-term non-fund based bank facilities and **[ICRA]A+/[ICRA]A1+** rating on the Rs. 6.0-crore interchangeable long-term/short-term bank facility of Mastek. The outlook on the long-term rating is 'Stable'.

The ratings reaffirmation takes into consideration the company's strong financial flexibility given the low debt on its books and robust liquidity position reflected in the cash and bank balances of Rs 139 crore and the market value of its investments in group company of Rs. 166 crore. The rating also favourably factors in its strong presence in government verticals, its demonstrated ability to co-work with established international players in large complex projects and proven track record of acquiring strategic assets. ICRA also takes note of the company's diversification in the US market in FY2016, though success of the same remains to be seen.

The ratings are constrained by the high client concentration which has impacted organic revenue growth and consequently profitability in the past. Mastek continues to remain exposed to adverse changes in the macroeconomic environment in its key market, the UK, post Brexit, potentially impacting the deal inflow and delay execution. The ratings are further constrained by margin pressures caused by forex fluctuation, wage inflation and increased competition. Given the recent sharp appreciation in rupee against the pound, post announcement of the Brexit, topline growth is expected to remain subdued. Moreover, the portion of unhedged net foreign currency could put pressure on the profitability.

In case of future acquisitions, given its intent, ICRA shall have to analyse the same for any bearing on its credit risk profile.

Company Profile

Mastek Limited (formerly known as Management and Software Technology Private Limited), was incorporated in 1982, and is an IT company engaged in providing enterprise solutions, focusing on vertical including government / public sector, retail sector and financial Services sectors. Mastek's offering portfolio also includes business and technology services comprising of IT consulting, application development, systems integration, application management outsourcing, testing, data warehousing and business intelligence, application security, customer relationship management (CRM) services and legacy modernisation. The board of directors of Mastek Limited in September 2014, approved the demerger of the insurance products and services business of Mastek Limited into a new company Majesco Limited. Thus, the vertical solutions business rests with Mastek while the insurance products and services business is housed in Majesco Limited. The company is headed by Mr. Sudhakar Ram, who is the Group CEO and MD and the total employee strength as on June 30, 2016 stands at 1302.

Recent Results

In Q1 FY2017, Mastek Limited reported a PAT of Rs. 3.59 crore on an operating income of Rs. 130.07 crore.

October 2016

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[1] 100 lakh = 1 crore = 10 million

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