

February 28, 2025

Mastek Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|--|--------------------------------------|-------------------------------------|--|
| Long-term – Fund-based Limits – Cash Credit | 50.00 | 50.00 | [ICRA]AA- (Stable); reaffirmed |
| Short-term – Non-fund Based Limits | 50.00 | 50.00 | [ICRA]A1+; reaffirmed |
| Long-term/ Short-term – Fund-based/ Non-fund Based | 6.00 | 6.00 | [ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed |
| Long-term – Non-fund Based Facilities | 85.90 | 85.90 | [ICRA]AA- (Stable); reaffirmed |
| Total | 191.90 | 191.90 | |

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for Mastek Limited (Mastek) factors in its established business position in the information technology (IT) and IT-enabled services (ITeS) industry, its presence across key global markets and business segments and long relationships with a reputed client base. In FY2024, Mastek witnessed a healthy YoY revenue growth of 13.0% in constant currency (CC) terms, relatively higher than its industry peers, primarily driven by consolidation of the recent acquisitions. However, Mastek's YoY revenue growth moderated to 10.6% (USD terms) to \$303.7 million in 9M FY2025. Nonetheless, the company is expected to report a steady growth over the near term, supported by its healthy order book position, acquisition synergies and increasing revenue contribution from the US market in its core verticals.

Notwithstanding some increase in debt level in H1 FY2025, the company's capital structure and coverage indicators remain comfortable. This coupled with steady accrual generation and adequate liquidity position continued to result in a healthy credit profile for the company.

The ratings, however, remain constrained by Mastek's high revenue dependence on the UK's public and healthcare sectors, exposing it to the risk of changes in the UK Government's policy on IT spending. However, the risk is mitigated to an extent as Mastek has an established track record of several decades in serving the UK public sector for critical IT projects. Also, the company faces stiff competition from other prominent players in the global IT services industry, leading to margin pressure. Additionally, industry participants, including Mastek, continue to face challenges in the form of wage inflation, foreign currency fluctuations, talent acquisition and retention. Also, any sizeable debt-funded acquisition can materially impact the company's financial risk profile and will be evaluated on a case to-case basis.

The Stable outlook on the long-term rating reflects ICRA's opinion that despite continued moderate revenue growth in the near term, Mastek's credit profile will continue to remain healthy, supported by its established position in the industry, steady accrual generation and adequate liquidity position.

Credit strengths

Established operational track record and presence in the industry – Mastek has an established business profile, supported by its long track record in the digital transformation business and strong presence in Oracle cloud-based solutions implementation through Evosys. The company is also present in the Salesforce consulting business through its subsidiary, MST Solutions, and data, cloud space and modernisation businesses through another subsidiary, BizAnalytica. The company's key service consisting of digital and application engineering and Oracle cloud and enterprise apps generated ~75% of revenue in FY2024.

Mastek has a strong track record in the Government and education, retail, healthcare and financial services verticals, which generated 40-45%, 12-15%, 15-20% and 10-12%, respectively, of total revenues in FY2024 and 9M FY2025.

Increased level of geographical diversification – Historically, the company derived a significant portion of its revenues from Europe and the UK (72% in FY2020). However, revenue generation from other geographies has improved over the past few years, following acquisitions carried out by the company, which include Evosys (February 2020), MST Solutions (July 2022) and BizAnalytica (July 2023), and increased client mining in other key markets. This has led to a steady increase in revenue contribution from the US to 27.2% in FY2024 from 16.7% in FY2021 and a decline in revenues from Europe and the UK to ~56.9% over the same period.

Healthy financial profile, supported by steady accruals, comfortable capital structure and adequate liquidity position – The company's financial profile remains healthy, reflected by comfortable capital structure, steady accrual generation and adequate liquidity position. However, the company's margins moderated following completion of the large US-based projects and an increase in overhead costs during the period. Nonetheless, with the company's continued efforts to expand in key geographies, the margins are expected to remain stable at 16-17% over the near-to-medium term. Further, in H1 FY2025, Mastek's aggregate debt levels increased to ~Rs. 643 crore as on September 30, 2024 from ~Rs. 486 crore as on March 31, 2024 as the company availed additional debt of ~\$24 million to fund earning payouts towards MST's acquisition. However, the company's leverage and coverage indicators remained comfortable with Total Debt/OPBITDA of 1.3 times and interest coverage of 13.0 times in H1 FY2025. Going forward, Mastek's debt protection metrics are expected to remain comfortable, supported by steady cash flows and no significant increase in debt level.

Credit challenges

High concentration on the UK public and healthcare sectors; although mitigated to an extent by the track record of consistent performance – Mastek derives 55-60% of its revenues from the UK and Europe, of which a sizeable portion is generated from the UK public and healthcare sectors, which exposes it to the risk of any change in the UK Government's policy on IT spending. However, Mastek's three decades of experience in delivering critical programmes for the UK Government mitigates the risk to an extent.

Margins vulnerable to competition, wage inflation, forex fluctuations and pricing pressure – Mastek's profit margins remain susceptible to the pricing pressure and wage inflation as it operates in the intensely competitive IT services industry. Moreover, its revenues and margins are exposed to forex risks as revenues are derived from the international market. Nonetheless, its hedging mechanisms mitigate this risk to some extent. Further, being in a highly labour-intensive business, the availability and retention of a skilled workforce continue to remain key challenges. Nonetheless, the company's attrition has moderated over the past year but remains higher than its industry peers with last twelve months (LTM) at 20.1% as on December 31, 2024.

Environmental and social risks

Environmental considerations: Given its service oriented business, Mastek's direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material.

Social considerations: Like other Indian IT services companies, Mastek faces the risk of data breaches and cyber-attack that could affect the large volumes of customer data that it manages. Any material lapse on this front could result in substantive liabilities, fines, or penalties and reputational impact. Also, Mastek remains exposed to the risk of changes in immigration laws in the key developed markets where it provides its services. While such changes would be influenced by the social and political considerations of those nations, the same could increase competition among IT players for skilled workforce, leading to higher attrition rates and may have an adverse impact on the profitability. Managing various facets of human capital, including skills, compensation, and training, are the key differentiating factors among IT companies.

Liquidity position: Adequate

Mastek's liquidity position is adequate, supported by healthy internal accrual generation and cash, fixed deposit and investment balance of ~Rs. 389 crore, as well as unutilised working capital limits of Rs. 56 crore as on September 30, 2024. The company has repayment obligations of ₹2.5 million (~Rs. 27 crore) and \$5.84 million (~Rs. 50.2 crore) in H2 FY2025 and \$16.52 million (Rs. 142 crore) in FY2026. Further, an earnout payment of ~Rs. 100 crore has to be paid over the next two years. ICRA expects Mastek's internal accrual generation and cash balances to remain adequate to service these liabilities.

Rating sensitivities

Positive factors – ICRA could upgrade Mastek's long-term rating, if the company exhibits a sustained improvement in its business profile, supported by an increase in the scale of operations, while generating adequate returns and maintaining strong credit metrics and liquidity.

Negative factors – Pressure on Mastek's ratings may arise, if any significant reduction in the company's revenues and profitability weakens the RoCE. The ratings may be downgraded if any increase in working capital intensity impacts the liquidity position, or any significant debt-funded acquisition(s) weakens the debt coverage indicators. Specific credit metrics that could lead to ratings downgrade include Total Debt/OPBDITA above 1.5 times on a sustained basis.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology IT - Software & Services |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the consolidated financials of Mastek. The consolidated entities are all enlisted in Annexure-II. |

About the company

Mastek (formerly known as Management and Software Technology Private Limited) was incorporated in 1982. It is an IT company providing enterprise digital and cloud transformation services to the Government/public sector, healthcare, life science, retail, and financial services sectors. The company's service offerings include application development, Oracle suite and cloud migration, digital commerce, application support & maintenance, BI & analytics, assurance & testing and agile consulting. Evosys, a Mastek company, is an Oracle platinum partner and a leading Oracle cloud implementation and consultancy company, serving more than 1,000 Oracle cloud customers across more than 30 countries. MST Solutions, a Mastek company, is an independent Salesforce consulting and system integration partner, focussed on the Southwest US region. BizAnalytica, a Mastek company based in the US, offers end-to-end data, cloud and modernisation solutions to clients.

Key financial indicators (audited)

| Mastek – Consolidated | FY2023 | FY2024 | H1 FY2025* |
|--|--------|--------|------------|
| Operating income | 2563.4 | 3054.8 | 1680.3 |
| PAT | 310.3 | 311.0 | 200.2 |
| OPBDIT/OI | 17.8% | 16.7% | 15.9% |
| PAT/OI | 12.1% | 10.2% | 11.9% |
| Total outside liabilities/Tangible net worth (times) | 0.7 | 0.7 | 0.5 |
| Total debt/OPBDIT (times) | 0.9 | 1.0 | 1.3 |
| Interest coverage (times) | 18.4 | 11.4 | 13.0 |

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|--|--------------------------|--------------------------|------------------------------------|---|------------------------------------|---------------|------------------------------------|--------------|------------------------------------|
| | Type | Amount Rated (Rs. crore) | Feb 28, 2025 | FY2024 | | FY2023 | | FY2022 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| Fund based limits - Cash Credit | Long term | 50.00 | [ICRA]AA-(Stable) | Feb 05, 2024 | [ICRA]AA-(Stable) | Mar, 02, 2023 | [ICRA]AA-(Stable) | Jan 27, 2022 | [ICRA]AA-(Stable) |
| Non-Fund based Limits | Short term | 50.00 | [ICRA]A1+ | Feb 05, 2024 | [ICRA]A1+ | Mar, 02, 2023 | [ICRA]A1+ | Jan 27, 2022 | [ICRA]A1+ |
| Fund based/non-fund based | Long term and short term | 6.00 | [ICRA]AA-(Stable)/[ICRA]A1+ | Feb 05, 2024 | [ICRA]AA-(Stable)/[ICRA]A1+ | Mar, 02, 2023 | [ICRA]AA-(Stable)/[ICRA]A1+ | Jan 27, 2022 | [ICRA]AA-(Stable)/[ICRA]A1+ |
| Non-Fund based facilities | Long term | 85.90 | [ICRA]AA-(Stable) | Feb 05, 2024 | [ICRA]AA-(Stable) | Mar, 02, 2023 | [ICRA]AA-(Stable) | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|----------------------|
| Long Term - Fund Based Limits – Cash Credit | Simple |
| Short Term – Non-Fund based Limits | Very Simple |
| Long Term/Short Term – Fund based/non-fund based | Simple |
| Long Term -Non-Fund based facilities | Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|------|--|------------------|-------------|----------|--------------------------|-------------------------------|
| NA | Long Term - Fund Based Limits – Cash Credit | NA | NA | NA | 50.00 | [ICRA]AA- (Stable) |
| NA | Short Term – Non-Fund based Limits | NA | NA | NA | 50.00 | [ICRA]A1+ |
| NA | Long Term/Short Term – Fund based/non-fund based | NA | NA | NA | 6.00 | [ICRA]AA- (Stable)/ [ICRA]A1+ |
| NA | Long Term -Non-Fund based facilities | NA | NA | NA | 85.90 | [ICRA]AA- (Stable) |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

| Company Name | Mastek's Ownership | Consolidation Approach |
|---|--------------------|------------------------|
| Mastek Enterprise Solutions Private Limited | 100% | Full Consolidation |
| Mastek (UK) Limited | 100% | Full Consolidation |
| Mastek Inc. | 100% | Full Consolidation |
| Trans American Information Systems Inc. | 100% | Full Consolidation |
| Mastek Digital Inc. | 100% | Full Consolidation |
| Mastek Arabia FZ – LLC | 100% | Full Consolidation |
| Evolutionary Systems Consultancy LLC | 49% | Full Consolidation |
| Mastek Systems Pty. Ltd. | 100% | Full Consolidation |
| Mastek Systems Bahrain WLL (formerly known as Evolutionary Systems Bahrain WLL) | 100% | Full Consolidation |
| Mastek Arabia Systems Egypt LLC (formerly known as Evolutionary Systems Egypt LLC) | 100% | Full Consolidation |
| Evosys Kuwait WLL | 49% | Full Consolidation |
| Mastek Systems Malaysia SDN. BHD (formerly known as Evosys Consultancy Services (Malaysia) SDN. BHD.) | 100% | Full Consolidation |
| Newbury Taleo Group, Inc | 100% | Full Consolidation |
| Mastek Systems BV (formerly known as Evolutionary Systems BV) | 100% | Full Consolidation |
| Evolutionary Systems Qatar WLL | 49% | Full Consolidation |
| Evolutionary Systems Saudi LLC | 100% | Full Consolidation |
| Mastek Systems (Singapore) Pte. Ltd (formerly known as Evolutionary Systems (Singapore) Pte. Ltd.) | 100% | Full Consolidation |
| Mastek Systems Company Limited (formerly known as Evolutionary Systems Company Limited) | 100% | Full Consolidation |
| Evolutionary Systems Corp. | 100% | Full Consolidation |
| Evolutionary Systems Canada Limited | 100% | Full Consolidation |
| Metasoftech Solutions LLC | 100% | Full Consolidation |
| BizAnalytica, LLC | 100% | Full Consolidation |

Source: Company Q3 FY2025 financial results

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3422
kinjal.shah@icraindia.com

Deepak Jotwani
+91 124 4545 870
deepak.jotwani@icraindia.com

Aruna Ganesh
+91 22 6114 3459
aruna.ganesh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.