Twitter Thread by Raghav Chaudhary

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#Mastek - Targeting to Grow Revenue from US Markets to 30% !

Vision is clear to Get Growth From No1 IT Market in the World !



India Equity Research | Information Technology
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Conference Note

Emkay
Your success is our success

Mastek Ltd.

Refer to important disclosures at the end of this report

Focusing on US market to drive next leg of growth

CMP	MCap (Rs bn)	TP & Rating
Rs2,390	59	Not rated

We hosted Mr Arun Agarwal, CFO

Key Meeting Takeaways

- The company hired Mr. Hiral Chandrana as CEO. It is focusing on the US market to drive growth and is targeting to grow the revenue mix of the US market from 15.4% currently to 30-35% in the next three years. Mastek is also scouting for M&A targets in the US market to augment its capabilities. The company aspires to deliver industry-leading revenue growth, driven by healthy deal wins/pipeline, cross-selling opportunities with Evosys and focused investments in the US market.
- Mastek will continue to focus on the UK & Europe as it sees an immense opportunity in the UK public sector space (GBP3bn TAM). The UK government stated objective of being digital by default and the digitalization of citizen services are driving healthy digital transformation opportunities. Public sector entities are disaggregating deals into smaller sized deals, which augurs well for Mastek. Additionally, the company said that it will invest in the UK private sector as it sees good opportunities there.
- Mastek is targeting to operate above 20% EBITDAM in the coming quarters. Wage hikes (wef Q2), investments in UK and US, normalization of certain costs (like travel, etc.) and an uptick in attrition will have a bearing on the margin. However, the company expects to negate some of these headwinds through revenue growth related operating leverage and other operating efficiencies.
- Evosys integration is going on well and the company is seeing a lot of cross-selling and up-selling opportunities. Further; it said that the average deal size for Evosys has increased from USD500,000-600,000 earlier to USD750,000-1mn now.
- The company is seeing healthy demand trends in the Healthcare and Life Sciences and Manufacturing verticals and data and analytics services, particularly in the US.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19	FY20	FY21
Net Sales	5,602	8,172	10,332	10,715	17,218
EBITDA	452	997	1,136	1,294	3,645
EBITDA Margin (%)	8.1	12.2	11.0	12.1	21.2
APAT	326	674	953	1,215	2,518
EPS (Rs)	12.8	26.6	37.5	47.8	84.9
EPS (% chg)	155.7	106.9	41.4	27.4	77.6
ROE (%)	8.3	13.2	15.1	16.1	30.5
P/E (x)	184.7	89.3	63.2	49.6	28.2

Source: Company, Emkay Research

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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