


STOCK UPDATE

Result Update - Q3FY2026

SECTOR

IT & ITES

COMPANY DETAILS

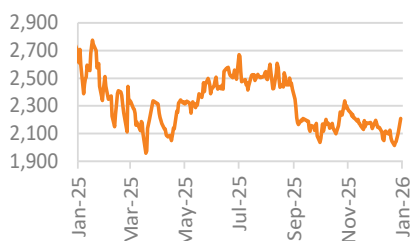
Market cap:	Rs. 6,742 cr
52-week high/low:	Rs. 2818/1887
NSE volume: (No of shares)	1.5 lakh
BSE code:	523704
NSE code:	MASTEK
Free float: (No of shares)	2.0 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	35.8
FII	10.3
DII	12.7
Others	41.3

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-0.9	5.3	-12.3	-16.7
Relative to Sensex	3.4	8.3	-12.8	-23.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Mastek Ltd
Weaker quarter due to multiple headwinds

 Reco/View: **BUY**

 CMP: **Rs. 2,175**

 Price Target: **Rs. 2,692**
Quick Snapshot

- Revenue declined 5.6% q-o-q (0.8% y-o-y) to \$102.1 million, with constant currency (CC) growth down 4.8% q-o-q (2.8% y-o-y).
- Key drivers included higher UK furloughs (\$2.7 million impact), public sector delays, and postponed program starts shifted to Q4.
- Strategic shift to outcome-based contracts (offering 15–30% productivity savings) temporarily pressures topline but builds long-term trust and AI capabilities.
- Due to North American headwinds and AI-driven pricing compression, FY26–28 EPS estimates were revised downward. Management eyes 16.5%–17% EBITDA margins. We maintain a constructive view on the company's medium to long term revenue recovery and growth trajectory. We maintain a Buy rating and keep price target unchanged at Rs 2,692 (18x P/E multiple).

Result overview

- Q3 results:** Revenue fell 3.7% q-o-q (+4.2% y-o-y) to Rs 906 crore. EBIT stood at Rs 128 crore, flat sequentially (up 2.9% y-o-y), driving up margins by 53 bps q-o-q (down 17 bps y-o-y) to 14.1%. PAT stood at Rs. 108 crore, up 11.2% q-o-q (up 14.4% y-o-y), mainly due to a bump in other income which grew to Rs. 21 crore, up 38.4% q-o-q (+120.6% y-o-y). PAT margins stood at 12%, up 160 bps q-o-q (up 153 bps y-o-y).
- Order Backlog:** Twelve-month order backlog rose 24.3% y-o-y (7% q-o-q) to Rs. 2,658.5 crore, supported by three key deal wins in the UK. Overall order backlog has grown faster than the 12-month backlog. The company is pushing AI-led initiatives, offering discounts, and focusing on productivity efficiencies. Mastek is negotiating longer term contracts (>3 yrs) instead of one-year renewals. This shift intentionally extends deal tenures compared to the 12-month backlog, driving faster TCV growth.

Our Call

Q3 results were hit by seasonal weakness (revenue -4.8% q-o-q CC terms) from furloughs and delayed ramps, now shifted to Q4, with North America remaining soft but showing early order-book recovery signals. We trim our estimates to account for delayed project ramps, macroeconomic uncertainties, and AI-driven pricing compression. We maintain a constructive view on the company's medium- to long-term growth underpinned by a robust 12-month backlog and recovery in developed markets. Rolling forward our valuation to Dec'27, we maintain our target price of Rs 2,692 with a Buy rating.

Key Risks

Slowdown in AI adoption, rupee appreciation, global macroeconomic uncertainties.

Valuation

	Rs cr			
Particulars	FY25	FY26E	FY27E	FY28E
Net sales (Rs cr)	3,455.2	3,704.1	4,010.9	4,303.3
EBITDA Margin (%)	15.8	15.8	16.0	16.5
EBIT Margin (%)	13.6	13.8	14.1	14.7
Net profit (Rs cr)	368.3	403.6	433.3	489.3
% YoY growth	21.0	9.6	7.3	12.9
EPS (Rs)	118.1	129.3	138.9	156.8
P/E (x)	18.5	16.4	15.2	13.5
P/B (x)	2.8	2.4	2.1	1.9
EV/EBITDA	12.3	9.9	10.3	9.3
ROE (%)	16.1	15.4	14.8	14.9
ROCE (%)	16.8	17.5	17.1	17.5

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Jan 21, 2026

Concall Highlights:

- **Regional Updates:** UK & Europe grew 21.4% q-o-q in rupee terms, but North America and AMEA region declined 17.5% and 20.2% sequentially. Margins grew across all the regions. North America grew 53 bps, UK grew 11 bps, and AMEA grew 79 bps q-o-q.
- **Vertical updates:** Mastek continues prioritising the healthcare and life sciences vertical, investing in talent and assets to build differentiated capabilities. Learnings from the NHS and global payers/providers now enable larger global deals. In financial services, the company secured a new ~\$20M deal this quarter following its earlier Bank of England win and is now recognised as a contender by analysts. Financial services is positioned as Mastek's third core vertical after healthcare and public sector. The company is strengthening data capabilities and Salesforce-aligned sales in these focus sectors.
- **Other details:** Mastek added 17 new clients in Q3 FY26, taking its total active client base to 333, up from 314 in the previous quarter. DSO stood at 84 days, a slight increase from 80 days in the previous quarter. This was mainly due to administrative delays in collections in the UK during the holiday season. Management views this as a temporary issue and expects DSO to improve from the next quarter onwards, supported by ongoing reverse collection efforts that are already reflected in a stronger cash position. Mastek declared an interim dividend of Rs 8 per share. The tax rate to be in the range of 25-26%.
- **Services over IP ownership:** The company deliberately avoids IP or product businesses, preferring to partner with hyperscalers for core AI capabilities while concentrating on service execution. It does not aim to build proprietary platform IPs. However, differentiated IPs that emerge from AI engagements are valued as tools to win deals, demonstrate client efficiencies, and prove value—without any focus on monetizing them as a separate revenue stream.

Q3FY26 Result Snapshot:

Particulars	Rs cr				
	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Revenues In USD (Mn)	102.1	102.9	108.2	-0.8	-5.6
Revenues In INR	906	870	940	4.2	-3.7
Employee benefits expense	492	461	494	6.5	-0.6
Gross Profit	414	408	446	1.5	-7.1
Other expenses	269	267	300	0.4	-10.6
EBITDA	146	141	146	3.5	0.1
Depreciation & amortization	18	17	18	7.9	-0.1
EBIT	128	124	128	2.9	0.1
Other Income	21	9	15	120.6	38.4
Finance costs	7	12	9	-37.3	-13.8
PBT	141	122	134	16.0	5.3
Tax Provision	33	31	37	6.0	-10.4
Minority Interest	0	0	0	NA	NA
EO	0	4	0	-100.0	NA
PAT after MI	108	95	97	14.4	11.2
Adj. PAT after MI	108	91	97	19.4	11.2
EPS (Rs)	34.7	30.4	31.2	14.4	11.2
Margin (%)					
EBITDA Margin	16.1	16.2	15.5	-10	60
EBIT Margin	14.1	14.3	13.6	-17	53
PBT Margin	15.6	14.0	14.3	159	133
PAT Margin	12.0	10.4	10.4	153	160

Source: Company; Mirae Asset Sharekhan Research

Regional Mix (%)

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Government & Education	39.7	39.0	39.0	70	70
Health & Life Sciences	24.9	21.6	25.3	335	-40
Retail/ Consumer	11.0	13.3	11.3	-227	-30
Manufacturing & Technology	11.8	14.1	11.8	-235	0
BFSI	12.6	12.0	12.6	60	0
USD Mn					
Government & Education	41	40	42	1.0	-3.9
Health & Life Sciences	25	22	27	14.7	-7.1
Retail/ Consumer	11	14	12	-17.8	-8.1
Manufacturing & Technology	12	15	13	-17.2	-5.6
BFSI	13	12	14	4.2	-5.6

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Desai Ashank Datta	10.95
2	Mehta Ketan Bansilal	7.14
3	Ram Girija	5.66
4	Nahata Umang Tejkarani	5.48
5	Nahata Ummed Singh	3.55
6	Raman Rakesh	3.39
7	Ram Family Trust	3.22
8	Tata AMC	2.73
9	Bandhan MF	2.63
10	Sundar Radhakrishnan	2.60

Source: Bloomberg

Key management personnel

Name	Designation
Deepak Kedia	CFO
Umang Nahata	CEO
Pratik Jagtap	Investor Relations

Source: Company Website

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