



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

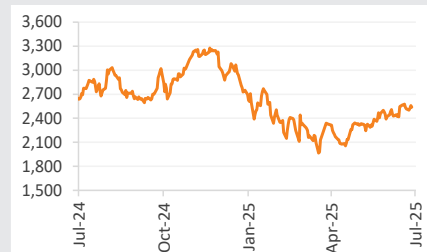
Company details

Market cap:	Rs. 8,270 cr
52-week high/low:	Rs. 3,375/1882
NSE volume: (No of shares)	2.8 lakh
BSE code:	523704
NSE code:	MASTEK
Free float: (No of shares)	2.0 cr

Shareholding (%)

Promoters	36.0
FII	11.0
DII	10.5
Others	42.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	10.4	15.5	1.8	1.2
Relative to Sensex	10.6	12.0	-6.6	-0.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Mastek Ltd

Soft Quarter, UK & Europe's strong momentum continues

IT & ITES	Sharekhan code: MASTEK		
Reco/View: Buy	↔	CMP: Rs. 2,672	Price Target: Rs. 3,030 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Reported revenues stood at \$107.4 million, down 1.1% q-o-q in CC terms, missing our estimates of 1.5% q-o-q growth in CC.
- EBITDA margin declined ~30 bps q-o-q to 15%, missing our estimates of 15.6%. Twelve-month order backlog was Rs 2,348 crore, up 8.3% y-o-y.
- Company aims to maintain a northward trajectory, targeting double-digit growth, particularly driven by UK & Europe's strong momentum and recovery in the US.
- We maintain Buy with an unchanged PT of Rs. 3,030(20x FY27E EPS). At CMP, the stock trades at 20.7/17.6x FY26/27E EPS.

Reported revenues stood at \$107.4 million, down 1.1% q-o-q in CC terms, missing our estimate of a 1.5% q-o-q growth in CC. Revenue in dollar terms was up 2.7% q-o-q/10.4% y-o-y. EBITDA margin declined ~30 bps q-o-q to 15% missing our estimates of 15.6%, after absorbing a major discount given to their largest client. Adjusted net profit stood at Rs 92.1 crore, up 3.2% q-o-q/ 28.7% y-o-y beating our estimates of Rs 91.7 crore. The twelve-month order backlog was Rs 2,347.9 crore (\$273.8 million), up 8.3% y-o-y. Total active clients during Q1FY26 were 323 as compared to 348 in Q4FY25. Net headcount declined by 234, taking the total to 4,824. LTM attrition inched up 20 bps q-o-q to 19.5% while Utilisation (excluding trainees) improved 320 bps q-o-q to 81.5%. The company targets double-digit growth, particularly driven by UK & Europe's strong momentum and recovery in the US. The company's focus on high-growth sectors (healthcare and BFSI) and government contracts provides revenue visibility, while US recovery and EMEA strategic initiatives offer upside potential. We maintain Buy rating with an unchanged price target (PT) of Rs. 3030 (20x FY27E EPS). At CMP, the stock trades at 20.7/17.6x FY26/27E EPS.

Key positives

- UK & Europe markets grew 9.5% q-o-q
- Health & Lifesciences grew 6.9% q-o-q/54.4% y-o-y.
- Utilisation (excluding trainees) improved 320 bps q-o-q to 81.5%

Key negatives

- Total active clients stood at 323 compared to 348 in Q4FY25.
- Net headcount declined by 234, taking total headcount to 4824.

Management Commentary

- The company aims to maintain a northward trajectory, targeting double-digit growth, particularly driven by UK & Europe's strong momentum and recovery in the US.
- Management aims to maintain stable margins with potential upward bias for FY26. Management expects US operations growth to resume in H2FY26.
- The company endeavors to deliver a higher order booking, especially in the US that will pave way for FY27 and FY28 growth.
- In the UK, the government has committed significant macro spending initiatives including a£3.25 billion transformation fund for digital transformation and AI and £10 billion over 5 years for NHS digital technology.

Revision in earnings estimates – We have revised our estimates to factor in Q1FY26 performance.

Our Call

Valuation – Maintain Buy with unchanged PT of Rs. 3,030: Mastek reported a soft quarter with revenue and margin missing estimate. Consistent growth in UK & Europe and a robust order pipeline, supported by government digital spending, make this geography a key driver. Early traction in AI (10+ US accounts, successful UK legacy transformation) positions Mastek to capture emerging opportunities in high-growth areas. The company's focus on high-growth sectors (healthcare, BFSI) and government contracts provides revenue visibility, while US recovery and EMEA strategic initiatives offer upside potential. We expect sales/ PAT CAGR of ~12.9%/13.3% over FY25-27E. We maintain Buy with an unchanged price target (PT) of Rs. 3030 (20x FY27E EPS). At CMP, the stock trades at 20.7/17.6x FY26/27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements, Macro headwinds and recession in the US can moderate the pace of technology spending.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	3,054.8	3,455.2	3,907.1	4,404.8
OPM (%)	16.7	15.8	16.1	16.6
Adjusted PAT	304.4	368.3	403.5	472.8
YoY growth (%)	13.7	21.0	9.5	17.2
Adjusted EPS (Rs.)	98.2	118.1	129.3	151.5
P/E (x)	27.2	22.6	20.7	17.6
P/B (x)	3.9	3.4	3.0	2.7
EV/EBITDA	16.4	15.1	13.1	11.4
ROE (%)	15.9	16.1	15.4	16.1
ROCE (%)	16.4	16.8	17.7	18.5

Source: Company; Mirae Asset Sharekhan estimates

Key results highlights

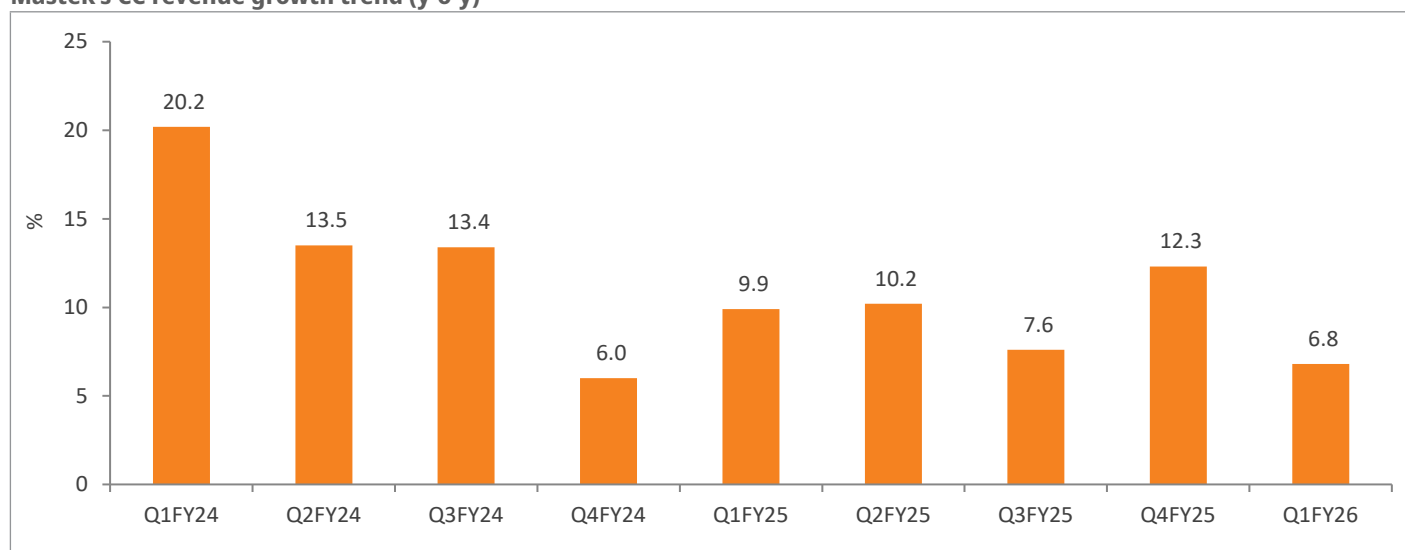
- ♦ **Revenue growth:** Reported revenue stood at \$107.4 million, down 1.1% q-o-q in constant currency (CC) missing our estimates of 1.5% q-o-q growth in CC. Revenue in \$ terms grew 2.6% q-o-q/10.4% y-o-y while revenue in rupee terms stood at Rs. 914.7crore, up 1% q-o-q/12.5% y-o-y. Growth was led by strong performance in the UK and Europe, driven by momentum in healthcare and secured government services while US business witnessed headwinds in some accounts.
- ♦ **EBITDA margins:** EBITDA margin declined ~30 bps q-o-q to 15%, missing our estimates of 15.6%. The company had to offer a major discount to their largest UK client as part of a two-year extension/renewal, which impacted margins for the full quarter.
- ♦ **Order backlog:** Twelve-month order backlog was Rs 2,347.9 crore (\$273.8 million), up 8.3% y-o-y, supported by strong demand across Digital Engineering and Data, Automation & AI
- ♦ **Demand Environment:** The UK & Europe exhibits robust demand, fuelled by strong traction in healthcare, BFSI, and secure government sectors, bolstered by a £3.25 billion UK government transformation fund and £10 billion NHS digital investment over five years. In contrast, the US faces softer demand due to muted client spending in retail and healthcare, though a 25% order book growth signals potential recovery. EMEA demand is subdued due to project closures, with a strategic shift toward profitable growth and healthcare-focused Oracle-Cerner initiatives. AI-driven solutions, particularly in testing and legacy transformation, are gaining traction across regions, positioning Mastek to capitalise on emerging digital transformation opportunities.
- ♦ **Geography-wise performance:** UK & Europe grew 9.5% q-o-q while North America and APMEA declined 8.7%/5.6% q-o-q, respectively.
- ♦ **Vertical-wise performance:** Health & Lifesciences and Government & Education and Financial Services grew 6.9%/2.7% and 5.3% q-o-q respectively while Retail declined 5.9% q-o-q with Manufacturing being flat sequentially.
- ♦ **Client metrics:** Total active clients during Q1FY26 were 323 compared to 348 in Q4FY25. Revenue from Top-5 and Top-10 grew 2.4%/3.7% q-o-q, respectively.
- ♦ **Attrition and utilisation:** Net headcount declined by 234 during the quarter taking total headcount to 4824. LTM attrition inched up 20 bps q-o-q at 19.5% while utilisation (including trainees) improved 320 bps q-o-q to 81.5%.
- ♦ **Cash balance:** Total cash, cash equivalents, and fair value of mutual funds stood at Rs. 549 crore compared to Rs. 622.2 crore in Q4FY25. DSO days stood at 82 as compared to 83 in Q4FY25.

Results (Consolidated)

Particulars					Rs cr
	Q1FY26	Q1FY25	Q4FY25	YoY (%)	QoQ (%)
Revenues In USD (mn)	107.4	97.3	104.6	10.4	2.7
Revenues In INR	914.7	812.9	905.4	12.5	1.0
Employee benefits expense	490.0	444.8	477.5	10.1	2.6
Other expenses	287.4	244.1	289.1	17.7	-0.6
EBITDA	137.3	123.9	138.8	10.8	-1.0
Depreciation & amortization	18.4	20.1	18.7	-8.2	-1.3
EBIT	118.9	103.9	120.1	14.5	-1.0
Other Income	10.6	4.2	3.6	152.0	195.0
Finance costs	8.8	9.4	9.6	-7.2	-8.9
PBT	120.7	98.6	114.1	22.4	5.8
Tax Provision	28.7	27.1	24.9	5.6	15.3
PAT	92.1	71.5	89.2	28.7	3.2
Minority interest	0.0	0.0	0.0		
EO	0.0	0.0	-8.1		
Net profit	92.1	71.5	81.1	28.7	13.5
Adjusted net profit	92.1	71.5	89.2	28.7	3.2
EPS (Rs)	29.5	22.9	26.0	28.7	13.5
Margin (%)					
EBITDA	15.0	15.2	15.3	-23	-31
EBIT	13.0	12.8	13.3	22	-26
NPM	10.1	8.8	9.9	127	21
Tax rate	23.7	27.5	21.8	-377	195

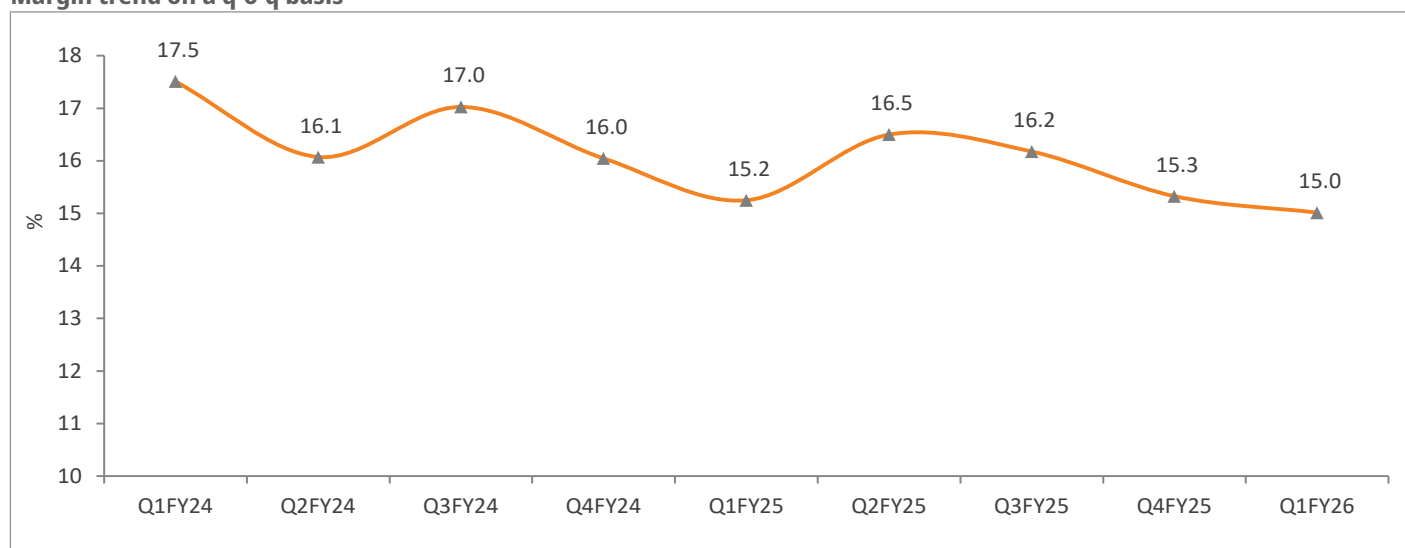
Source: Company; Mirae Asset Sharekhan Research

Mastek's CC revenue growth trend (y-o-y)



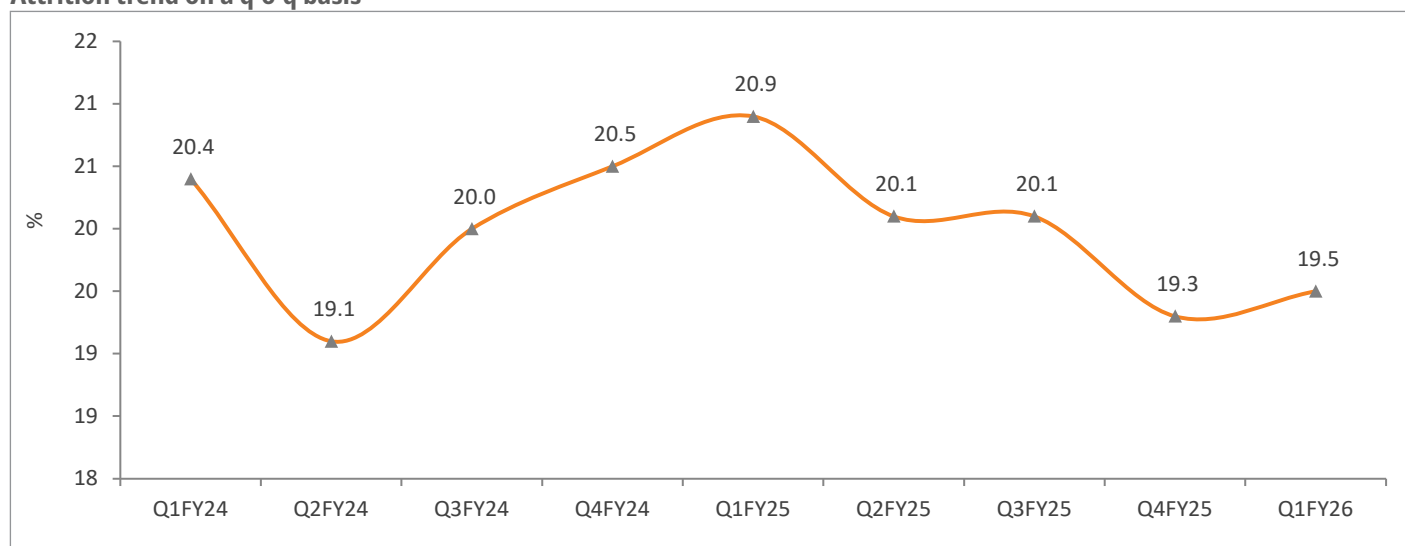
Source: Company; Mirae Asset Sharekhan Research

Margin trend on a q-o-q basis



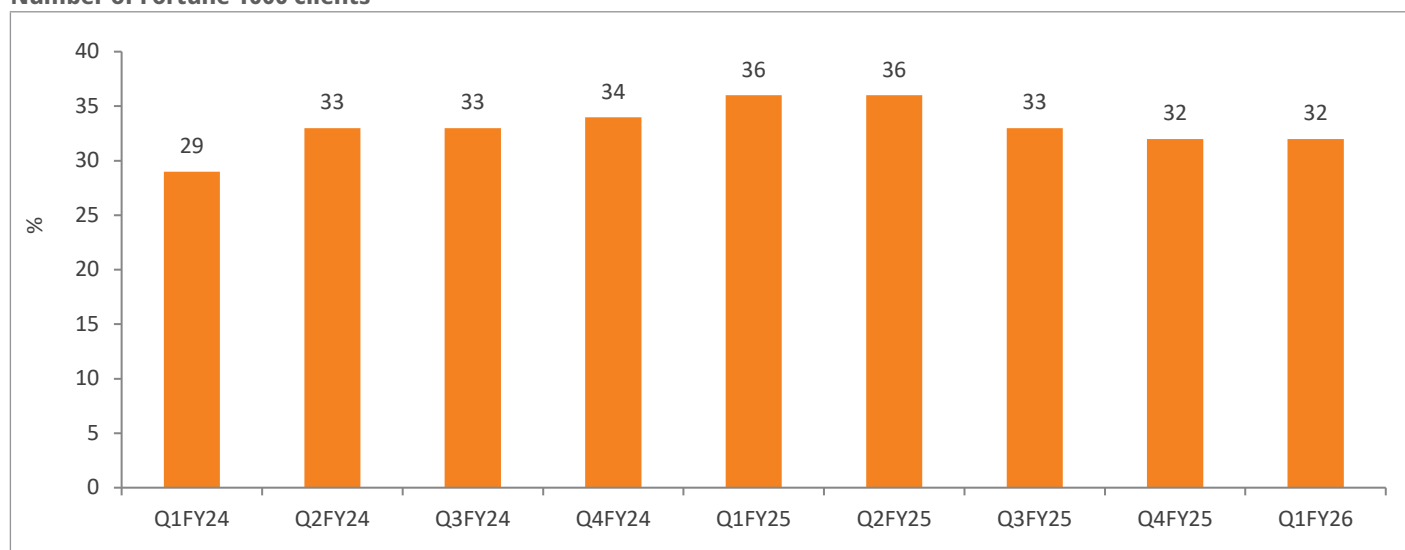
Source: Company; Mirae Asset Sharekhan Research

Attrition trend on a q-o-q basis



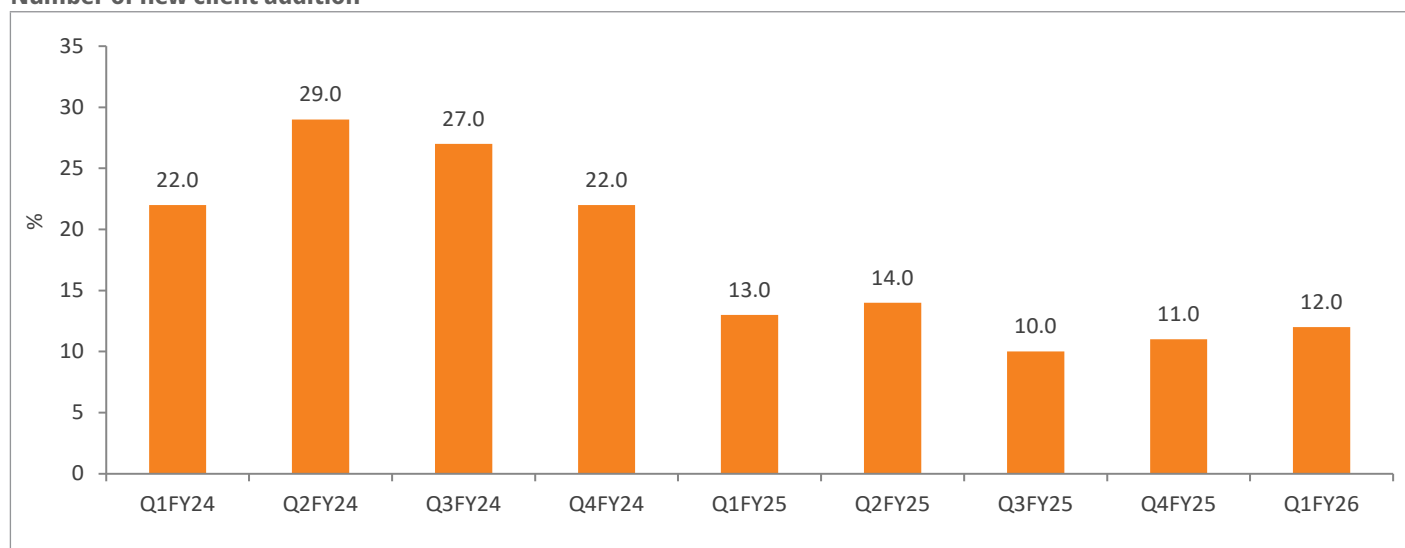
Source: Company; Mirae Asset Sharekhan Research

Number of Fortune 1000 clients



Source: Company; Mirae Asset Sharekhan Research

Number of new client addition



Source: Company; Mirae Asset Sharekhan Research

Order booking (\$ million) and growth (%)



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets like the U.S. and Europe, alongside increasing demand for AI, cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays, and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation initiatives.

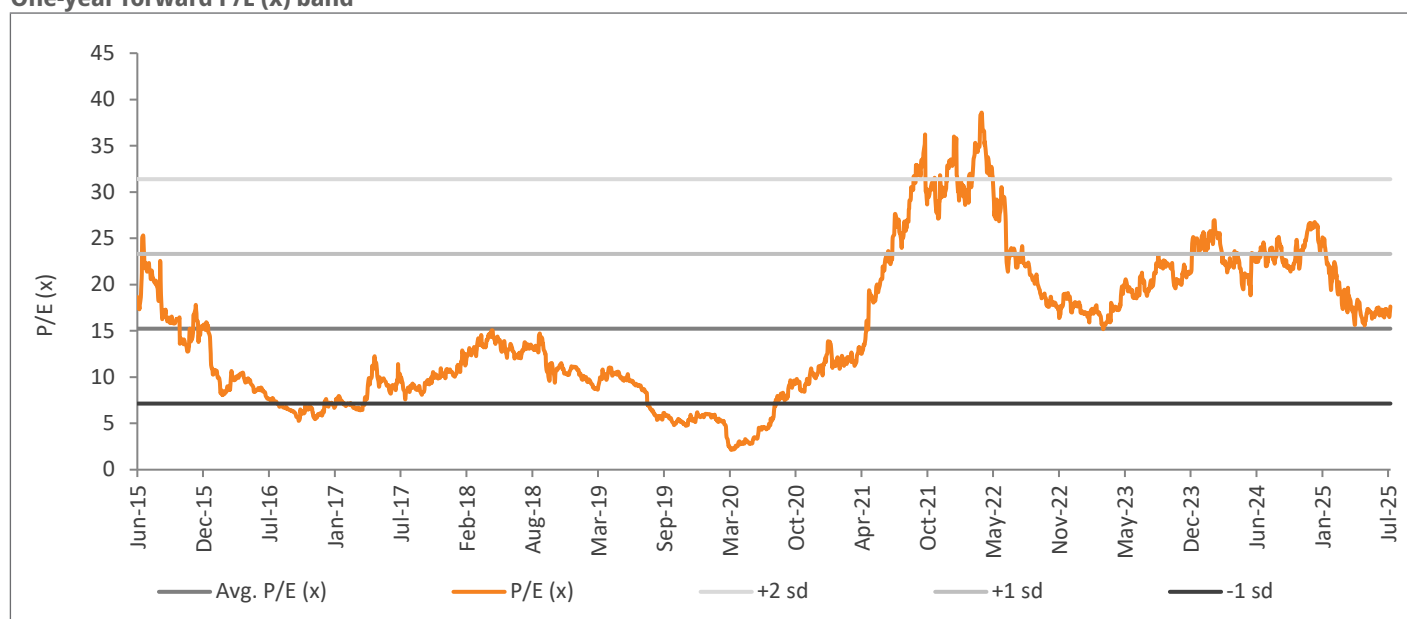
■ Company Outlook – Long-term outlook intact

Mastek has created a consistent and predictable revenue stream from the UK's public sector over the past few years, thanks to the introduction of Digital Outcomes and Specialists (DoS) framework by the UK government (replacement of Digital Services-2 framework in 2016). The management indicated revenue growth momentum in the UK public sector would continue in the coming quarters on account of higher spends on digital-transformation initiatives by the UK government sector and the addition of logos. Further, growth momentum in the US business is expected to accelerate because of strong demand for its integrated digital commerce solutions, increasing deal size, and new client additions.

■ Valuation – Maintain Buy with unchanged PT of Rs 3,030

Mastek reported a soft quarter with revenue and margin missing estimate. Consistent growth in UK & Europe and a robust order pipeline, supported by government digital spending, make this geography a key driver. Early traction in AI (10+ US accounts, successful UK legacy transformation) positions Mastek to capture emerging opportunities in high-growth areas. The company's focus on high-growth sectors (healthcare, BFSI) and government contracts provides revenue visibility, while US recovery and EMEA strategic initiatives offer upside potential. We expect sales/PAT CAGR of ~12.9%/13.3% over FY25-27E. We maintain Buy with an unchanged price target (PT) of Rs. 3030 (20x FY27E EPS). At CMP, the stock trades at 20.7/17.6x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Established in 1982, Mastek provides IT services to five verticals – government (mostly caters to the U.K. government), retail, health, financial, and others. Mastek continues to be ranked among the top three vendors in delivering agile development services to the U.K. government on digital, G-Cloud, and GDS frameworks. The company primarily provides digital solutions to its retail and financial clients, while it helps the government to reduce cost and time in delivery in the U.K. On the region front, the company is positioned largely in the U.K. and Europe, as 67.1% of its revenue comes from this region, followed by the U.S./ME/RoW with contribution to total revenue of 18.8%/9.2%/4.9%, respectively. During February 2020, the company acquired Evolutionary Systems (Evosys) through its subsidiaries, which provided access to new geographies as well as fast-growing segments.

Investment theme

Mastek has a long-standing relationship with the U.K. government as it was working as a subcontractor to large IT companies for the execution of U.K. government's projects earlier. This long-term relationship and excellent execution capabilities make Mastek a prime beneficiary of the U.K. government's digital spends. We expect a strong order pipeline along with significant headroom for growth with the U.K. public sector (spend is ~GBP 12 billion), higher client mining of top accounts, and cross/up-sell opportunities to drive strong growth for Mastek going forward. Further, Mastek has been largely participating in digital contracts of the U.K. public and private sector, where U.K. digital spending is growing at 30%. Mastek focuses on accelerating its revenue momentum in the U.S.

Key Risks

1) Rupee appreciation and/or adverse cross-currency movements, macro headwinds and recession in the U.S. can moderate the pace of technology spending.

Additional Data

Key management personnel

Name	Designation
Umang Nahata	Global CEO
Abhishek Singh	President U.K. and Europe
Prameela Kalive	Chief Operating Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Tata Asset Management Pvt Ltd	2.42
2	Vanguard Group Inc	2.05
3	Teachers Insurance & Annuity Assoc	1.54
4	ICICI Prudential Asset Management	1.43
5	ABAKKUS GROWTH FUND 1	1.38
6	Abakkus Emerging Opportunities Fun	1.35
7	State of Wisconsin Investment Boar	1.17
8	IDFC Mutual Fund/India	1.07
9	Blackrock Inc	1.07
10	Dimensional Fund Advisors LP	0.85

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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