

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	✓	↔	✓

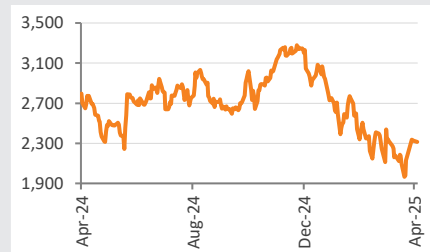
Company details

Market cap:	Rs. 7,160 cr
52-week high/low:	Rs. 3,375 / 1,823
NSE volume: (No of shares)	2.7 lakh
BSE code:	523704
NSE code:	MASTEK
Free float: (No of shares)	2.0 cr

Shareholding (%)

Promoters	36.0
FII	10.0
DII	9.8
Others	44.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-0.4	-11.9	-18.5	-14.3
Relative to Sensex	-3.7	-16.6	-16.4	-22.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Mastek Ltd

Mixed Quarter, UK to drive growth

IT & ITES	Sharekhan code: MASTEK
Reco/View: Buy	CMP: Rs. 2,314 Price Target: Rs. 3,030
↑ Upgrade ↔ Maintain ↓ Downgrade	

Summary

- Reported revenues stood at \$104.6 million, up 2.9% q-o-q in CC terms, beating our estimates of 1.8% q-o-q growth in CC terms.
- EBITDA margin declined ~85 bps q-o-q to 15.3%, missing our estimates of 15.9%. The 12 months order backlog was Rs 2,290.9 crore up 7.1% q-o-q/ 5.6% y-o-y.
- Management expects growth in core business and core markets (UK and Europe) to stay extremely healthy in FY26.
- We maintain BUY rating with an unchanged PT of Rs. 3,030 (valued at 20x FY27 E EPS). At CMP, the stock trades at 18.6/15.3x FY26/27E EPS.

Reported revenues stood at \$104.6 million, up 2.9% q-o-q in constant currency (CC) terms, beating our estimates of 1.8% q-o-q growth in CC driven by core business in UK and Europe. Revenue in rupee terms stood at Rs. 905.4 crore, up 4.1% q-o-q/16.1% y-o-y. EBITDA margin declined ~85 bps q-o-q to 15.3%, missing our estimates of 15.9%, impacted by investments in building data & AI capabilities, reset due to people changes and lower revenue growth in US. Adjusted net profit stood at Rs 89.2 crore, down 1.7% q-o-q/ 3.1% y-o-y but beat our estimates of Rs 87.3 crore. The twelve-month order backlog stood at Rs 2,290.9 crore (\$264.5 million), up 7.1% q-o-q/ 5.6% y-o-y. LTM attrition fell 80 bps to 19.3%. Net headcount declined by 202 during the quarter, taking the total headcount to 5058. Utilisation (excluding trainees) improved 140 bps q-o-q to 77.6%. Management expects growth in core business and core markets (UK and Europe) to stay extremely healthy in FY26. Despite near-term challenges, Mastek's strong and healthy growth momentum in UK, healthcare, and data & AI services along with healthy backlog and focus on operational efficiency positions the company for steady and sustainable growth for FY26. We maintain BUY with an unchanged price target (PT) of Rs. 3,030 (valued at 20x FY27 E EPS) At CMP, the stock trades at 18.6/15.3x FY26/27E EPS.

Key positives

- Health & Lifesciences vertical grew 12.8% q-o-q/60.7% y-o-y.
- Data, Analytics & AI grew 32.6% q-o-q/53.3% y-o-y.
- LTM attrition fell 80 bps to 19.3% from 20.1% in Q3FY25.
- Utilisation (excluding trainees) improved 140 bps q-o-q to 77.6%

Key negatives

- EBITDA margin declined ~85 bps q-o-q to 15.3%
- Net headcount declined by 202 q-o-q, taking the total headcount to 5,058

Management Commentary

- Growth in core business and core markets (UK and Europe) will continue to be extremely healthy in FY26.
- Secured government services business has a healthy backlog. The company is aiming to grow the business by acquiring new projects as well as new departments in the SGS sector.
- Margins in newer businesses are currently lower due to the company building capabilities and delivering on-site work but are expected to return to healthy levels in the mid-to-long term.
- For FY26, Mastek eyes EBITDA margins of 17-19% with the ambition driven by operational efficiency and fundamental corrections in cost structures and capability focus.
- Macroeconomic changes in the US are having some near-term impact on the company's business with some clients more directly affected by these policies. These clients are insourcing operations and work, leading to slowness in the momentum of deals.
- Company is trying to simplify its organizational structure and consolidate its North America business.
- For AMEA, the focus continues to be to drive profitable growth.

Revision in earnings estimates – We have fine-tuned our estimates to factor in Q4FY25 performance.

Our Call

Valuation – Maintain Buy with unchanged PT of Rs. 3,030: Mastek reported mixed performance with a strong beat on revenue front while margin missed estimate. The company is witnessing robust UK-driven growth aided by healthcare and government services despite macro headwinds impacting North America business. Margin pressures from AI investments, onsite costs, and restructuring are being addressed through efficiency focus, targeting a 17-19% EBITDA margin by FY26. Despite near-term challenges, Mastek's strong and healthy growth momentum in the UK, healthcare, and data & AI services along with healthy backlog and focus on operational efficiency positions it for steady and sustainable growth in FY26. We expect a sales/PAT CAGR of ~13%/16% over FY24-27E. We maintain BUY with an unchanged price target (PT) of Rs. 3,030 (valued at 20x FY27 E EPS) At CMP, the stock trades at 18.6/15.3x 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	3,895.4	4,392.9
OPM (%)	16.7	15.8	15.7	16.5
Adjusted PAT	304.4	368.3	387.7	472.5
YoY growth (%)	13.7	21.0	5.3	21.9
Adjusted EPS (Rs.)	98.2	118.1	124.3	151.6
P/E (x)	23.6	19.6	18.6	15.3
P/B (x)	3.4	2.9	2.6	2.3
EV/EBITDA	14.2	13.1	11.7	10.0
ROE (%)	15.9	16.1	14.9	16.1
ROCE (%)	16.4	16.8	17.1	18.5

Source: Company; Mirae Asset Sharekhan estimates

Key results highlights

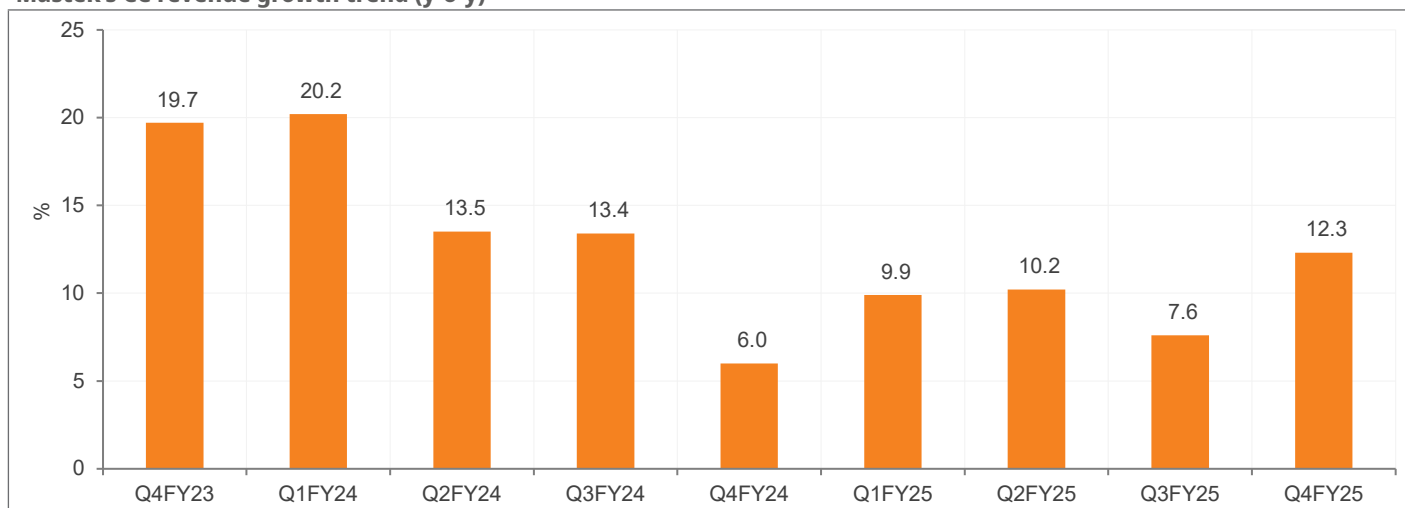
- ♦ **Revenue growth:** Company reported revenues of \$104.6 million, up 2.9% q-o-q in constant currency (CC), beating our estimates of 1.8% q-o-q growth in CC. Revenue in US Dollar terms grew 1.7% q-o-q/11.6% y-o-y while revenue in rupee terms stood at Rs. 905.4 crore, up 4.1% q-o-q/16.1% y-o-y. For FY25, revenues stood at Rs 3455.2, up 13.1 y-o-y.
- ♦ **EBITDA margins:** EBITDA margins fell ~85 bps q-o-q to 15.3%, missing our estimates of 15.9%. The company aspires to achieve EBITDA margins of 17-19% in FY26. For FY25 EBITDA margin declined ~85 bps y-o-y to 15.8%.
- ♦ **Order backlog:** Twelve-month order backlog stood at Rs 2,290.9 crore (\$264.5 million) in Q4FY25 compared to Rs 2,168.4 crore (\$260.0 million) in Q4FY24, up 5.6% in rupee terms and 0.3% in constant currency terms on y-o-y basis and Rs 2,138.7 crore (\$249.8 million) in Q3FY25, up 7.1% in rupee terms and 3.8% in constant currency terms on q-o-q basis.
- ♦ **Demand:** The company is seeing strong and healthy momentum in its data and AI business in the UK. The UK healthcare sector, particularly the NHS business, is experiencing phenomenal growth driven by a systematic policy focusing on prevention and collections which are inherently data and AI-driven which is fueling the growth of data and AI business despite ongoing structural changes within the UK's healthcare segment. The UK private sector business is experiencing strong positive momentum with increasing deals and a notable rise in data and AI-led initiatives, alongside traditional digital services and Oracle, indicating continued growth into the next year. The company's core UK secured government services is performing well with the successful renewal of major backlogs, providing a strong, healthy runway for next two years. The macro changes in the US is having some near-term impact on the company's business with some clients more directly affected by these policies are insourcing operations and work, leading to slowness in the momentum of deals.
- ♦ **Geography-wise performance:** Europe grew 7% q-o-q while North America and APMEA declined 6.7%/2.4% y-o-y, respectively.
- ♦ **Vertical-wise performance:** Health & Lifesciences and Government & Education segments grew 13%/1.9% q-o-q while Retail, Manufacturing and Financial services declined 4.3%/7.4% and 1.5% q-o-q respectively.
- ♦ **Client metrics:** Total active clients during Q4FY25 were 348 as compared to 351 in Q2FY25. Revenue from Top-5 and Top-10 grew 9.2%/6.9% q-o-q, respectively.
- ♦ **Attrition and utilisation:** LTM attrition fell 80 bps q-o-q to 19.3% from 20.1% in Q3FY25. Net headcount declined by 202 during the quarter taking total headcount to 5058. Utilisation (excluding trainees) improved 140 bps q-o-q to 77.6% from 76.4% in Q3FY25.
- ♦ **Cash balance:** Total cash, cash equivalents, and fair value of mutual funds stood at Rs. 622 in Q4FY25 from 497 crore in Q3FY25, up 25% q-o-q/31 y-o-y. DSO stood at 83 days as compared to 89 days in Q3FY25.

Results (Consolidated)

Particulars						Rs cr
	Q4FY25	Q4FY24	Q3FY25	Y-o-Y (%)	Q-o-Q (%)	
Revenues In USD (mn)	104.6	93.7	102.9	11.6		1.7
Revenues In INR	905.4	779.7	869.5	16.1		4.1
Employee benefits expense	477.5	420.0	461.4	13.7		3.5
Other expenses	289.1	234.6	267.5	23.2		8.1
EBITDA	138.8	125.1	140.7	10.9		-1.4
Depreciation & amortization	18.7	27.5	16.6	-32.1		12.7
EBIT	120.1	97.6	124.1	23.0		-3.2
Other Income	3.6	5.5	9.5	-34.3		-62.2
Finance costs	9.6	9.2	11.9	4.3		-18.9
PBT	114.1	93.9	121.7	21.5		-6.3
Tax Provision	24.9	-0.6	31.0	-4,537.5		-19.8
PAT	89.2	94.4	90.7	-5.5		-1.7
Minority interest	0.0	-2.4	0.0			
EO	-8.1	0.0	4.0			
Net profit	81.1	92.1	94.7	-11.9		-14.4
Adjusted net profit	89.2	92.1	90.7	-3.1		-1.7
EPS (Rs)	26.0	29.7	30.4	-12.5		-14.3
Margin (%)						
EBITDA	15.3	16.0	16.2	-72		-85
EBIT	13.3	12.5	14.3	74		-101
NPM	9.9	11.8	10.4	-195		-58
Tax rate	21.8	-0.6	25.5	2,239		-367

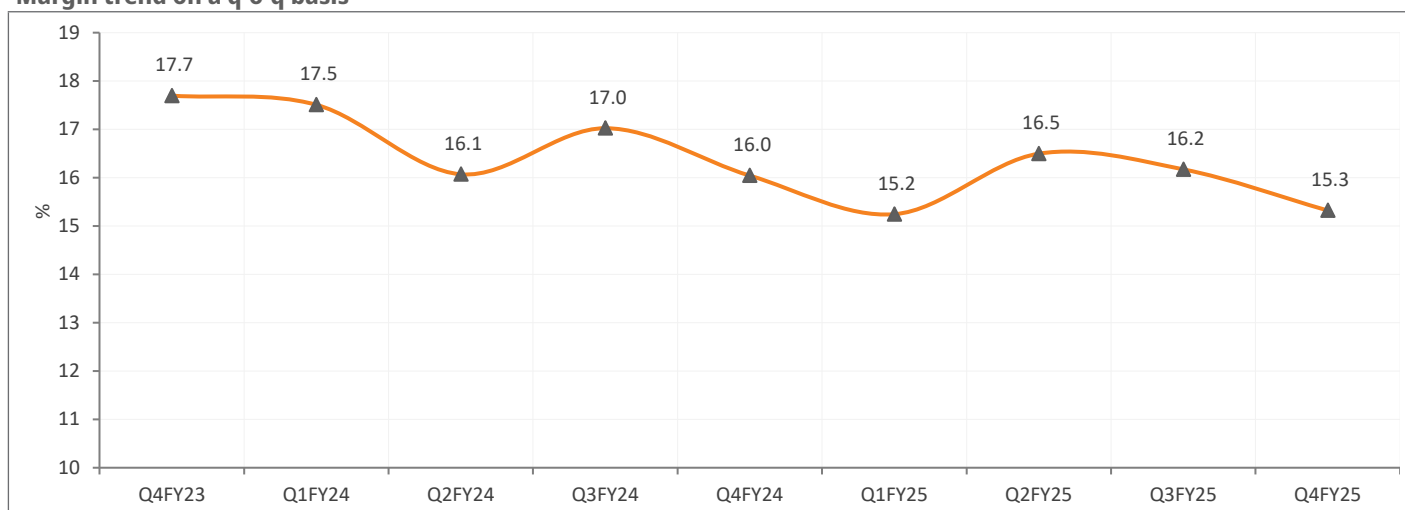
Source: Company; Mirae Asset Sharekhan Research

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



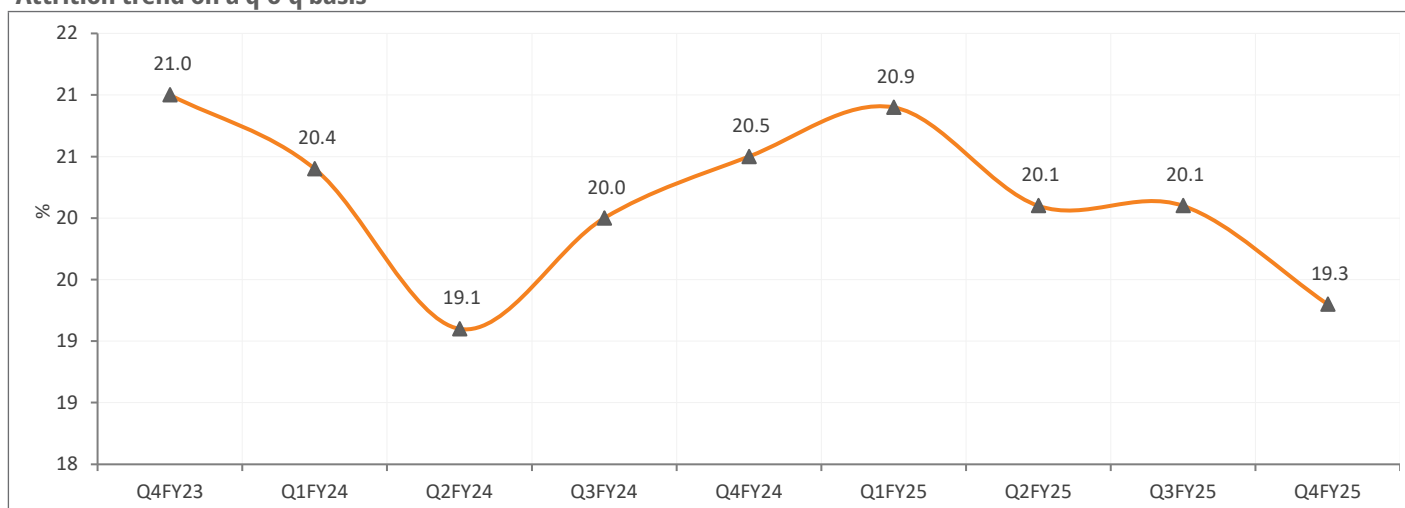
Source: Company; Mirae Asset Sharekhan Research

Margin trend on a q-o-q basis



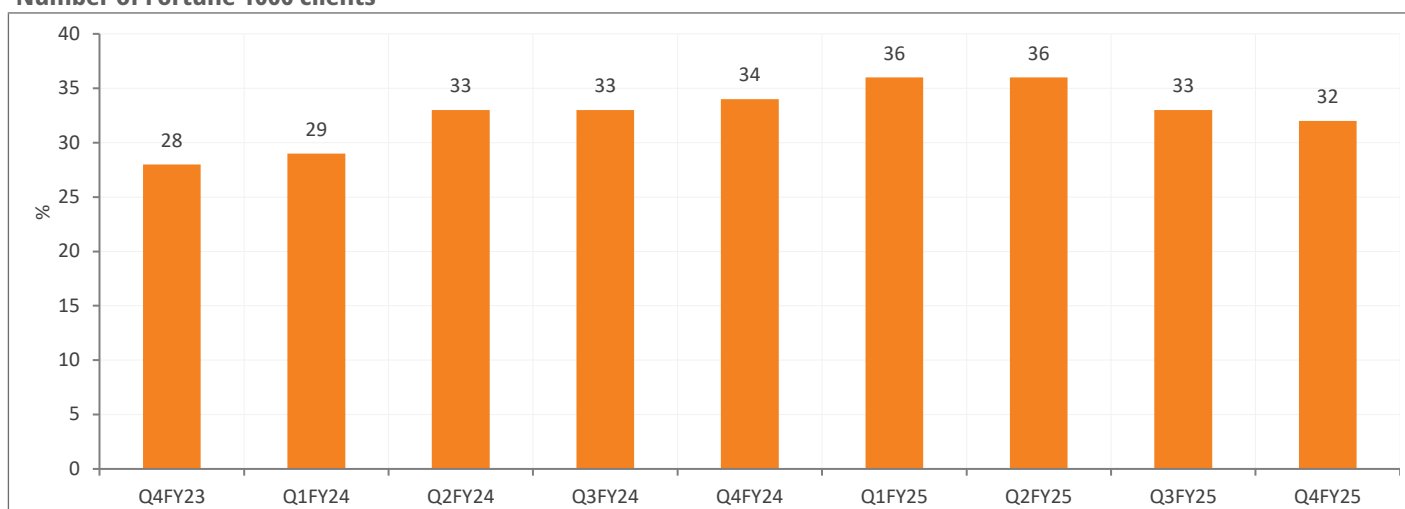
Source: Company; Mirae Asset Sharekhan Research

Attrition trend on a q-o-q basis



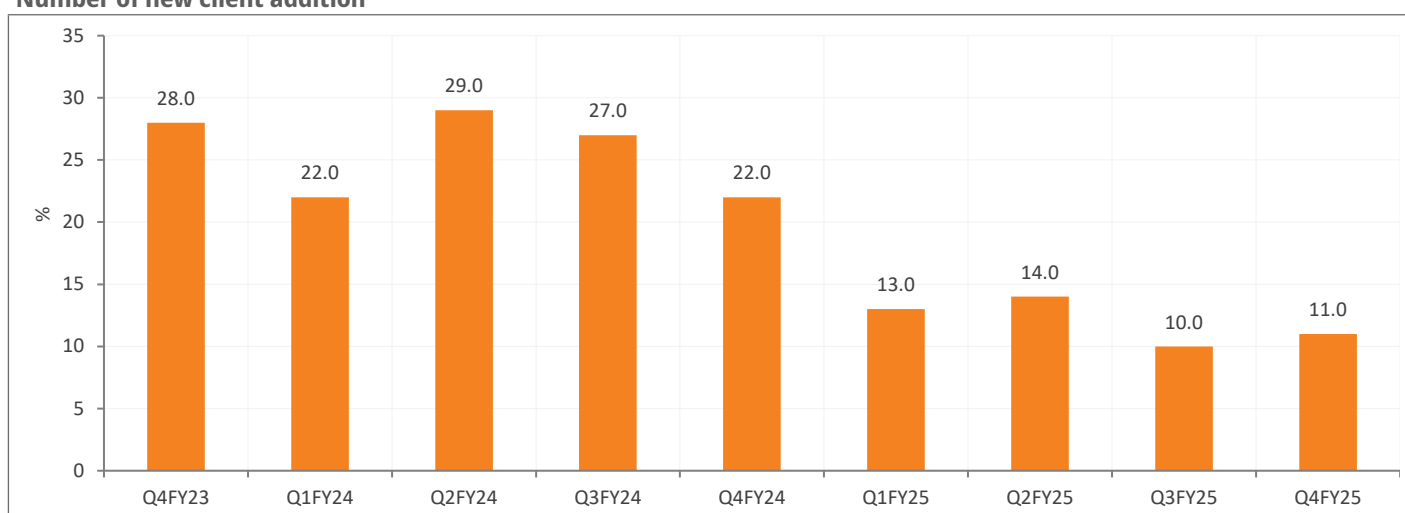
Source: Company; Mirae Asset Sharekhan Research

Number of Fortune 1000 clients



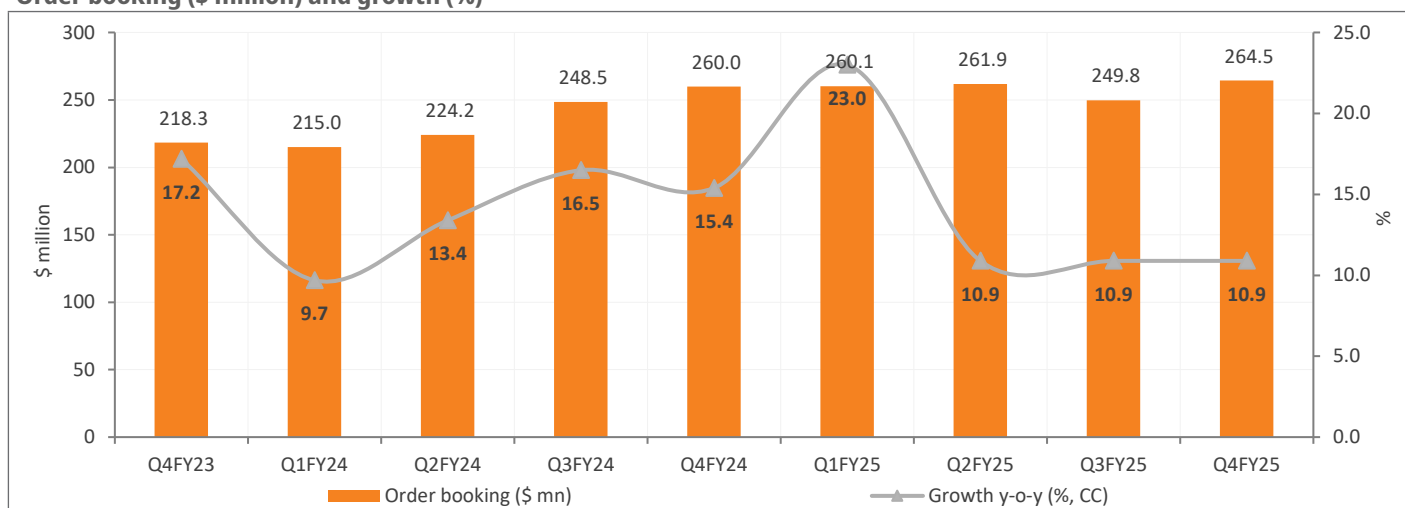
Source: Company; Mirae Asset Sharekhan Research

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 View – 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 rising 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.

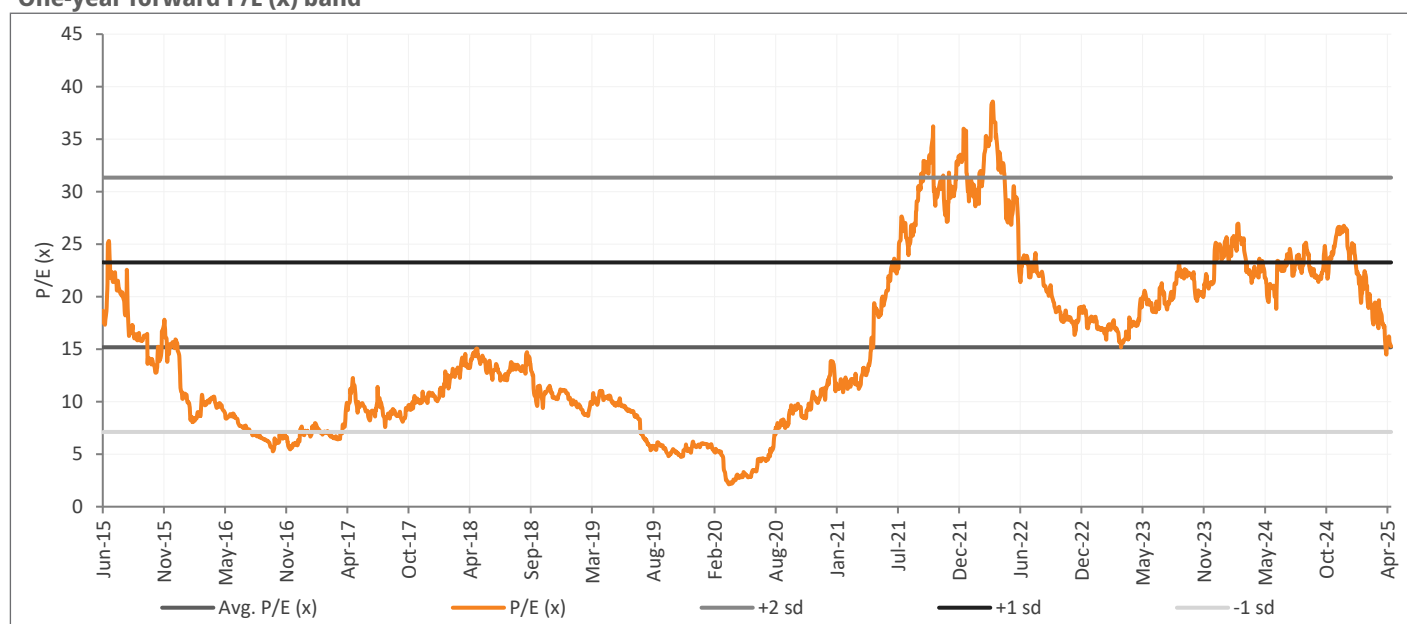
■ Company Outlook – Long-term outlook intact

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. Despite concerns regarding NHS England merger with the Department of Health and Social Care, Mastek's management is confident in continued growth due to the new government's modernization commitment, including increased funding and a 10-year health plan. The company is resetting its North America operations to integrate fragmented acquisitions and shift focus from public sector to healthcare, manufacturing, and tier-2 clients (\$1-10 billion revenue range) and intends to become a prime IT partner for them.

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

Mastek reported mixed performance with a strong beat on revenue front while margin missed estimate. The company is witnessing robust UK-driven growth aided by healthcare and government services despite macro headwinds impacting North America business. Margin pressures from AI investments, onsite costs, and restructuring are being addressed through efficiency focus, targeting a 17–19% EBITDA margin by FY26. Despite near-term challenges, Mastek's strong and healthy growth momentum in the UK, healthcare, and data & AI services along with healthy backlog and focus on operational efficiency position it for steady and sustainable growth in FY26. We expect a sales/PAT CAGR of ~13%/16% over FY24-27E. We maintain BUY with an unchanged price target (PT) of Rs. 3,030 (valued at 20x FY27 E EPS). At CMP, the stock trades at 18.6/15.3x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Mastek Limited is a global digital engineering and cloud transformation services company headquartered in Mumbai, India. Founded in 1982, Mastek specializes in delivering innovative technology solutions to help enterprises accelerate their digital transformation journeys. The company operates across key verticals, including healthcare, government, financial services, manufacturing, and retail, with a strong focus on data, AI, cloud, and digital services.

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, 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. In the US Mastek is focusing on resetting structure and go-to-market to focus on data/AI and healthcare while navigating macro challenges.

Key Risks

1) Rupee appreciation and/or adverse cross-currency movements, 2) 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
Vijay Iyer	President Americas
Prameela Kalive	Chief Operating Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Vanguard Group Inc	2.13
2	Tata Asset Management Pvt Ltd	2.09
3	ABAKKUS GROWTH FUND 1	1.45
4	Abakkus Emerging Opportunities Fun	1.42
5	ICICI Prudential Asset Management	1.42
6	Blackrock Inc	1.02
7	Dimensional Fund Advisors LP	0.88
8	IDFC Mutual Fund/India	0.58
9	Norges Bank	0.51
10	Baroda Mutual Fund Ltd	0.30

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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