

CMP: ₹2,110

Target: ₹ 2,380 (13%)

Target Period: 12 months

HOLD

January 22, 2026

## One-off led weak revenue performance ...

**About the stock:** Mastek Ltd (Mastek) offers data, apps, cloud services to public & private enterprise. It caters to Government & Education; Health and Lifesciences; Retail/Consumer; Manufacturing & Technology; and Financial Service sectors.

**Q3FY26 Performance:** Revenue stood at US\$102.1 mn, down 5.6% QoQ / 0.8% YoY (down 4.8% QoQ CC/ 2.8% YoY CC). Adj. EBITDA margins (ex-one-offs from labour code & reversal of leave provision) came at 16.3%, up 80 bps QoQ. Adj. PAT (ex-one-off from new labour code) stood at ₹108.4 crore, up 11% QoQ/14.4% YoY.

### Investment Rationale

- Order backlog growth signals imminent revenue recovery:** While Q3 revenues were impacted by higher-than-expected furloughs (in UK & some public sector customers globally) and project right-shifts, Mastek's 12-month order backlog expanded meaningfully both QoQ (+5.7%) & YoY (18.4%) to US\$ 295.8mn and it added 17 new customers, indicating strengthening demand visibility. **Management highlighted that a large part of the revenue miss was timing-related, with several programs scheduled to commence from Q4.** The growing backlog across the UK, US and Middle East, combined with new large deal wins in financial services and public sector, supports confidence in a gradual resumption of growth from Q4 and into FY27 as **management guides for improved top-line and bottom-line trajectory from Q4 and a stronger FY27. We expect USD revenue to grow at a CAGR of 9.1% over FY26–28E.**
- Margin resilience and improving fundamentals support upside:** Despite revenue headwinds, Mastek delivered sequential margin expansion. Adjusted profitability too improved (80 bps QoQ to 16.3%) even after factoring in seasonal furloughs and labour code impacts, underscoring execution resilience driven by AI-led operational efficiencies, lower subcontracting and disciplined cost management (43 bps) and forex (17 bps). **The management has guided to maintain margins in the band of 16.5-17%. We model EBITDA margins at 15.7%/16.3%/16.5% for FY26E/FY27E/FY28E.**
- AI-led engineering and domain focus strengthen competitive positioning:** Mastek's accelerated investments in AI-led digital engineering are translating into tangible productivity gains for clients, with management citing 15–80% efficiency improvements across engagements. The company's deepening domain expertise in healthcare & life sciences, public sector and financial services backed by marquee clients such as NHS and Bank of England positions it well for larger, more complex transformation deals. Recognition as a top Oracle AI partner further enhances Mastek's ability to participate in next-generation, AI-led enterprise modernization programs.

### Rating and Target Price

- Given a weaker than expected revenue growth trajectory, we turn cautious & expect a gradual topline growth recovery of 7%/11% YoY in FY27E/FY28E. Thus, we downgrade to HOLD valuing it at revised multiple of 15x P/E on FY28E EPS, with target price of ₹2,380 (vs ₹2,600 earlier). We shall wait for any meaningful growth in both revenue and margins to turn constructive.

### Key Financial Summary

₹ Crore	FY23	FY24	FY25E	5 Year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	2,563	3,055	3,455	26.4	3,694	4,033	4,529	9.4
EBITDA	456	509	546	2.3	579	657	747	11.0
EBITDA Margins (%)	17.8	16.7	15.8		15.7	16.3	16.5	
Net Profit	293	300	376	72.1	402	425	496	9.6
EPS (₹)	96	97	121		129	136	159	
P/E	22.0	21.6	17.2		16.1	15.2	13.1	
RoNW (%)	17.4	14.3	15.3		14.4	13.6	14.0	
RoCE (%)	17.0	15.6	15.9		16.0	15.9	16.5	

Source: Company, ICICI Direct Research



### Particulars

Particulars	₹ crore
Market Capitalization	6,515
Total Debt	555
Cash and Investments	622
EV	6,448
52 week H/L	2818/1887
Equity capital	15.5
Face value	5.0

### Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	36	36	36	36
FII	10	11	11	10
DII	10	11	12	13
Public	44	42	41	41

### Price Chart



### Key risks

- Higher than expected backlog to revenue conversion;
- Delay in ramp up of right-shifted deals

### Research Analyst

Bhupendra Tiwary, CFA  
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma  
anjini.sharma@icicisecurities.com

## Performance highlights and outlook

- **Revenue Performance:** Mastek in Q3FY26 reported revenue of US\$102.1 mn, down 5.6% QoQ / 0.8% YoY (down 4.8% QoQ CC/ 2.8% YoY CC). In rupee terms, revenue stood at ₹905.68 crore, (down 3.7% QoQ/ up 4.2% YoY).
- **Geography performance:** Geography wise, on a QoQ basis, all geos de-grew with Middle East (11.4% of the mix), US (22.5% of the mix) and UK (66.1% of the mix) reporting de-growth of 14.8%, 4.4% and 1.2%.
- **Segment performance:** On a QoQ basis, de-growth amongst verticals was led by Retail (11% of the mix), Health & Life Sciences (25% of the mix), Financial Services (13% of the mix), Manufacturing (12% of the mix) and Government (40% of the mix) which reported declines of 6.2%, 5.2%, 3.75, 3.7% and 2% respectively.
- **Margin performance:** Reported EBITDA stood at 16.1%, up ~60 bps QoQ aided by AI-led operational efficiency (+43 bps) and forex tailwinds(+17 bps). EBITDA margin include a ₹6.4 crores (-70 bps) impact on account of labour code changes and one-time benefit from a reversal of leave provision (+50 bps). This one-time benefit helped negate the labour code impact. Adj. EBITDA margins (ex-one-offs from labour code & reversal of leave provision) came at 16.3%, up 80 bps QoQ. The reported PAT stood at ₹88.3 crore, down 9% QoQ/ 7% YoY while adjusted PAT (ex-one off from new labour code) stood at ₹108.4 crore, up 11% QoQ/14.4% YoY.
- **12-month order backlog and client addition:** The company's 12M order backlog grew to US\$ 295.8 mn, up 5.7% QoQ and 18.4% YoY. Moreover, it added 17 new clients in the quarter and 26+ new AI deals.
- **Employee addition and Attrition:** The total employees for the quarter stood at 4,676 employees, a net decline of 91 employees QoQ. Moreover, LTM attrition stood at 17.6%, down ~90 bps QoQ.
- **Leadership updates:** Deepak Kedia joined as the new CFO. Two important leadership hirings were done in data as well as in sales force capability. As per the management, this marks almost the completion of all the leadership changes.
- **Dividend:** It declared an interim dividend of ₹8 per share.

## Exhibit 1: Quarter Performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue in USD mn	102.1	102.9	-0.8	108.2	-5.6	Revenue was down 4.8% QoQ and 2.8% YoY in CC terms
Revenue in ₹ crore	905.7	869.5	4.2	940.4	-3.7	
Employee expense	491.6	461.4	6.5	494.5	-0.6	
Gross Margin	414.1	408.1	1.5	445.9	-7.1	
Gross margin (%)	45.7	46.9	-122 bps	47.4	-170 bps	
Other expense	268.5	267.5	0.4	300.4	-10.6	
EBITDA	145.6	140.7	3.5	145.5	0.1	
EBITDA Margin (%)	16.1	16.2	-10 bps	15.5	60 bps	Reported EBITDA stood at 16.1%, up ~60 bps QoQ aided by AI-led operational efficiency (+43 bps) and forex tailwinds(+17 bps). EBITDA margin include a ₹6.4 crores (-70 bps) impact on account of labour code changes and one-time benefit from a reversal of leave provision (+50 bps). This one-time benefit helped negate the labour code impact. Adj. EBITDA margins (ex-one-offs from labour code & reversal of leave provision) came at 16.3%, up 80 bps QoQ.
Depreciation & amortisation	17.9	16.6	7.9	17.9	-0.1	
EBIT	127.7	124.1	2.9	127.6	0.1	
EBIT Margin (%)	14.1	14.3	-17 bps	13.6	53 bps	
Other income (less interest)	13.5	-2.4	-662.8	6.5	108.2	
PBT	141.2	121.7	16.0	134.1	5.3	
Tax paid	32.8	31.0	NM	36.7	-10.4	
PAT	108.4	94.7	14.4	97.5	11.2	Adjusted PAT (ex-one off from new labour code) stood at ₹108.4 crore, up 11% QoQ/14.4% YoY.

Source: Company, ICICI Direct Research

## Exhibit 2: Change in estimates

(₹ Crore)	FY26E			FY27E			FY28E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue (USD mn)	439	423	-3.6	480	453	-5.7	503
Revenue	3,795	3,694	-2.7	4,227	4,033	-4.6	4,529
EBITDA	593	579	-2.5	698	657	-5.7	747
EBITDA Margin (%)	15.6	15.7	3 bps	16.5	16.3	-20 bps	16.5
PAT	392	402	2.7	447	425	-4.8	496
Diluted EPS (₹)	125.5	128.8	2.6	143.2	136.3	-4.8	158.7

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 1: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Net Sales	3,455	3,694	4,033	4,529
Growth (%)	13	7	9	12
Employee Exp	1,859	1,980	2,178	2,445
Other expenses	1,050	1,135	1,198	1,336
Total Operating Exp	2,909	3,115	3,376	3,781
EBITDA	546	579	657	747
Growth (%)	7	6	14	14
Depreciation	75	75	91	100
Net Other Income	(20)	35	20	35
PBT	452	539	586	683
Total Tax	83	134	148	172
Exceptional item	8	-	-	-
PAT after Minority Interest	376	402	425	496
Growth (%)	25	7	6	16
Diluted EPS (₹)	120.5	128.8	136.3	158.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit before tax	452	539	586	683
Add: Depreciation	75	75	91	100
(Inc)/dec in Current Assets	(72)	(112)	(123)	(180)
Inc/(dec) in CL and Provisions	8	474	121	177
Taxes paid	(122)	(134)	(148)	(172)
<b>CF from operating activities</b>	<b>395</b>	<b>745</b>	<b>432</b>	<b>497</b>
(Inc)/dec in Inv. (+) Int inc (+)	410	67	64	81
Goodwill				
(Inc)/dec in Fixed Assets	(686)	(92)	(101)	(113)
<b>CF from investing activities</b>	<b>(275)</b>	<b>(25)</b>	<b>(37)</b>	<b>(32)</b>
Issue/(Buy back) of Equity	0	-	-	-
Dividend paid & dividend tax	(59)	(80)	(93)	(93)
Others	18	32	44	46
CF from financing activities	(57)	(60)	(60)	(59)
Net Cash flow	80	661	335	405
Exchange difference	17	-	-	-
Opening Cash	381	461	1,122	1,457
<b>Closing Cash</b>	<b>461</b>	<b>1,122</b>	<b>1,457</b>	<b>1,862</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Liabilities</b>				
Equity Capital	15	15	15	15
Reserve and Surplus	2,447	2,772	3,118	3,536
Total Shareholders funds	2,462	2,787	3,133	3,551
Minority interest	-	3	16	32
Total Debt	555	555	555	555
Other liabilities	83	235	256	288
<b>Total Liabilities</b>	<b>3,100</b>	<b>3,580</b>	<b>3,961</b>	<b>4,426</b>
<b>Assets</b>				
Total Fixed Assets	1,820	1,850	1,872	1,897
Investments	38	38	38	38
Other non current assets	179	184	186	190
Debtors	770	654	714	802
Loans and Advances	-	-	-	-
Cash & Equivalents	461	1,122	1,457	1,862
Other current assets	595	817	877	966
Total Current Assets	1,826	2,593	3,049	3,630
Current liabilities	723	1,046	1,142	1,282
Provisions	40	39	42	48
Total Current Liabilities	763	1,085	1,184	1,330
Net Current Assets	1,063	1,509	1,865	2,301
<b>Application of Funds</b>	<b>3,100</b>	<b>3,580</b>	<b>3,961</b>	<b>4,426</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	FY25	FY26E	FY27E	FY28E
<b>Per share data (₹)</b>				
Diluted EPS	121.7	130.2	137.8	160.5
Cash EPS	146.2	154.5	167.3	193.0
BV	797.4	902.7	1,014.7	1,150.1
DPS	23.0	26.0	30.0	30.0
Cash Per Share	149.6	363.8	472.4	603.8
<b>Operating Ratios (%)</b>				
EBITDA Margin	15.8	15.7	16.3	16.5
PBT Margin	13.1	14.6	14.5	15.1
PAT Margin	10.9	10.9	10.5	10.9
Inventory days	-	-	-	-
Debtor days	81	65	65	65
<b>Creditor days</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>26</b>
<b>Return Ratios (%)</b>				
RoE	15.3	14.4	13.6	14.0
RoCE	15.9	16.0	15.9	16.5
RoIC	17.9	20.5	22.6	25.3
<b>Valuation Ratios (x)</b>				
P/E	17.2	16.1	15.2	13.1
EV / EBITDA	11.7	9.9	8.2	6.7
EV / Net Sales	1.9	1.6	1.3	1.1
Market Cap / Sales	1.9	1.8	1.6	1.4
Price to Book Value	2.6	2.3	2.1	1.8
<b>Solvency Ratios</b>				
Debt/EBITDA	1.0	1.0	0.8	0.7
Debt / Equity	0.2	0.2	0.2	0.2
Current Ratio	1.8	1.4	1.3	1.3
Quick Ratio	1.8	1.4	1.3	1.3

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Anjini Sharma, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

**Investments in securities market are subject to market risks. Read all the related documents carefully before investing.**

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance Officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Jeetu Jawrani Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.