

Mixed bag Q4; execution hols key to recovery

 Reco/View: **BUY**

 CMP: **Rs. 1,763**

 Price Target: **Rs. 2,000**
STOCK UPDATE

Result Update - Q4FY2026

SECTOR

IT & ITES

COMPANY DETAILS

Market cap: Rs. 5,465 cr

52-week high/low: Rs. 2818/1334

 NSE volume: 1.1 lakh
(No of shares)

BSE code: 523704

NSE code: MASTEK

 Free float: 2.0 cr
(No of shares)

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

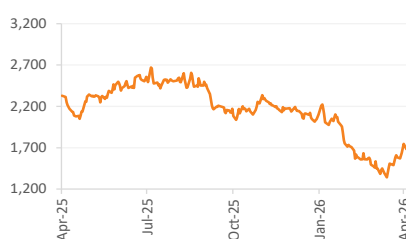
Promoters 35.8

FII 8.0

DII 19.0

Others 37.2

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	21.6	-20.7	-18.7	-21.5
Relative to Sensex	16.3	-16.3	-11.5	-20.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- Revenue grew 1.4% q-o-q (down 1.1% y-o-y) to \$ 103.5 million; CC growth came in at 0.3% q-o-q (down 5.8% y-o-y), on strong traction in the UK and AMEA, partially offset by weakness in the US.
- Twelve-month order backlog surged 24.4% y-o-y to Rs 2,849 crore, with North America's order book growing consecutively and UK renewals occurring at lower discounts, which offered meaningful revenue growth visibility for FY27.
- EBITDA margin held at 16.1%, but management cut guidance to 16-16.5% from 16.5-17% earlier, reflecting persistent client-side pricing pressures and discounting demands. These were partially offset by AI-led efficiency gains and forex tailwinds.
- Strong order book boosts revenue visibility, but execution would be keenly eyed given client-side delays and cautious spending environment pose near-term risks. We maintain a Buy rating and revise PT to Rs 2,000 and assign a P/E multiple of 13x on FY28E EPS.

Result overview

- **Q4 Scorecard:** Revenue rose 3.6% q-o-q (3.6% y-o-y) to Rs 938 crore, in-line with estimates. EBIT stood at Rs 132 crore, missing estimates by 4.4%, down 1.4% q-o-q (10.2% y-o-y), resulting in margins falling 71 bps q-o-q (up 75 bps y-o-y) to 14.1% (est. 14.7%) hit by wage hikes and continued pressure from lower-margin US and AMEA operations. PAT stood at Rs 130 crore, up 13.2% q-o-q (45.6% y-o-y). PAT margin came in at 13.8%, up 118 bps q-o-q (and 399 bps y-o-y).
- **Order backlog:** Twelve-month order backlog stood at Rs 2,849, up 7.2% q-o-q (24.4% y-o-y), driven by continued strength in the UK and US orderbook.
- **Regional performance:** The UK business continues to lead the growth, up strong focus in healthcare and new client wins in BFSI. North American indicators are turning positive under execution-oriented leadership. Following a year of restructuring, North American operations underwent a complete leadership and strategic reset. With a renewed focus on Healthcare, Life Sciences, BFSI, and Retail, management expects a positive turnaround. Improving lead indicators and a second consecutive quarter of order book growth provide visibility into a return to revenue growth entering FY27. While AMEA revenue recognition supported near-term stability, management noted a slowdown in discretionary spend and a right-shifting of new order decision-making due to prevailing macro headwinds.

Our Call

Q4FY26 performance was a mixed bag while revenue growth remained modest and EBITDA margin contracted 70 bps q-o-q to 16.1%, the twelve-month order backlog surged providing meaningful revenue visibility heading into FY27. On the positive side, the UK business remains a strong anchor driven by NHS and BFSI wins, while North America is showing early signs of recovery with two consecutive quarters of positive sequential order book growth. The FCA deal ramp-up, AI order book expansion from 3% to 9% over two quarters, and a strategic pivot toward outcome-based fixed-bid contracts are structurally encouraging. On the flip side, revenue recovery remains back-ended with near-term growth expected to remain in low single digits, margin guidance has been trimmed to 16-16.5% from 16.5-17% earlier due to persistent client-side pricing pressure and AI-led discounting, while AMEA continues to face macro headwinds from Middle East conflict-related decision-making delays. At CMP, the stock trades at ~11x FY28E EPS, offering a reasonable entry point for a business undergoing a structural reset. We maintain BUY with a Target Price of Rs 2,000, based on FY28E EPS.

Key Risks

Slowdown in AI adoption, appreciation of Rs. Currency, global macroeconomic uncertainties.

Valuation

	Rs cr			
Particulars	FY25	FY26	FY27E	FY28E
Net sales (Rs cr)	3,455.2	3,698.8	4,067.4	4,455.2
EBITDA Margin (%)	15.8	15.8	16.0	16.3
EBIT Margin (%)	13.6	13.9	14.1	14.4
Net profit (Rs cr)	368.3	434.1	439.0	494.6
% YoY growth	21.0	17.9	1.1	12.7
EPS (Rs)	118.0	140.1	141.6	159.6
P/E (x)	18.5	12.6	12.4	11.0
P/B (x)	2.8	2.0	1.8	1.6
EV/EBITDA	12.3	8.0	8.4	7.6
ROE (%)	16.1	16.5	14.9	15.0
ROCE (%)	16.8	17.9	17.2	17.5

Source: Company; Mirae Asset Sharekhan estimates

Concall Highlights:

- **Vertical Updates:** The HLS vertical dipped sequentially due to a timing gap between current projects that are getting executed and new projects getting started, with management remains positive that the growth will come back. Healthcare growth focused on the NHS as a primary client. The company continued delivering critical programs for the UK government while expanding through innovative data and AI capabilities. Public sector remained stable during the quarter, with several long-term contracts renewed. BFSI grew 13.4% q-o-q, driven by significant new orders from large institutions in North America, the UK, and AMEA. As revenues and resources scale up in this segment, performance is improving steadily. Retail and manufacturing verticals delivered stable results, despite a marginal timing-related dip of ~2%.
- **Regional Outlook:** North America business has stabilized following a reset year, with sequential growth across larger markets and positive order book lead indicators pointing toward continued growth into FY27. On the AMEA front, management noted a strategic refocus on two key verticals healthcare and manufacturing with larger, more stable healthcare engagements expected to drive the region toward growth in FY27. Regarding the UK, renewals are tracking strongly with meaningfully lower discounts compared to earlier quarters, and that the company is actively transitioning its business model from transaction-based to outcome-based programs, which management believes will support higher pricing and improved revenue quality as it scales across its customer base.
- **AI adoption gaining traction:** Management highlighted that AI's ability to deliver technology has evolved significantly, enabling businesses to undertake tasks previously not feasible, thereby presenting newer revenue opportunities. The company's approach goes beyond writing code, encompassing data readiness, workflow structuring, technology adoption, and measurable business impact, an ROI realization process that remains largely invisible to many non-IT clients and will require significant services support. Management noted that lead indicators around AI services are turning positive, with orders being received for incremental workflow changes, and that the company is actively working with select clients to deliver an AI adoption framework, with governance becoming a critical component. The true transformative impact, however, is expected when AI adoption scales across the entire business landscape, which the management believes will significantly enhance revenue and business impact. The exact timing of this large-scale adoption remains uncertain, though the directional trend is clearly positive.
- **Margin Story:** EBITDA margin held steady at 16.1% (-70 bps q-o-q), supported by improved execution efficiency and AI-led productivity gains, with forex tailwinds (~80 bps) partially offsetting the ~110 bps salary hike impact. Management has trimmed its margin guidance to 16-16.5% from 16.5-17% earlier, reflecting continued client-side price pressures and discounting demands. Going forward, margins are expected to remain stable, balancing operational and AI-led efficiency gains against pricing competition, client budget constraints, and incremental investments in AI capabilities.
- **Key deal ramp-ups:** The management indicated that the FCA deal has already commenced ramping up with over 60 on-site resources deployed and is expected to be fully ramped by the end of Q1FY27. For the remaining two deals Atlas and Biometrics, management noted that these are existing renewals with expanded scope, and SOW negotiations are currently underway, with ramp-ups expected to materialize sometime between Q1FY27 and Q2FY27.
- **Oracle transformation projects evolving into Broader AI Engagements:** Management clarified that Oracle-related concerns are largely overblown, as transformation projects initially centered around Oracle are now evolving into broader AI transformation engagements, beginning with back-office workflows and progressively expanding to front-office and mid-office functions. While AI advancements in core tech areas such as code writing and managed services may lead to some headcount reduction, management emphasized that client investments in AI infrastructure, workforce modernization, and overall AI transformation significantly outweigh these cost savings, resulting in a net positive for the company's transformation business. This positions the company uniquely to drive and expand AI-led transformation across its Oracle client base.
- **Other details:** Mastek recognized an exceptional line item on account of the labor code impact of Rs. 23.7 crore, including gratuity of Rs. 16 crore and a leave encashment of Rs. 7.7 crores. This impact is in addition to INR6.4 crores, which was recorded in Q3, which had gratuity of INR5.3 crores and leave encashment of INR1.1 crores. Mastek has declared a final dividend of Rs 16 per share.

Results

Particulars	Rs cr				
	Q4FY26	Q4FY25	Q3FY26	YoY (%)	QoQ (%)
Revenues In USD (Mn)	103.5	104.6	102.1	-1.1	1.4
Revenues In INR	938	905	906	3.6	3.6
Employee benefits expense	503	478	485	5.3	3.7
Gross Profit	435	428	420	1.7	3.5
Other expenses	284	289	269	-1.7	5.9
EBITDA	151	139	152	8.6	-0.8
Depreciation & amortization	18	19	18	-1.0	3.5
EBIT	132	120	134	10.2	-1.4
Other Income	24	4	21	566.8	14.3
Finance costs	7	10	7	-25.3	-3.4
PBT	149	114	148	30.6	0.9
Tax Provision	19	25	33	-23.2	-41.9
Minority Interest	0	0	0	NA	NA
EO	24	-8	6	-391.9	271.4
PAT after MI	106	97	108	9.1	-2.0
Adj. PAT after MI	130	89	115	45.6	13.2
EPS (Rs)	41.9	28.6	37.0	46.6	13.2
Margin (%)					
EBITDA Margin	16.1	15.3	16.8	75	-71
EBIT Margin	14.1	13.3	14.8	84	-71
PBT Margin	15.9	12.6	16.3	328	-41
PAT Margin	13.8	9.9	12.7	399	118

Source: Company; Mirae Asset Sharekhan Research

Regional Mix (%)

Particulars	Rs cr				
	Q4FY26	Q4FY25	Q3FY26	YoY (%)	QoQ (%)
Government & Education	40.2	39.2	39.7	100	50
Health & Life Sciences	22.7	23.9	24.9	-120	-220
Retail/ Consumer	10.6	12.7	11.0	-210	-40
Manufacturing & Technology	12.4	12.6	11.8	-20	60
BFSI	14.1	11.6	12.6	250	150
USD Mn					
Government & Education	42	41	41	1.5	2.6
Health & Life Sciences	23	25	25	-6.0	-7.6
Retail/ Consumer	11	13	11	-17.4	-2.3
Manufacturing & Technology	13	13	12	-2.6	6.5
BFSI	15	12	13	20.3	13.4

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 Tejkaran	5.48
5	HDFC AMC	3.76
6	ICICI Pru	3.61
7	Nahata Unmed Singh	3.55
8	Raman Rakesh	3.39
9	Ram Family Trust	3.22
10	Bandhan Mutual Fund	3.09

Source: Bloomberg

Key management personnel

Name	Designation
Deepak Kedia	CFO
Umang Nahata	CEO

Source: Company Website

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