Mastek (MASTEK)

CMP: ₹1,718 | Target: NA | Target Period: 12 months | UNRATED

July 22, 2026

Strong order book yet growth conversion remains elusive...

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.

Q1FY27 performance: Revenue stood at US$104.8 mn, up 1.2% QoQ / down 2.4% YoY (up 1.8% QoQ CC / down 3% YoY CC). EBITDA margin for the quarter stood at 15.3%, down ~71 bps QoQ, impacted by delayed collections in the Middle East. The PAT for the quarter stood at ₹105.9 crore, down 0.3% QoQ / up 15% YoY.

Investment Rationale:

- Revenue conversion remains the missing link: Mastek has consistently reported healthy order backlog growth (18–19% YoY in Q3FY26 and ~25% YoY over the last two quarters), yet this has not translated into sustained revenue growth, with Q1FY27 revenue still declining 3% YoY in constant currency. While management expects large deal ramp-ups and healthcare recovery in H2FY27, the delayed conversion of bookings into revenues and project transition-related headwinds limit confidence in a meaningful near-term growth acceleration. **We expect USD revenues to grow at a CAGR of 5.4% over FY26–28E.**

- Margin pressures and execution risks persist: EBITDA margins have declined to 15.4% from the 16–16.5% range seen over recent quarters, reflecting Middle East disruptions, delayed collections, regulatory costs, and continued investments. Management also indicated additional headwinds from ESOP costs and annual wage hikes in Q2, while pricing remains competitive with discounts of up to 20–25% in select deals. Although AI opportunities and large deal wins are encouraging, sustained execution and margin recovery remain key monitorables. **We model EBITDA margins at 15.8%/16% for FY27E/FY28E.**

- AI strategy yet to meaningfully move the needle: Mastek continues to make steady progress on its AI transformation strategy, with AI contributing ~45% of the new order book and management highlighting a healthy pipeline across existing and new clients. However, AI-led wins are yet to materially improve the company's overall growth trajectory or profitability. While management expects AI-led transformation deals to drive stronger growth over time, successful execution, faster monetization and broader revenue contribution will be critical to translating the strategy into sustained financial outperformance.

Rating and Target Price: Despite healthy order book growth and improving AI-led deal momentum, Mastek has struggled to translate these wins into sustained revenue growth. Margin moderation, execution delays and continued uncertainty in the Middle East further limit near-term earnings visibility. **Given the lack of meaningful near-term growth acceleration, we are DROPPING COVERAGE on Mastek to optimise resources. We also advise investors to shift to better growth opportunities within our IT coverage universe such as Affle in the ad-tech space which offers a stronger growth trajectory and superior execution.**

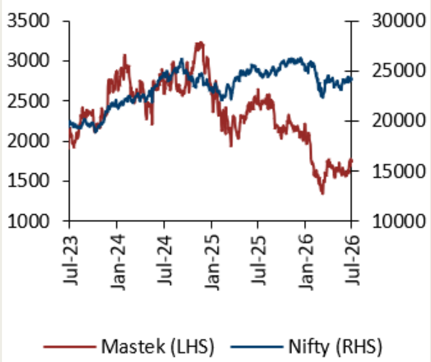
Particulars

Particulars	₹ crore
Market Capitalization	5,305
Total Debt	421
Cash and Investments	939
EV	4,787
52 week H/L	2818/ 1334
Equity capital	15.5
Face value	5.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	36	36	36	36
FII	11	10	10	7
DII	12	13	13	20
Public	41	41	41	37

Price Chart



Key risks

- Higher than expected order book to revenue conversion;
- Higher than expected margin expansion

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	3,055	3,455	3,699	16.5	4,044	4,372	8.7
EBITDA	509	546	586	9.9	638	701	9.4
EBITDA Margins (%)	16.7	15.8	15.8		15.8	16.0	
Net Profit	300	376	404	14.1	426	470	7.9
EPS (₹)	97	121	129		137	151	
P/E	17.7	14.1	13.1		12.4	11.3	
RoNW (%)	14.3	15.3	13.5		12.8	12.7	
RoCE (%)	15.6	15.9	16.6		15.1	15.4	

Source: Company, ICICI Direct Research

Exhibit 1: Quarter Performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Revenue in USD mn	104.8	107.4	-2.4	103.5	1.3
Revenue in ₹ crore	985.3	914.7	7.7	938.0	5.0
Employee expense	532.6	490.0	8.7	503.0	5.9
Gross Margin	452.7	424.7	6.6	435.0	4.1
Gross margin (%)	45.9	46.4	-49 bps	46.4	-43 bps
Other expense	301.3	287.4	4.8	284.3	6.0
EBITDA	151.4	137.3	10.2	150.8	0.4
EBITDA Margin (%)	15.4	15.0	35 bps	16.1	-71 bps
Depreciation & amortisation	18.3	18.4	-0.4	18.5	-0.7
EBIT	133.0	118.9	11.9	132.3	0.6
EBIT Margin (%)	13.5	13.0	50 bps	14.1	-60 bps
Other income (less interest)	5.4	1.8	202.2	16.7	-67.4
PBT	138.5	120.7	14.7	149.0	-7.0
Tax paid	32.6	28.7	NM	19.1	70.8
PAT	105.9	92.1	15.0	106.2	-0.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Net Sales	**3,699**	**4,044**	**4,372**
Growth (%)	7	9	8
Employee Exp	1,973	2,187	2,368
Other expenses	1,141	1,219	1,303
Total Operating Exp	3,113	3,406	3,671
EBITDA	586	638	701
Growth (%)	7	9	10
Depreciation	73	81	90
Net Other Income	38	19	31
PBT	551	576	642
Total Tax	117	146	167
Exceptional item	(30)	-	-
PAT after Minority Interest	404	426	470
Growth (%)	7	5	10
Diluted EPS (₹)	129.5	136.5	150.6

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Profit before tax	**551**	**576**	**642**
Add: Depreciation	73	81	90
(Inc)/dec in Current Assets	54	(274)	(119)
Inc/(dec) in CL and Provisions	54	549	117
Taxes paid	(167)	(146)	(167)
CF from operating activities	**542**	**711**	**462**
(Inc)/dec in Inv. (+) Int inc (+) Goodwill	350	48	68
(Inc)/dec in Fixed Assets	(416)	(101)	(109)
CF from investing activities	**(66)**	**(53)**	**(41)**
Issue/(Buy back) of Equity	0	-	-
Dividend paid & dividend tax	(74)	(93)	(93)
Others	(210)	29	38
CF from financing activities	(300)	(76)	(67)
Net Cash flow	244	583	354
Exchange difference	68	-	-
Opening Cash	461	705	1,288
Closing Cash	**705**	**1,288**	**1,642**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Liabilities			
Equity Capital	16	16	16
Reserve and Surplus	2,976	3,313	3,696
Total Shareholders funds	2,992	3,329	3,711
Minority interest	-	3	8
Total Debt	421	421	421
Other liabilities	111	257	278
Total Liabilities	**3,524**	**4,010**	**4,418**
Assets			
Total Fixed Assets	1,940	1,972	2,004
Investments	12	12	12
Other non current assets	242	256	258
Debtors	580	716	774
Loans and Advances	-	-	-
Cash & Equivalents	705	1,288	1,642
Other current assets	829	953	1,011
Total Current Assets	2,114	2,957	3,427
Current liabilities	729	1,145	1,238
Provisions	55	43	46
Total Current Liabilities	784	1,187	1,284
Net Current Assets	1,330	1,770	2,143
Application of Funds	**3,524**	**4,010**	**4,418**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios			
	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	130.8	138.0	152.3
Cash EPS	154.5	164.5	181.5
BV	968.9	1,078.0	1,201.8
DPS	26.0	30.0	30.0
Cash Per Share	228.6	417.6	532.2
Operating Ratios (%)			
EBITDA Margin	15.8	15.8	16.0
PBT Margin	14.9	14.2	14.7
PAT Margin	10.9	10.5	10.8
Inventory days	-	-	-
Debtor days	57	65	65
Creditor days	**20**	**26**	**26**
Return Ratios (%)			
RoE	13.5	12.8	12.7
RoCE	16.6	15.1	15.4
RoIC	18.2	20.4	22.0
Valuation Ratios (x)			
P/E	13.1	12.4	11.3
EV / EBITDA	8.2	6.6	5.5
EV / Net Sales	1.3	1.0	0.9
Market Cap / Sales	1.4	1.3	1.2
Price to Book Value	1.8	1.6	1.4
Solvency Ratios			
Debt/EBITDA	0.7	0.7	0.6
Debt / Equity	0.1	0.1	0.1
Current Ratio	1.8	1.4	1.4
Quick Ratio	1.8	1.4	1.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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