

HSIE Results Daily

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Results Reviews

- **Mastek:** Mastek reported strong revenue growth of 2.9% QoQ CC, but the margins were impacted. The margin drop of 100bps was led by the UK region while the US and ME margins were stable. The 12-month order backlog grew 7.1% QoQ and was up 7-8% YoY, including the early-April deals. The UK geography continues to be a growth driver, led by a healthy momentum in the data and AI projects. The NHS was the highest growth vertical (doubled YoY), driven by policy-driven prevention and collections programs of the UK government. The private sector in the UK has also turned a corner, showing good momentum in digital services. The growth outlook for the UK remains strong, supported by healthcare, defence, and new deal wins. We expect the UK region to deliver low-teen growth for FY26E. The weakness in the North America business was led by macroeconomic challenges, leading to insourcing by some clients and delay in decision making. Mastek is currently undergoing a reset in its US focus, leadership, structure, and go-to-market strategy. The company is beefing up its data and AI capabilities in the region and focusing on key verticals including healthcare and manufacturing. While there is near-term uncertainty, we anticipate long-term growth in the US, driven by its focus on these strategic areas. Mastek's UK margins were impacted by growth in newer areas like data and AI, which initially have lower margins due to capability building and higher onsite and subcontractor costs. Additionally, some NHS and secured government service contracts were renewed at lower gross margin rates. Mastek aims to reach an EBITDA margin of 17-19% by the end of FY26, led by offshoring and AI-led efficiency. We cut the revenue EPS estimate by ~3% (margin drop) and maintain our ADD rating with a TP of INR 2,950, based on 20x FY27E EPS. The stock is trading at P/E of 19/16x, based on FY26/27E EPS.

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Mastek

Growth powered by NHS; margins drop

Mastek reported strong revenue growth of 2.9% QoQ CC, but the margins were impacted. The margin drop of 100bps was led by the UK region while the US and ME margins were stable. The 12-month order backlog grew 7.1% QoQ and was up 7-8% YoY, including the early-April deals. The UK geography continues to be a growth driver, led by a healthy momentum in the data and AI projects. The NHS was the highest growth vertical (doubled YoY), driven by policy-driven prevention and collections programs of the UK government. The private sector in the UK has also turned a corner, showing good momentum in digital services. The growth outlook for the UK remains strong, supported by healthcare, defence, and new deal wins. We expect the UK region to deliver low-teen growth for FY26E. The weakness in the North America business was led by macroeconomic challenges, leading to insourcing by some clients and delay in decision making. Mastek is currently undergoing a reset in its US focus, leadership, structure, and go-to-market strategy. The company is beefing up its data and AI capabilities in the region and focusing on key verticals including healthcare and manufacturing. While there is near-term uncertainty, we anticipate long-term growth in the US, driven by its focus on these strategic areas. Mastek's UK margins were impacted by growth in newer areas like data and AI, which initially have lower margins due to capability building and higher onsite and subcontractor costs. Additionally, some NHS and secured government service contracts were renewed at lower gross margin rates. Mastek aims to reach an EBITDA margin of 17-19% by the end of FY26, led by offshoring and AI-led efficiency. We cut the revenue EPS estimate by ~3% (margin drop) and maintain our ADD rating with a TP of INR 2,950, based on 20x FY27E EPS. The stock is trading at P/E of 19/16x, based on FY26/27E EPS.

- **Q4FY25 highlights:** (1) Revenue, at USD 104.6mn (+1.7/11.6% QoQ/YoY), was better than our estimate of USD 103.5mn. The UK geography reported 6.9% QoQ growth while the US and ME were down -6.7/-2.6% QoQ. (2) Growth was led by the healthcare vertical (+12.7% QoQ), followed by Government (+1.8% QoQ) while Retail/BFSI/Mfg were down -4.3/-1.7/7.3% respectively. (3) EBITDA margin dipped 86bps QoQ to 15.3% (vs our estimate of 16.2%) due to lower UK margins (16.2% vs 19.9% QoQ) led by higher subcontracting costs. (4) Among services, Oracle (30% of the revenue) grew by 3.3% QoQ while Digital & Applications (48% of the revenue) declined 0.4% QoQ; Digital commerce declined by 12.7% QoQ while Data grew by 32% QoQ. (5) Headcount declined by 202 to 5,058, billable utilisation increased by 182bps to 76.3% with attrition declining sequentially by 81bps to 19.3%.
- **Outlook:** We expect USD revenue growth of 11.2/12.2% in FY26/27E and an EBITDA margin of 15.9/16.3% in FY26/27E, resulting in revenue/EPS CAGRs of 12/13% over FY25-27E.

Quarterly Financial summary

| YE Mar (INR bn) | Q4 FY25 | Q4 FY24 | YoY (%) | Q3 FY25 | QoQ (%) | FY23 | FY24 | FY25 | FY26E | FY27E |
|-------------------|---------|---------|---------|---------|---------|-------|-------|-------|-------|-------|
| Revenue (USD mn) | 105 | 94 | 11.6 | 103 | 1.7 | 318 | 368 | 408 | 454 | 510 |
| Net Sales | 9.05 | 7.80 | 16.1 | 8.70 | 4.1 | 25.63 | 30.55 | 34.55 | 39.07 | 44.35 |
| EBIT | 1.20 | 0.98 | 23.0 | 1.24 | (3.2) | 3.88 | 4.19 | 4.71 | 5.37 | 6.32 |
| APAT | 0.89 | 0.92 | (3.1) | 0.91 | (1.7) | 2.68 | 3.06 | 3.68 | 3.93 | 4.66 |
| Diluted EPS (INR) | 28.20 | 29.11 | (3.1) | 28.68 | (1.7) | 86.6 | 96.2 | 116.4 | 124.2 | 147.4 |
| P/E (x) | | | | | | 26.7 | 24.0 | 19.9 | 18.6 | 15.7 |
| EV / EBITDA (x) | | | | | | 15.9 | 14.4 | 13.3 | 10.9 | 9.0 |
| RoE (%) | | | | | | 19.4 | 16.1 | 16.2 | 15.0 | 15.7 |

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

| YE Mar (INR Bn) | FY26E Old | FY26E Revised | Change % | FY27E Old | FY27E Revised | Change % |
|------------------|-----------|---------------|----------|-----------|---------------|----------|
| Revenue (USD Mn) | 453 | 454 | 0.3 | 509 | 510 | 0.2 |
| Revenue | 38.95 | 39.07 | 0.3 | 44.24 | 44.35 | 0.2 |
| EBIT | 5.51 | 5.37 | (2.4) | 6.51 | 6.32 | (3.0) |
| EBIT margin (%) | 14.1 | 13.8 | -38bps | 14.7 | 14.2 | -48bps |
| APAT | 4.03 | 3.93 | (2.5) | 4.80 | 4.66 | (2.9) |
| EPS (INR) | 127.4 | 124.2 | (2.5) | 151.7 | 147.4 | (2.9) |

Source: Company, HSIE Research

ADD

| | |
|---------------------------|-----------|
| CMP (as on 21 April 2025) | INR 2,314 |
| Target Price | INR 2,950 |
| NIFTY | 24,126 |

| KEY CHANGES | OLD | NEW |
|--------------|-----------|-----------|
| Rating | ADD | ADD |
| Price Target | INR 3,030 | INR 2,950 |
| EPS % | FY26E | FY27E |
| | -2.5 | -2.9 |

KEY STOCK DATA

| | |
|------------------------------|-----------------|
| Bloomberg code | MAST IN |
| No. of Shares (mn) | 31 |
| MCap (INR bn) / (\$ mn) | 72/840 |
| 6m avg traded value (INR mn) | 724 |
| 52 Week high / low | INR 3,375/1,883 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|--------|--------|--------|
| Absolute (%) | (11.9) | (18.8) | (14.3) |
| Relative (%) | (16.6) | (16.6) | (22.9) |

SHAREHOLDING PATTERN (%)

| | Dec-24 | Mar-25 |
|-----------------|--------|--------|
| Promoters | 36.22 | 35.97 |
| FIs & Local MFs | 9.28 | 9.85 |
| FPIs | 9.39 | 10.01 |
| Public & Others | 45.11 | 44.17 |
| Pledged Shares | 0.00 | 0.00 |

Source: BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

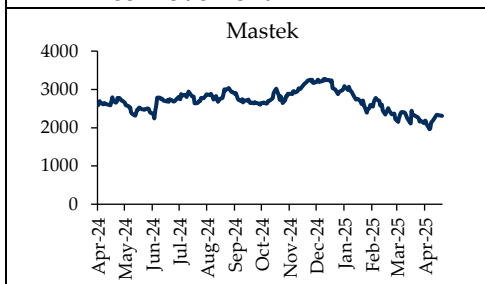
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

| Analyst | Company Covered | Qualification | Any holding in the stock |
|------------------------|-----------------|---------------|--------------------------|
| Amit Chandra | Mastek | MBA | NO |
| Vinesh Vala | Mastek | MBA | NO |
| Maitreyee Vaishampayan | Mastek | MSC | NO |

1 Yr Price movement

Disclosure:

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