Mastek

Revenue miss; order book expansion

BUY

CMP *(as on 21 Jan 2026)*	INR 2,175
Target Price	INR 3,100
NIFTY	25,158

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,200	INR 3,100
EPS %	FY27E	FY28E
	-5.0	-3.3

KEY STOCK DATA	
Bloomberg code	MAST IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	67/735
6m avg traded value (INR mn)	391
52 Week high / low	INR 2,818/1,883

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.3	(18.5)	(17.2)
Relative (%)	8.3	(18.2)	(25.2)

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	35.95	35.79
FIs & Local MFs	10.52	11.53
FPIs	11.04	11.24
Public & Others	42.49	41.44
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Mastek reported a weak Q3FY26, with revenue declining 4.8% QoQ in CC, impacted by higher-than-expected furloughs, primarily in the UK Secure Government Services (SGS) segment (impact of USD 2.7mn, ~2.5%), delays in ramp-ups, and ongoing restructuring in the Middle East. Despite the revenue decline, EBITDA margin improved 60bps QoQ, aided by AI-led efficiency gains. The 12-month order backlog grew 18.4% YoY to USD 296mn, supported by three key wins with the UK Home Office, UK Financial Regulator (net new), and UK Healthcare Systems. Several Oracle-led transformation programs went live during Q3, while the commencement of new programs shifted to Q4, which impacted Q3 revenue. The US leadership changes are over and with order bookings of USD 30mn, management believes the worst is behind. UK government remains the key focus area and the company is building AI led data engineering capability and delivering ~15%+ efficiency gains to clients. Management expects growth to accelerate with an EBITDA margin target of 16.5–17.0%. However, considering macro uncertainty, delayed ramp-ups, and AI-driven pricing pressure in select SGS accounts, we trim our FY27/28E EPS estimates by ~3-5%. We maintain our BUY rating on the stock with a TP of INR 3,100, based on 20x Mar-28E EPS.

- **Q3FY26 highlights:** (1) Mastek reported revenue at USD 102.1mn (lower than our estimate of USD 109mn), 4.8% QoQ CC decline due to higher furloughs and right-shift of a few engagements to Q4FY26. The UK geography declined 3.2% QoQ, impacted by decline in government services, and US declined by 6.4% QoQ, impacted by macro uncertainties, causing clients to delay decisions, and AMEA declined by 16.3% QoQ. (2) De-growth was broad-based across all the verticals: Government (-3.8% QoQ), Financial Services (-5.5% QoQ), Retail (-8.2% QoQ), Healthcare (-7.2% QoQ) and Manufacturing (-5.9% QoQ). (3) EBITDA margin improved 60bps QoQ to 16.1% (vs HSIE est. of 15.9%) driven by operational efficiencies (+43bps) and forex tailwinds (+17bps). The one-time impact of labor code changes (-70bps) was negated by benefit of leave accumulation reversal at onsite. (4) Among services, Digital & Applications de-grew -3.9% QoQ, Oracle declined -5.7% QoQ, Digital Commerce de-grew -9.6% QoQ and Data de-grew -8.9% QoQ.
- **Outlook:** We expect USD revenue growth of 3.6/7.8/11.8% in FY26/27/28E and an EBITDA margin of 15.8/15.9/16.5% in FY26/27/28E, resulting in EPS CAGR of ~10% over FY25-28E.

Quarterly Financial summary

YE Mar (INR bn)	Q3 FY26	Q3 FY25	*YoY (%)*	Q2 FY26	*QoQ (%)*	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	102	103	(0.8)	108	(5.6)	368	408	423	456	510
Net Sales	9.06	8.70	4.2	9.40	(3.7)	30.55	34.55	37.05	40.84	46.18
EBIT	1.28	1.24	2.9	1.28	0.1	4.19	4.71	5.11	5.71	6.73
APAT	1.08	0.91	19.4	0.97	11.2	3.04	3.68	4.02	4.27	4.91
Diluted EPS (INR)	34.26	28.68	19.4	30.81	11.2	96.2	116.4	127.1	135.0	155.2
P/E (x)						22.6	18.7	17.1	16.1	14.0
EV / EBITDA (x)						13.6	12.5	11.1	9.4	7.7
RoE (%)						16.1	16.2	15.3	14.4	14.7

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %
Revenue (USD mn)	437	423	*(3.2)*	486	456	*(6.2)*	549	510	*(7.0)*
Revenue	38.35	37.05	*(3.4)*	43.54	40.84	*(6.2)*	49.64	46.18	*(7.0)*
EBIT	5.20	5.11	*(1.7)*	6.22	5.71	*(8.3)*	7.07	6.73	*(4.8)*
EBIT margin (%)	13.6	13.8	24bps	14.3	14.0	-32bps	14.2	14.6	33bps
APAT	3.81	4.02	*5.5*	4.49	4.27	*(5.0)*	5.08	4.91	*(3.3)*
EPS (INR)	120.6	127.1	*5.5*	142.1	135.0	*(5.0)*	160.6	155.2	*(3.3)*

Source: Company, HSIE Research

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Shoppers Stop

Disappointed on all counts

STOP's topline remained largely flat YoY at INR 13.2bn in Q3 (HSIE: INR 14.3bn), impacted by the shift of festive season from Q3 to Q2, muted discretionary demand, and reduced mobility due to elevated pollution levels in northern India. SSSG for department stores was flat YoY, while beauty grew 14% YoY in Q3. GM contracted by 128bps YoY to 39.4% (HSIE: 40.5%) due to Intune-led inventory clearance and lower private brands mix. Pre-IndAS EBITDAM contracted by 318bps YoY to 5% (HSIE: 8.3%). New ventures (Intune and SSBeauty) doubled pre-IndAS EBITDA losses YoY to INR 0.2bn in Q3FY26 as Intune grapples with ongoing inventory challenges. Management expects Intune's profitability to improve from Q1FY27 onwards and expects a store-level breakeven by FY28 (previously FY27). We have trimmed our FY27/28 EBITDA estimates by ~13/5% to factor in muted demand and Intune's weak execution. We maintain our REDUCE rating with a DCF-based TP of INR 360/sh, implying ~15x Mar-28 EV/EBITDA.

- **Q3FY26 highlights**: Revenue growth for Q3FY26 was largely flat YoY at INR 13.2bn (HSIE: INR 14.3bn), impacted by the shift of festive season from Q3 to Q2, muted discretionary demand, and reduced mobility due to elevated pollution levels in northern India. SSSG for department stores stood flat YoY in Q3. Within non-apparel, handbags/watches grew 13/12% YoY respectively, while beauty grew 14% YoY to INR3.95bn. Premium categories contributed 69% of total revenue (up 6% YoY; +6% LFL). ASP/ATV up 7% YoY each. In Q3, the company opened 3/3/1 Department/Intune/Homestop stores. GM contracted by 128bps YoY to 39.4% (HSIE: 40.5%) due to Intune-led inventory clearance and lower mix of private brands. Consequently, pre-IndAS EBITDAM contracted 318bps YoY to 5% (HSIE: 8.3%) due to weak operating leverage and higher A&P spends, with core business pre-IndAS EBITDAM falling 189bps YoY to 5.9%. New ventures (Intune and SSBeauty) saw pre-IndAS EBITDA losses double YoY to INR 0.2bn in Q3FY26. Intune's revenue grew by modest 22% YoY to INR 0.8bn as it continues to face inventory challenges and associated EBITDA losses. Management expects Intune's profitability to improve from Q1FY27 onwards and expects to reach store-level breakeven by FY28. APAT declined by 38.3% YoY to INR 301mn (HSIE: INR 537mn). Capex for Q3FY26 stood at INR 0.35bn while net debt remained stable at INR 0.9bn.
- **Outlook**: STOP's rising focus on non-apparel + value retail is encouraging, while premiumization is likely to remain key growth driver in the near term. We have toned down our FY27/28 EBITDA estimates by ~13/5% to factor in muted discretionary demand and Intune's weak execution. We maintain our REDUCE rating with a DCF-based TP of INR 360/sh, implying ~15x Mar-28 EV/EBITDA.

Quarterly financial summary

(INR mn)	3QFY26	3QFY25	YoY (%)	2QFY26	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	13,209	13,115	0.7	11,753	12.4	39,984	42,132	44,356	46,706	50,619	55,189
EBITDA	2,097	2,399	(12.6)	1,640	27.9	2,827	2,166	2,535	1,427	2,340	2,829
APAT	126	488	(74.1)	(227)	(155.6)	1,193	739	67	(434)	330	698
EPS (Rs)	1.1	4.4	(74.2)	(2.1)	(155.6)	10.9	6.7	0.6	(3.9)	3.0	6.3
P/E (x)						30.8	46.7	556.8	(145.0)	113.6	53.7
EV/EBITDA (x)						13.3	17.6	15.5	27.4	16.6	12.9
Core RoCE(%)						18.6	9.2	54.4	(0.3)	15.3	16.1

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	46,706	48,008	*(2.7)*	50,619	50,801	*(0.4)*	55,189	54,985	*0.4*
Gross Profit	19,057	19,780	*(3.7)*	20,831	20,982	*(0.7)*	22,794	22,710	*0.4*
Gross Profit Margin (%)	40.8	41.2	***-40 bps***	41.2	41.3	***-15 bps***	41.3	41.3	***0 bps***
EBITDA	1,427	2,457	*(41.9)*	2,340	2,694	*(13.1)*	2,829	2,977	*(5.0)*
EBITDA margin (%)	3.1	5.1	***-206 bps***	4.6	5.3	***-68 bps***	5.1	5.4	***-29 bps***

Source: Company, HSIE Research

REDUCE

CMP *(as on 21 Jan 2026)*	**INR 341**
Target Price	**INR 360**
NIFTY	**25,158**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 400	INR 360
EBITDA %	FY27E	FY28E
	-13.1	-5.0

KEY STOCK DATA	
Bloomberg code	SHOP IN
No. of Shares (mn)	110
MCap (INR bn) / ($ mn)	38/410
6m avg traded value (INR mn)	41
52 Week high / low	INR 640/319

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(34.1)	(37.9)	(44.9)
Relative (%)	(31.1)	(37.5)	(53.0)

SHAREHOLDING PATTERN (%)	**Sep-25**	**Dec-25**
Promoters	65.53	65.70
FIs & Local MFs	25.57	25.44
FPIs	2.93	2.79
Public & Others	5.96	6.07
Pledged Shares	6.43	6.43

Source : BSE

-Pledged shares as % of total shares

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