

## FROM THE CHAIRMAN'S DESK

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Dear fellow shareowner,  
I am pleased to have this opportunity to discuss with you the performance of our company during the financial year 2008-09 and update you on our business and operational initiatives aimed at driving growth in the future.

### **A year of resilient performance and consolidation**

In some ways, FY2009 has been a milestone year for Mastek. While we demonstrated remarkable resilience and agility in the face of an unanticipated economic downturn during the year and sustained our profitability at healthy levels, we also made significant investments in our business and resources, expanding our team by bringing in very senior talent, exploring new markets and opportunities, and further strengthening our value proposition as an intellectual property-led IT solutions provider. This places Mastek at a significant advantage to others in the industry that are vying to ride the “third wave” and remain relevant to their clients.

As you are well aware, the year under review has been characterized by a sharp slowdown in the global economy, pushing almost all major economies into the grip of recession, with emerging nations like India and China being the few exceptions. What began as a crisis within the financial sector in the US, quickly spread across the globe encompassing almost all other geographies and nearly every industry. While we have witnessed multiple macroeconomic adversities in the past, the current situation is perhaps unprecedented in scale and scope, marked by very high levels of uncertainty and extreme volatility.

In the face of such a challenging and fast-evolving environment Mastek has been swift in responding to the shifts in market conditions, adjusting its resources, cost structures, and management processes to ensure that overall profitability is sustained. This is reflected in the company's performance during FY2009, with after tax profit registering a better growth than revenue on the back of improved profit margin. The fact that such performance was achieved despite a slackening demand environment, adverse forex movements, and a sharper than anticipated ramp down in our BT/NHS project revenue without compromising on strategic investments is very encouraging and in line with our commitment to relentlessly pursue long-term profitable growth.

We continue to implement organization-wide initiatives aimed at streamlining our internal delivery processes, rationalizing our overheads, and further improving our efficiencies.

### **Reinforced front-end team, established a platform for stronger future growth**

It is the company's intent to emerge as a globally dominant player in all its chosen verticals and during FY2009 Mastek made substantial investments and noticeable progress in creating the necessary organizational and operational platform to achieve its long term objectives. Mastek's portfolio of intellectual property (IP) and products, deep domain expertise in its focus verticals of Insurance and Government, large programme management capabilities, and an organizational DNA that fosters innovation are great competitive advantages even in the prevailing macro environment. Many of these strengths have accrued from years of complex program delivery and investments in product and IP development. More recent initiatives, such as leadership team expansion and strategic acquisitions, have further reinforced Mastek's existing competitive position.

During the year under review, Mastek made several qualitative improvements and changes to its operating profile, with many additions to its global leadership team and increased R&D investments in its new Elixir4™.

The company's go-to-market leadership team and front-end sales organization was further reinforced with the induction of several senior-level professionals from large global organizations such as EDS and CSC. These appointments made during FY2009 follow the expansion of the company's management bandwidth earlier, in FY2008, with the induction of senior and mid-level professionals in delivery and corporate functions, thus strengthening its back-end operations.

Mastek now has a robust sales and delivery organization in place, with all the capabilities crucial to competing more effectively in the marketplace. This is also enabling the company to extend its presence in new markets in Europe and North America, with a new Canadian operation established during the year under review.

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### **Growth-led financial performance despite macro headwinds**

Mastek's non-linear business model, focus on relatively stable industry verticals, and investments in intellectual property does provide it with several competitive advantages but it is not immune to an economic crisis that is global in impact and pervades all major industries. Resultantly, the company's total income growth in FY2009, at about 5%, has been lower than past years. However, the agility with which Mastek met the unfolding external environment did enable it to deliver a much stronger earnings growth, with post-tax profits increasing by 12%. We ended the year under review with a total income of Rs 9.65 billion, a net profit of Rs 1.41 billion, and cash & cash equivalents of Rs 2.40 billion.

The performance and contribution of our property & casualty (P&C) division, created after the acquisition and subsequent integration of STG into Mastek's overall operations, has been especially encouraging with an industry-leading growth rate and significant expansion in margins. The billing solution offered by this division, which has a set of well-established and highly regarded products and IP for non-life insurance carriers, has been ranked by analyst firm Celent as a market leader with a proven system.

### **Continued dividend payout**

Mastek has been a consistent dividend paying company, and that remained unchanged even during a tough fiscal year 2009. The company aims to enable its shareholders to progressively share in the operating performance of the company while conserving the cash required for operations and potential inorganic growth opportunities. In keeping with this philosophy, the dividend recommended by the Board of Directors of the company for the year under review is 200%, amounting to a total dividend of Rs 10 per share which is the same as last year.

### **Committed to high standards of corporate governance**

The Indian IT industry has been known for its high governance standards and many companies, including Mastek, have received national and international recognition for the same. We know you share our shock at the unfortunate sequence of events at Satyam that we witnessed during the year. However, the unethical behavior of a rogue IT industry player must not be allowed to tarnish the well grounded, hard earned and proven reputation of Indian IT leaders. The reaction from our clients and investors has been supportive and balanced, recognizing that this has been an exception rather than the norm.

The Mastek Board has assessed, and is completely satisfied with, the level of internal controls and risk management processes we have. We will keep you informed of our further key proactive initiatives in this direction through announcements and updates on our website and other channels of information. Our business potential remains as solid as ever. We remain committed to deliver the utmost value to our stakeholders.

### **Well-poised to benefit more from revival in business environment**

Although the global economic environment remains challenging, there are some tentative signs of recovery. It would be imprudent, however, to expect a quick or steep recovery in the economy, as many of the initial signs of recovery remain quite fragile. But we do believe that our solutions model will see significant growth as the economy in our target markets revives. Mastek remains financially sound and activity levels within the company are high. We are today a much stronger company, from the delivery capability and IP perspective as well as the front-end sales and marketing perspective, than before. This gives us the confidence to outperform both the markets we serve and the industry we operate in, once demand recovery picks up.

Before concluding, on behalf of the Board, I would like to extend our appreciation to all our stakeholders who have supported us during what has been an unusually tough year. Specifically, I would like to acknowledge the continued support of our customers, vendors, employees, investors and shareholders in our endeavour to create a high-end IP-led IT solutions company out of India, with knowledge and innovation at its core.



Sudhakar Ram  
Chairman and Managing Director