



**Mastek July-Sept 2008 quarter Total Income up 24% year-on-year at Rs 262 cr
PAT for quarter up 63% year-on-year at Rs 41 cr, EPS (non-annualised) at Rs. 15.1
EBITDA margin expands from 14.5% to 18.2%**

On quarter-on-quarter basis Total Income grows by 5%, PAT increases by 7%

Full year FY2009 outlook remains positive and growth-oriented, driven by:

- *Expanded order book (of Rs 505 cr) and promising opportunity pipeline*
- *Much slower than anticipated ramp-down of NHS application development revenue*
- *Contribution from execution of Swift2Move™ solution with Thales UK*
- *Phased release of new SOA-based Elixir™ enterprise solution for insurance vertical*
- *Full year contribution from STGMastek (acquired in March 2008)*
- *Continued benefits from productivity & efficiency enhancement initiatives*
- *Addition of 3 new accounts during Q1FY2009*
- *Limited exposure to banking & related sector clientele globally*

Mumbai, India – October 10, 2008: Mastek, a high-end IT solutions player with global operations providing new technology and IP-led enterprise solutions with a focus on the Insurance and Government verticals worldwide, announced its unaudited financial results for the quarter ended September 30, 2008 today.

Review of quarterly financial performance

On a year-on-year basis, the company's total income during the quarter under review (Q1FY2009) was higher by 24% at Rs 261.7 crore compared to Rs 211.5 crore in the similar quarter last year. This was enabled by growth in existing accounts, contribution from accounts added in the preceding quarters, and revenue inflows from the non-life (P&C) insurance business resulting from the recently acquired STGMastek. EBITDA for the quarter under review was Rs 46.9 crore, up 58% from Rs 29.6 crore last year. The company has reported an EBITDA margin of 18.2% for the quarter. Profit After Tax (PAT) increased 63% from Rs 25.1 crore in the similar period last year to Rs 41.2 crore during the quarter under review, indicating a net margin of 15.7%.

The operating performance of the company during Q1FY2009 reflects the implementation of annual wage hikes within the company and unfavourable forex movement during the quarter.

In dollar terms, total income increased by 12% to US\$58.8 million in the quarter under review from US\$52.4 million in the corresponding quarter last year, and PAT was up 49% at US\$9.3 million from US\$6.2 million last year.

During Q1FY2009, Mastek added 3 new customers and its 12-month order book expanded from Rs.453 crore as on 30 June 2008 to Rs 505 crore as on 30 September 2008.

Note (i): All references to Mastek's financial results in this release pertain to the company's consolidated operations. Please note that the company's performance for Q1FY2009 includes contributions from STGMastek that was acquired on 8th March 2008 and has been consolidated with effect from Jan. 1, 2008, and is therefore not strictly comparable with previous year's performance.

Note (ii): Mastek follows a July 01-to-June 30 financial year.

Note (iii): Rs 1 crore (cr.) = Rs 10 million (mn.).



On a quarter-on-quarter basis, Mastek's total income for the quarter under review represents a 5% increase from Rs 249.8 crore in the preceding quarter to Rs 261.7 crore. EBITDA at Rs 46.9 crore was lower by 4% from Rs 48.7 crore in the preceding quarter, mainly as a result of annual wage hikes that occur in the first quarter of every financial year and some forex losses. This got reflected in a lower EBITDA margin of 18.2% compared to the sequentially preceding quarter's EBITDA margin of 19.9%. At the net profit level, however, tax refunds of Rs 4.8 crore resulted in a 7% increase in PAT to Rs 41.2 crore compared to Rs 38.6 crore in the sequentially preceding quarter.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, said: "Our performance during the quarter shows that we have commenced our new financial year on a strong note, both financially as well as operationally. Our differentiated business model, reflected in its non-linear nature and based on delivering IP-led enterprise solutions to clients in chosen verticals, is becoming increasingly relevant in the now emerging business environment. At the same time, our past efforts aimed at creating a strong opportunity pipeline and optimizing productivity levels have also begun to deliver results. Therefore, despite the prevailing macroeconomic environment, the outlook for the full year remains positive and growth oriented."

Operating performance review

- **New account addition and growth in existing accounts:** During the quarter under review, Mastek was able to build upon the opportunity pipeline that it has been creating, adding new customers and strengthening relationships with existing ones. The company added 3 new accounts during Q1FY2009, all in the insurance vertical including one Fortune 500 organization, with the newly acquired STGMastek contributing two new non-life insurance customers. The financial and strategic contribution from the acquisitions made last year to Mastek's overall operations during the period under review has been in line with plan.
- **Order book expands to Rs 505 crore:** Mastek was able to consistently expand its order book every quarter throughout the preceding fiscal (FY2008) and that trend has sustained in the current year as well. The 12-month order book expanded 11% from Rs 453 crore at end of the sequentially preceding quarter to Rs.505 crore as on September 30, 2008.

Phased release of new SOA-based Elixir™ current quarter onwards: A new, more flexible version of Elixir™ based on Service Oriented Architecture (SOA) will be introduced in the market in a phased manner, with some of the initial modules expected to be out during FY2009, with the Distribution Management module expected to be rolled-out in the current quarter. The new SOA-based Elixir™ insurance enterprise platform is aimed at enabling insurance carriers to efficiently manage broker-dealer networks, administer and launch new products, and claims processes, reduce costs and grow market share. The company already has delivered, and is also currently implementing, the earlier version of Elixir™ for multiple insurance players globally. During the preceding quarter, Mastek had revised its agreement with Capita Life & Pensions to expand its licence and service arrangement for Elixir™. This expanded agreement includes an enhanced support and maintenance arrangement based on Elixir as the strategic platform of choice for the new product launches and legacy migrations / consolidations.

- **Execution begins on Swift2Move™ solution for UK MoD with Thales UK:** During the quarter under review, Mastek continued to implement the Swift2Move™ solution in partnership with Thales UK. This IP-based solution is designed to meet the UK Ministry of Defence (MoD) requirement to manage and schedule the global air movements of troops and cargo. It will be deployed over the UK's Defence Information Infrastructure (DII). The

“Swift2Move” software solution was developed by the Thales-led partnership of Mastek, Fujitsu Services and Flyware.

- **People:** Mastek’s differentiated business model and solutions-oriented projects have enabled it to effectively manage attrition over the years. During the quarter under review, the company saw its attrition level decline from the preceding quarter, as it added a net of 163 new “Mastekeepers” (Mastek employees) during Q1FY2009 and increased its employee strength to 4,234 as on 30 September 2008. Of these, about 27% were based on-site while the rest were at various offshore locations. The company continues to implement measures aimed at sustaining its superior returns on talent, which should yield visible benefits going forward.

Update on recent corporate developments

- **New corporate brand identity launched:** Mastek unveiled its new brand identity during the quarter under review. The new Mastek prism logo reflects the company’s global positioning of being an enabler of transformation is in line with its vision of being a high-end player specializing in building IT applications that enables and empowers customers in their business innovation and transformation initiatives. The new brand identity is tied in very closely with the values of the company, and for an employee the Mastek Prism is an acknowledgement of the creativity and innovation that each one can bring to the table. It symbolizes freedom and provides a platform for each individual to bloom and fulfil his or her potential. This new corporate identity is being applied to all aspects of Mastek’s business, including acquisitions, mergers and other business initiatives.
- **Phase I of new Chennai SEZ campus to be completed in Q2FY2009:** Work on Mastek’s new campus at the Mahindra Industrial Park, an SEZ near Chennai, is progressing in line with plan. In the first phase, which is expected to be completed and ready during the Oct-Dec 2008 quarter, the facility will have the capacity to house about 1,500 professionals. Mastek’s future expansions over the next 2-3 years will occur at this campus, which will be able to employ over 5,000 professionals when fully operational.
- **Share buy-back program completed in July 2008:** The company’s share buy-back programme, which opened on 20 May 2008, was successfully completed and closed in July 2008. Purchases were made consistently through open market transactions in accordance with applicable laws, rules and regulatory guidelines and the maximum limit of buy-back (Rs 65 crore, that is 25% of the share capital and free reserves (including share premium) based on the audited accounts as on 30 June 2007) was reached on 17 July 2008. During the period of buy-back, the company repurchased 1,660,095 equity shares. After extinguishment of all the bought back shares and issuance of some fresh shares under the ESOP scheme, the company had 26,894,530 equity shares (of face value Rs.5 each) outstanding as on 30 September 2008.

Recognitions

The success of Mastek’s strategic focus on providing high-end IT solutions to its global customers was manifested in awards and recognitions during the quarter under review, as summarized below.

- **2008 Insurance INNovators Awards:** Mastek’s client Transamerica Reinsurance was named among the runners-up for innovation in the insurance space by the Chicago-based Insurance Networking News (INN) magazine. This was for the mortality management system initiative that Transamerica Reinsurance implemented with Mastek providing IT consulting & services. The INNovators Award is a special designation intended to advance the spread of business technology acumen within the insurance industry. In the preceding year, for the 2007

INNovators Award, the specialized claims processing solution implemented by the US-based insurance player CUNA Mutual with Mastek providing consulting services was ranked No.1 in the awards list. This latest recognition for Mastek comes closely on the heels of it getting ranked (in the preceding quarter) among the Global Top 20 in the “2008 Global Outsourcing 100” companies – a list compiled by the International Association of Outsourcing Professionals (IAOP) which includes companies from around the world providing a full spectrum of outsourcing services – not just information technology and business process outsourcing, but in areas such as facility services, real estate and capital asset management, manufacturing, and logistics. Mastek was also ranked among the Best 20 companies by industry focus in both its target verticals of Government and Insurance, where it has created a strong position for itself within the enterprise applications market.

- **Mastek conferred with Maharashtra IT Award 2008**: In August 2008, Mastek was conferred with “Maharashtra Information Technology Award 2008”. The company bagged this annual award, given by the Government of Maharashtra’s Directorate of Industries, under the category “IT Software”.

Outlook

During the quarter under review, Mastek has been able to expand its relationships with existing clients, expand its order backlog, and remain focused on its growth strategy of leveraging its accumulated experience and strengths in the Government and Insurance verticals. Moreover, as indicated earlier the ramp down of revenues from the development phase of the NHS program will now be much slower than expected. The development phase was to ramp-down completely during FY2009 itself, as the project reaches its natural conclusion and moves into maintenance phase. This ramp down, however, is now likely to occur over a two-year period instead of one year as earlier anticipated. In addition to that, the impact of the prevailing global macroeconomic environment on the company is also expected to be limited, given that it derives most of its revenue from relatively stable verticals. Resultantly, the growth outlook for the full year remains positive.

Given the fact that the company generates around 60% of its revenues from the UK and that the British pound sterling (£) has depreciated to a much larger extent against the US dollar than against the rupee, the company believes it would be more meaningful to indicate its annual target in rupee terms (rather than dollar terms). Taking into account the prevailing economic environment, for the full year FY2009 Mastek expects to deliver a 32%-34% growth in total income (inclusive of other income) in rupee terms.

For the Oct-Dec. 2008 quarter (Q2 FY2009), Mastek estimates its consolidated total income (which is inclusive of other income) to be in the range of Rs 265 to Rs 270 crore. Net profit after tax and minority interest is likely to be in the range of Rs 43 to Rs 44 crore.

About Mastek

Mastek, is a Rs. 916 crore, US \$227 million (FY 2008) publicly held, leading IT player with global operations providing enterprise solutions to insurance, government, and financial services organizations worldwide. With its principal offshore delivery facility based at Mumbai, India, Mastek operates across US, Europe, Japan and Asia Pacific regions. Incorporated in 1982, Mastek has been in the forefront of technology, which along with proven methodologies and processes, increase IT value generation to its customers through onsite and offshore deliveries.

For more information and detailed results, please visit our web site www.mastek.com (and/or the Investors section at <http://www.mastek.com/content/investors/index.asp>).

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Shareholders may also contact Mastek via email at Investor_grievances@mastek.com, which has been specifically created for the redressal of investor grievances.

Note: Except for the historical information and discussion contained herein, statements included in this release may constitute forward looking statements. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from those that be projected by these forward looking statements. These risks and uncertainties include, but not limited to such factors as competition, growth, pricing environment, recruitment and retention, technology, wage inflation, law and regulatory policies etc. Such risks and uncertainties are detailed in the Annual Report of the company which is available on the website www.mastek.com. Mastek Ltd. undertakes no obligation to update forward looking statements to reflect events or circumstances after the date thereof.