



Mastek Jan-Mar 2010 quarter Total Income at Rs 172 cr

EBITDA margin improves to 15.9%, PAT for quarter at Rs 15 cr

***Performance reflects adverse forex conditions and business headwinds
12-month order book stable in dollar terms***

Total Income for 9MFY2010 at Rs 557 cr, PAT at Rs 65 cr

— Adds an insurance customer during the quarter —

Mumbai, India – 13 April 2010: 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 and nine-months ended 31 March 2010 today.

Review of quarterly financial performance

During the quarter under review, the overall adverse foreign exchange conditions and some business headwinds resulted in lower than expected revenues. The 12-month order book at the end of the quarter was stable in dollar terms, although it is slightly lower in rupee terms due to unfavourable exchange rates.

On a quarter-on-quarter basis:

- Mastek's total income represents an 11% decline from Rs 193.2 crore in the preceding quarter to Rs 172.2 crore in the quarter under review due to translation losses in GBP denominated inflows from UK (the company's largest market), delayed initiation of certain projects, and lower volumes in some customer accounts.
- **On a constant currency basis**, total income for the quarter was Rs 179.6 cr.
- EBITDA at Rs 27.1 crore was 16.6% higher compared to Rs 23.2 crore in the preceding quarter. EBITDA margin for the quarter expanded from 12.2% in the previous quarter to 15.9%, driven by reduced headcount, higher utilisation, net forex gains, and the accrual of benefits from efficiency initiatives in travel and other areas.
- PAT for the quarter stood at Rs 15.3 cr compared to Rs 23.5 cr in the preceding quarter. The effective tax rate was higher than witnessed in the preceding quarters (when the company had benefited from tax credits for R&D expenditures) due to a deferred tax charge-out.

On a year-on-year basis:

- Total income during the quarter under review (Q3FY2010) was Rs 172.2 crore compared to Rs 233.0 in the similar quarter last year. The lower revenues reflect lower revenues from the BT/NHS engagement where project development revenues fully ramped down in the first quarter of the current financial year and adverse foreign exchange conditions.

Note (i): All references to Mastek's financial results in this release pertain to the company's consolidated operations.

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

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



- EBITDA for the quarter under review was Rs 27.1 crore compared to Rs 43.2 crore last year.
- Profit After Tax (PAT) for the quarter under review was lower at Rs 15.3 cr compared to Rs 33.4 cr in the corresponding quarter last year.

During Q3FY2010, Mastek added a new customer in its insurance vertical and its 12-month order book was Rs 279 crore as on 31 March 2010. The company had Rs 186 crore in cash & equivalents at the end of the quarter under review.

Review of nine-month financial performance

The company's performance for the nine months 01 July 2009 – 31 March 2010 includes the impact of a adverse forex conditions (especially a weakened pound sterling) and the ramp-down of the remainder phase of the BT/NHS project development revenues (as announced by the company earlier) by the end of Q1FY2010. These factors impacted both revenues and margins.

Resultantly, total income for the nine months ended 31 March 2010 (9MFY2010) was Rs 556.8 crore compared to Rs 750.8 crore in the corresponding period last year. EBITDA for 9MFY2010 was Rs 79.6 crore, lower than Rs 128.2 crore in the corresponding period last year. The company's operating performance for the nine months under review includes the impact of wage hikes implemented in the third quarter of the current financial year and induction of multiple senior business leaders across geographies. PAT for the nine-months under review was Rs 65.2 crore compared to Rs 105.8 crore last year. Diluted EPS (non-annualised) reported for the nine-month under review is Rs 23.17.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, said: *"Our performance for the quarter has been below our expectations and reflects the impact of lower than anticipated volumes in some customer accounts, one-off pricing pressure and an unfavourable forex environment. It is encouraging, however, to note that customer implementations and migrations for Capita have begun and the first go-live for Zurich Life should happen in the current quarter.*

We are also actively taking steps to expand our existing client relationships and capitalize on the pipeline that we have built besides putting in place various initiatives to address overall performance improvement. The outlook for the current quarter remains muted but the improvement initiatives should enable us to leverage our business model, characterized by a focus on IP and enterprise solutions, and start delivering a progressive performance during the next financial year."

Operating performance review

- **Update on Capita partnership in UK Life & Pensions market:** As announced in the previous quarter, Mastek's partnership with Capita in the UK Life and Pensions marketplace has moved into the next phase focusing on customer implementations and migrations. The migration work began during the quarter under review and is in progress, with the first migration set to go live in the current quarter.
- **Acquisition of Kognitio's Data Migration Offering:** During the quarter, Mastek acquired the data migration offering comprising its Data Factory Tool Kit (DFTK) and data migration methodology from the UK-based Kognitio, which has long been considered the industry leader in data migration for the insurance market there. With over forty man years of development invested in its software, the DFTK solution provides the technology to support

the end-to-end data management environment covering all aspects of data processing in a data migration project. This transaction is the latest in Mastek's move towards strengthening its position as an IP-led enterprise solutions provider, with Kognitio's data migration tools and processes embedded at the heart of Mastek's Migration Centre of Excellence.

- **Update on leadership team:** The company has inducted Mr Mike Stone as Group EVP, Global Operations and Chief Client Officer. He will focus on the company's initiatives in efficiency and effectiveness enhancement, and client engagement. Prior to Mastek, Mr Stone was with BT in the role of President - Service Design for Global Services, and before that he served in the British Army where his last role was as Chief Information Officer (CIO). Mr Barry Yard, who has been driving the company's client engagement with BT Global Services has been named Managing Director, Mastek UK. During the quarter, Mr John Dowd, Group President & CEO, resigned from the organization. Mr Sudhakar Ram, the company's Chairman & Managing Director, has taken over additional charge as Group CEO.
- **New account addition:** During the quarter under review, Mastek added a new customer. The newly acquired customer is in the insurance vertical.
- **Order book at end of quarter stable (in dollar terms):** The company's 12-month order book as on 31 March 2010 remained relatively stable in dollar terms, but lower in rupee terms (due to adverse exchange rates) at Rs. 279 crore compared to Rs 296 crore in the sequentially preceding quarter.
- **People:** As on 31 March 2010, the company had a total of 3,160 employees, of which about 26% were based on-site while the rest were at various offshore locations. The Virtual Bench, which had been created last year in view of the economic slowdown and the resulting downward revision of growth outlook, is expected to come to an end during the current quarter with the company also planning to recruit fresh talent. The company also implemented wage increases for select group of employees effective Feb. 1, 2010. The impact of wage increases was offset by lower average headcount during the quarter and other initiatives. Mastek's differentiated business model and solutions-oriented projects have enabled it to superior returns on talent and it continues to undertake measures aimed at sustaining the same.

Outlook

For the Apr-Jun. 2010 quarter (Q4 FY2010), based on exchange rate assumptions as described in the note below, Mastek estimates its consolidated total income (which is inclusive of other income) to be in the range of Rs 160 to Rs 165 crore. The company has planned hiring of fresh talent and certain one-time costs during Q4FY2010. Accordingly, net profit after tax and minority interest is likely to be in the range of Rs 10 to Rs 11 crore.

Note on foreign exchange rates: For the Apr-Jun.2010 quarter, the company has assumed a foreign exchange rate of GBP 1 = Rs 66 and USD 1 = Rs 44, as against the actual exchange rate of GBP 1 = Rs 71.51 and USD 1 = Rs 45.72 for the Jan.-Mar. 2010 quarter. The company uses financial year-to-date (YTD) average rates for translation and consolidation of its foreign currency denominated revenues into rupees, and quarter-end rates for translation of balance sheet items. As tabulated below, the YTD average rate applicable for Q3&9M FY2010 was GBP 1= Rs 75.56 and USD 1 = Rs 46.89. The assumed rates for the current quarter translate into YTD average rates of GBP1= Rs 73.18 and USD1= Rs 46.17 for Q4& FY2010.

Currency	Q3 & 9MFY2010 (YTD, actual)	Q4 & FY2010 (assumed)	Q2 & H1FY2010 (YTD, actual))	Quarter-end: Q3FY2010 (actual)	Quarter-end: Q2FY2010 (actual)
GBP	INR 75.56	INR 73.18	INR 77.59	INR 67.96	INR 75.06
USD	INR 46.89	INR 46.17	INR 47.47	INR 44.90	INR 46.53

About Mastek

Mastek is a publicly held (NSE: MASTEK; BSE: 523704) 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, 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 past results & conference call transcripts, please visit our web site www.mastek.com (and/or the Investors section at <http://www.mastek.com/investors.php>). Updated disclosures regarding corporate governance may also be accessed in the web site's Investors section at: <http://www.mastek.com/corporategovernance.php>.

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