



Mastek Oct-Dec 2010 quarter Total Income at Rs 152 cr

- **Operating margins improve QonQ by 500 bps**
- **Post-tax earnings performance impacted by exceptional item**
- **12-month order backlog at Rs 296 crore**

Mumbai, India – 18 January 2011: 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 half-year ended 31 December 2010 today.

Review of quarterly financial performance

Mastek's performance during the quarter under review reflects the outcome of some of the initiatives that it has been implementing to (i) stabilise and enhance revenues, and (ii) improve operating margins. As a result, the company has also been able to better its underlying earnings (before exceptional item) compared to the sequentially preceding quarter.

On a quarter-on-quarter basis:

- The company has delivered a stable revenue performance during the quarter, with total income at Rs 152.3 crore compared to Rs 151.4 crore in the preceding quarter, whereas in dollar-terms the same grew by 3%. This performance was achieved on the back of better revenues from the North American and India/Asia operations.
- Mastek's operating EBITDA margin improved by 500bps, driven by
 - lower staff costs resulting from a decrease in total headcount
 - better margin management across major projects
 - tighter cost control and thorough review of discretionary cost elements including travel costs
- During the quarter under review, the company's post-tax earnings were impacted by
 - higher depreciation of Rs 2.4 crore (with effect from July 01, 2010) pertaining to its facility at Mahindra City SEZ near Chennai, and;
 - impairment of goodwill amounting to Rs. 20.7 crore, of Vector Insurance Services (which the company had acquired in July 2007). This appears as an exceptional item in the company's financial statements.
- Before the above-mentioned exceptional item, the company's after-tax loss was lower at Rs 6.97 crore compared to Rs 13.46 crore in the preceding quarter.

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.).



During Q2FY2011, Mastek added 2 new customers and as on 31 December 2010, its 12-month order backlog stood at Rs 296 crore, compared to Rs 312 crore as on Sept. 30, 2010. The company continues to have a healthy balance sheet and had Rs 152 crore in cash & equivalents (including liquid investments) as on 31-Dec-2010.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Group CEO, Mastek, said: “Our operating performance for the quarter demonstrates the gradual improvements being realised as a result of multiple steps. These include strengthening our sales and account management processes, mining existing accounts and adding new ones, and exercising a tighter review of all discretionary costs. These steps have helped us arrest the declining revenue trend and improve our operating margin. At the same time, we have made the necessary investments that are strategic to our long term growth. We are investing in R&D and very selectively in IP acquisition, as in the case of SEG which will reduce our time-to-market and associated costs substantially.”

Review of quarterly financial performance

Mastek’s operating performance for the half-year under review (H1 FY2011) includes the impact of the implementation of annual wage hikes within the company for both onsite and offshore employees in July 2010, reduction in development revenues from one major client account and some project overruns in the India/Asia market in the first quarter, and enhanced investments in intellectual property (IP) development. Resultantly, total income for the half-year ended 31 December 2010 (H1FY2011) was Rs 303.7 crore, lower than Rs 384.7 crore in the corresponding period last year. For the half-year under review, the company reported a loss of Rs 16.9 crore before exceptional item and tax, compared to a pre-tax profit of Rs 41.3 crore for H1FY2010.

Operating highlights

- **Mastek acquires the assets of SEG Software:** During the quarter under review, Mastek’s wholly-owned U.S. subsidiary MajescoMastek acquired substantially all of the assets of US-based SEG Software, LLC, a leading provider of policy administration systems covering individual and group life, health & annuity insurance products. This acquisition reinforces Mastek’s commitment to the North American insurance market and will accelerate the delivery of the Elixir policy administration solution there. It also complements the existing Elixir brand of solutions in that market that include Elixir NB+U for new business / underwriting and Elixir Distribution Management (EDM).
- **Celent Model Insurer Asia 2011 award:** Recently, Apollo Munich Health Insurance Co. Ltd. (AMHI), which implemented Mastek’s ElixirAsia Health solution, was felicitated with the *Celent Model Insurer Asia 2011 award* in the Policy Administration System (PAS) category. The award recognizes excellence in technology best practices at insurers in Asia, in various categories. The ElixirAsia Health solution enables Apollo Munich to configure new products in 1-2 days with a significant improvement on time to market. The workflow-enabled system supports straight through processing (STP) of the whole health product life cycle with integration to all back end systems.
- **New account addition:** The company added 2 new client accounts during the period under review, totalling to 4 new customers during H1 FY2011.
- **12m order backlog at Rs 296 cr:** The company’s 12-month order backlog was Rs 296 crore as on 31 December 2010, compared to Rs 312 crore in the sequentially preceding quarter.

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 North America, Europe, and Asia

Pacific regions. Incorporated in 1982, Mastek has been at the forefront of technology and has made significant investments in creating intellectual property, 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.html>). Updated disclosures regarding corporate governance may also be accessed in the web site's Investors section at: <http://www.mastek.com/investors/corporate-governance.html>.

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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. You may also contact the Investor Relations team by email at investor.relations@mastek.com.

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