

FROM THE CHAIRMAN'S DESK

Dear fellow shareholders,

I take great pleasure in discussing with you the performance of our company and its growth outlook. As you may already have noticed, Mastek has been witnessing a turnaround in its financial performance with its growth rate now exceeding the industry average. This is likely to sustain, as market forces and trends are now moving in our direction.

Benefiting from an IP-led, non-linear business model

By all measures Mastek had an impressive financial year 2007-2008. We achieved better than anticipated margins and earnings performance for the year, made strategic and value accretive acquisitions, added new customers in both our focus verticals of Government and Insurance, and entered into a new partnership with Thales UK. We also successfully completed our share buy-back program, reflecting confidence in our business and a desire to return additional value to shareholders.

This demonstrates the efficacy of our verticals based growth strategy, at the heart of which is our focus on the intellectual property (IP)-led enterprise applications market, where we take on large and complex projects that form a critical part of our customers' business transformation initiatives. We at Mastek have been emphasizing upon the need for Indian IT players to move up the value chain and become providers of solutions rather than rely on the labour cost arbitrage model for growth, as that has limitations. Given the way the global marketplace for IT services is now shaping up, the trends are clear and irrefutable: for the Indian IT industry to maintain the kind of momentous growth it has become accustomed to, its constituents need to shift away from a linear business model where incremental revenue is derived only from a corresponding increase in manpower base to a non-linear business model where capabilities and IPRs become the key enablers of revenue and earnings growth. This is especially relevant with regard to mid-sized IT players who may not have scale play as a powerful option, and would do well to focus on niche areas where they enjoy competitive advantages. IP-led solution activities tend to be more strategic in nature for the client, and often form part of a long-term business transformation initiative.

Creating a high-end IT solutions company out of India

When it comes to such high-end, transformational program delivery from India, Mastek clearly leads the pack with extensive experience in designing and delivering high impact projects and solutions. Much of what we have done and continue to do today supports the efforts of our customers to transform themselves, their business processes, or the manner in which they compete & serve their own end customers. The National Health Service (NHS) Spine program, for example, is an ambitious and large initiative of the UK government that aims to completely transform the manner in which healthcare will be provided to British citizens. Mastek, in partnership with BT Global Services, is playing an important role in supporting that transformational initiative by delivering custom developed applications under demanding deadlines and specifications.



Elixir™, our solutions platform for the global Insurance industry, too is architected and designed to deliver maximum business impact that enables insurers to transform themselves into modern age players with significantly higher responsiveness and flexibility to effectively face the changed business environment that they now operate in.

The kind of premium work we are already doing, when combined with the investments we have made over the past 26 years both in terms of efforts & resources, makes us a truly unique company especially when compared to other players in the Indian IT industry. Mastek has been able to clearly differentiate itself as a high-end IT solutions provider out of India whom large organizations, wherever in the world they may be, turn to for strategic and high impact work.

Our new corporate identity, drawing upon the idea of the prism, is reflective of our status as an enabler of transformation. It is our intent, over the next few years, to firmly establish Mastek as a bellwether for Wave 3 IT companies in India, place it among the top three companies in the world providing IT solutions to the insurance industry, and make it a consortium partner of choice for major greenfield government programs in the UK and Europe.

Delivering a strong performance through effective execution of strategy

During the year under review, we made commendable progress in achieving the aforesaid goals by addressing opportunities in the global IP-led solutions space. In the Government vertical, for instance, we began implementing a solution based on an IP co-owned and developed by us, in partnership with Thales UK to transform the way in which the UK Ministry of Defence (MoD) manages and schedules the global air movements of troops and cargo. This solution, which will be deployed over UK's Defence Information Infrastructure (DII) is significant for several reasons; firstly, this project involves the design and development of a specialist system that handles complex military logistics & defense asset management, providing significant benefits in terms of process efficiencies, automation and information governance. Secondly, this new product will be a world first – no other player has invested in providing a military-targeted product for this particular domain. Similarly, in the Insurance vertical Elixir™ gained further traction. After successfully implementing the Policy Administration module of the Elixir™ platform for IDBI Fortis Life in the first phase, Mastek's scope of work has now been expanded to cover all the modules of Elixir™ – Product Architect Suite, New Business/Underwriting, Policy Servicing, Point of Sale, Channel Management, Re-insurance, Claims and Finance. This is the first end-to-end Elixir™ implementation deal in the domestic market. Mastek also revised its agreement with Capita Life & Pensions to expand its license and service arrangement for Elixir™. This initiative will enable Mastek to better support the customer base of Capita's growing operations in the UK Life & Pensions market and has the potential to cover majority of the millions of policies Capita currently administers. During the year under review, a key success in the Insurance operation was a direct win for Elixir™ in the UK market with Legal & General, one of its largest financial services majors, selecting Elixir™ for the administration of some of its products.



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In terms of financial performance, during FY2008 we achieved a revenue growth of about 34% in dollar terms, generating a total income of \$227 million or about Rs 9.2 billion. This surge in revenue was accompanied by an impressive improvement in margins, with EBITDA margin increasing from 16.1% in FY2007 to 17.9% in FY2008. The company's financial position remains strong, with cash and equivalents on our balance sheet at over Rs 1.3 billion. The industry-leading performance during the year was driven by better revenues from existing customers, addition of new ones, and realization of the benefits of productivity and cost efficiency improvements initiated in early FY2008. The two acquisitions that we made, VectorMastek in July 2007 and STGMastek in March 2008, too contributed to overall performance.

Looking forward

FY2008 has proved to be a high growth period for Mastek, both in terms of financial as well as operational performance. The continuous improvements in our operating margin, returns on talent, order book, and other metrics demonstrate the effectiveness of our business model and growth strategy. We remain focused on the IP-led enterprise applications market and continue to implement our growth plans that include overseas acquisitions and expanding the order book, which has been growing. We are in the process of implementing additional initiatives that will support growth over the longer term by combining the benefits of people, processes, and intellectual property.

Therefore, despite the prevailing macroeconomic environment, we believe Mastek is well positioned to grow faster than the markets it serves and the competitors it faces.

On behalf of the Board of Directors, I would like to thank everyone – our customers, partners, shareholders employees, and vendors for their support as we continue relentlessly on our journey to create a high-end IT player out of India.

Sudhakar Ram

Chairman and Managing Director