

WELCOME

From the Chairman's Desk

Dear Shareholder,

The last couple of years have seen major downturns in world economies. Bastions of 20th century capitalism have come crumbling down. Some vanished, others were absorbed and lost their identities and some were thrown lifelines by governments.

At a recent forum in New York, Americans aged 20 to 30 expressed their views on the economy and on the drivers of the economy like large corporations. They put across their opinions directly and plainly – they did not think much of large corporations in general and large financial institutions in particular.

This point of view plus the diminishing average life span of a Fortune 500 corporation (only 40 to 50 years now) make one thing clear – we need to reinvent the corporation. We need to re-examine the fundamental constructs of corporate behavior and better align them to the long-term interests of the stakeholders they intend to serve.

Mastek intends to take the lead not just in embracing this change in its own operations but also supporting our customers' embrace of this change – by providing them with innovative IT platforms that will help them transform.

I believe three fundamental shifts are needed to remake the corporations of this decade. Successful corporations will reinvent themselves to embrace and embody these shifts.





TRANSFORMING

From 'Too Big to Fail' to 'Sized for Success'

Too many corporations have become focused on growth at any cost. Corporations have acquired, merged, & grown their way into ungovernable behemoths. Part of the problem is that board members and managers are not entirely aware of the way the companies are conducting business, thereby threatening not only their companies but millions of other people, too.

This decade will call for a serious re-examination of the right size for a corporation. My view is this: if a company is too big for the CEO & the Board to provide sufficient oversight and be personally accountable, then the company is just too big. The more complex and diversified the business, the more risk. When there is too much risk, the corporation should be smaller.

The 2020 corporation must pursue speed, adaptability and agility, without reducing accountability.

The structure and systems must be geared so that the entire organization can sense market opportunities and threats and respond in real-time. The corporation of the future has to be sized for success.

Mastek has always believed in being lean and agile. For our size, we have fewer but higher skilled personnel/people/workers /staff/employees than any other Indian company. In addition, we are re-organizing ourselves around being a market/customer focused unit with complete control over the end-to-end value chain. This will bring the spirit of smallness combined with the speed and agility to discover and respond to customer value creation opportunities. Mastek's platforms and solution offerings will cater to our clients' needs to break-up into smaller units, to have collective intelligence in real time across the organization for the relevant teams to generate creative responses to take advantage of opportunities and problems in the marketplace. For example, our QMAS system for the NHS collects and tracks over 100 Quality of Service Parameters that drive GP payments in the UK – a system by which they can benchmark themselves against the best and strive to improve their own health related services to patients.



iNNOVATING

From Commoditization to 'iPodization'

Large corporations tend to offer 'me too' products & services. They survive and grow by the power of their brand, their size, and their ability to gobble up their competition. Just look at the products offered by your bank, your insurance company, your automaker and your FMCG manufacturer. And then along comes Apple. There are MP3



players and then there is the iPod. There are cell phones and the iPhone. Tablet PC's and the iPad. Apple is a clear example that hearts, minds & wallets can be won by the appeal of freshness. Differentiation rules the day. Similarly, Google took a commodity – a search engine that was part of a portal – and turned it into an entirely new business.

The 21st century offers immense opportunities for innovation in producing eco-friendly products. Instead of token responses, corporations must design products that create zero waste, eliminate toxicity and negative environmental impacts, and promote overall well-being. Financial institutions must shift from being faceless predators to demonstrating genuine commitment to their customers. Successful corporations must pursue innovation and differentiation in every aspect of their business. They must have deep customer insights that translate into products and services, that win hearts, minds and wallets.

By focusing on our core DNA of high-end enterprise solutions, we at Mastek have already demonstrated our intention to stay away from commoditized services to innovative platforms like Elixir and STG Billing. Our intention is to harvest knowledge assets in a more systematic manner across client engagements to ensure that we deliver the highest business impact to our clients. We are bringing in Client Engagement Teams, comprising industry domain and solutions innovation consultants who can work with clients in discovering new opportunities for business impact. They will then work with our delivery teams to ensure that our platforms and programs are driven towards delivering this impact.



PARTNERING

From 'Maximizing Shareholder Wealth'
to 'Maximizing Stakeholder Delight'

We do not claim to be more unselfish, more generous or more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholders our own, and the health and welfare of the employees, the sure foundation of our success. — *Jamsetji Tata*

The 21st century calls for more socially conscious corporations. These new companies must be adept at generating solutions that can provide a win for every stakeholder. They must delight their customers with environmentally sustainable, innovative products, and empathetic services. Companies must provide employees with a challenging workplace that enables them to work – and live – at their full potential. Companies must bring sustainability into every aspect of their product and service design, and reduce waste and pollution to near zero. They must take an inclusive ecosystem approach to their businesses, focusing on what they do best and partnering with others to deliver the rest.

Good profits will be a natural outcome of good business practices.

Our culture has been to provide the space and support for every stakeholder – client, employee and partner – to be their best.

This year, the Board and the Executive Team renew their commitment to this value and intend to drive transformation programs that will make this a habit amongst all Mastekeepers.



At the customer level, our engagement and solutions teams have been tasked with the mandate of taking a 360 degree stakeholder view when we are crafting new systems. As an example, our insurance claims applications serves the insurance company's customer by reducing claims settlement times dramatically. The application makes the lives of the internal claims processor easy through auto-adjudication in most cases. It also reduces claims costs for the company by sophisticated fraud detection. This is a simple example of serving and delighting every stakeholder.



SUSTAINING

Long live the corporation

I have no doubt that the coming decade will usher in tremendous shifts in the nature of corporations. Regulations can increase compliance, but we need a few dynamic corporations to come forward to spearhead a larger, more fundamental change. As this change finds favor with customers, employees & society at large, more corporations will follow suit. It is only a matter of time before we reach a tipping point – a point where the companies that do not make this shift get left behind. While Sizing for Success, 'iPodization' and Stakeholder Delight will be the fundamental facets of the new corporation, I'm sure many other significant shifts and trends will be visible along the way.

In India, we can seize a unique opportunity. We can skip the generation of corporations that pursued size for its own sake. We can leapfrog to the corporation of the future and avoid creating 'soulless' corporations that grow like cancer to the detriment of society. Instead, we can create corporations that combine head and heart to be truly useful, inclusive and contributing members of the world at large and become world-class role models for the 21st century.

Mastek was a pioneer in the third wave of Indian IT – moving to high end IP based solutions as its sole

business. In doing so, we went against the grain but as a result are today in a much stronger position than others in the industry that are vying to ride the third wave and remain relevant to their clients.

As a solutions-focused company, we tend to get relatively more affected during macroeconomic downtrends, as reflected in the disappointing financial performance during FY 2010. This weaker than expected financial performance was a consequence of multiple factors, including adverse foreign currency movements and subdued uptake in demand for IT solutions that depend on discretionary spending or transformational initiatives by clients. At the same time, we did make some progress that are strategically quite significant – we made substantial headway in the North American insurance market with two new deals for our Elixir platform, moved into the next phase of our relationship with Capita in the UK life and pensions marketplace, successfully launched ElixirAsia™ with a new win in Thailand and initiated a partnership with Genpact.

During the new financial year we will focus on considerably expanding and consolidating our order backlog, which should then act as a solid platform to restore revenue and earnings growth in the subsequent years.

Over the next few years, we also intend to take the lead in defining and living up to the demands of a corporation of the future – a company that will delight every stakeholder with innovative IT solutions that improve the agility and response-ability of the clients.



Sudhakar Ram | Chairman and Managing Director