



# THE FUTURE

Dear Shareholders,

*“So what does the future hold for Mastek? I dream of a Mastek that is a much stronger institution — responsive, vibrant, joyful, enthusiastic — raring to make a larger difference to its constituents. I see many more discerning clients who are demanding but fair, who can see the value that Mastek can bring to them. I see many more Mastekers who take pride in what they do and the value they deliver to the clients, who see their work as true expressions of their own individuality and talent. I see many more shareholders who want to participate in the Mastek story, playing for long-term value rather than immediate gains. I see many more suppliers and partners who love being challenged by us and deliver to our needs. I see a Mastek that has a much higher impact on the industry and community — as a role model, as a contributor and as a company that cares.”*

We have completed 30 years as a company, starting from small beginnings in 1982 as a management and software technology firm — one dedicated to acting as a bridge between business and IT. Today, we have over 3,000 employees, serve a hundred clients, and have delivered hundreds of transformational programs and projects. We cherish the enduring relationships that we have built with Mastekers, customers, partners and shareholders — past and present — relationships built on trust and mutual respect. Mastek has always aspired to being more than just a business — it has sought to be an admired institution that wins the hearts and minds of every person it touches.

After a period of decreasing revenues and eroding profitability, the last financial year saw a turnaround in the company's fortunes. The operating revenue for the year was Rs 722.9 crore compared to Rs 593.3 crore in the previous year, an increase of 21.9% in rupee terms. The EBITDA margins were Rs 41.1 crore compared to Rs 1.6 crore in the previous year. Most importantly, the company turned profitable with a marginal net profit of Rs 0.5 crore for FY12 against a net loss of Rs 55.9 crore in the previous fiscal.

Apart from revenues and profits, there are other key leading indicators of future growth – client additions, order book and market standing. We added 21 new clients across the globe last year (14 in the previous year). Our 12-month order backlog stood at Rs 485 crore (Rs 306 crore in June 2011). Both these augur well for revenue growth in the coming years. This has largely come about because of sustained product investments that we made in the last two years – despite our margin pressures. The result has been Mastek's IP on insurance being rated as world leading by analyst firms like Novarica and Celent. The insurance segment therefore, has been the prime driver of Mastek's growth and turnaround.

Mastek undertook some key initiatives last year. These include positioning the company with a well-crafted sales strategy leveraging its core competencies, aligning the delivery organization to focus on improving the overall productivity and efficiency levels within projects, centralized monitoring of projects, strong governance on review and performance against budgets, turning around low-margin businesses, cost reduction initiatives, and, lean bench management. All these measures have had a positive effect and we continue to focus on these initiatives as we move forward.

From a vertical perspective, as mentioned earlier, insurance continues to be the catalyst that is driving Mastek's growth. We primarily operate in the property & casualty (P&C) and the life & annuity (L&A) businesses in the US. The company offers the STG Suite for the P&C segment, comprising the point of sale, policy administration, billing, and claims modules. In the past two years, we have made significant investments in both segments, refreshing the technology in P&C while acquiring new technology in the life segment.

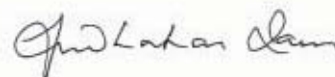
Our pre-eminent position in the P&C billing market was validated when we signed a multi-year licence, implementation and maintenance engagement with a Fortune 100 insurance and financial services company. The initial value of the contract is \$30 million (around Rs 170 crore). The client is a leading insurance company in the US and we have a multi-year transformation engagement to streamline its internal operations. This major victory establishes the functional breadth and depth of our STG platform and its technical agility and scalability to handle the size and complexity of a Tier 1 carrier. While our billing solution is already a market leader, this win will put it on a different growth trajectory.

The momentum in the government vertical in India continues. We have been successfully delivering many large programs for individual state governments, and are winning new deals. In the UK, we have expanded our footprint in the existing partner relationships and are aiming to build new partners. We have also been able to leverage our strengths in the testing and data warehousing arena by winning large marquee clients during the year. So both India and UK are showing good signs of growth in the future.

There are huge market opportunities in the insurance and government segments. Market players in these geographies have appreciated the fact that Mastek plays for the long term. They have seen us continuing to invest in product development, sales and marketing, and capacity building. These investments have started paying off and will continue to do so in FY 2013 and beyond.

On behalf of the Board of Directors, I would like to express my sincere appreciation to our customers, partners, shareholders, employees and vendors for their support as we continue to build Mastek to be an evergreen institution – a company with a soul.

Mastek Zindabad!



Sudhakar Ram  
Chairman and Managing Director