MANAGEMENT DISCUSSION AND ANALYSIS

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(forms part of the Directors' Report of the Company's Annual Report FY 2011-12; figures mentioned are on a consolidated basis unless otherwise mentioned).

- **Overview of the Industry and Business Environment**
- **Mastek's business model**
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Cautionary statement:

This Management Discussion and Analysis of the Company's performance and outlook may contain forward-looking statements that set out anticipated performance based on the management's plans and assumptions. Its aim is to facilitate a better understanding of the Company's prospects and make informed decisions. We cannot guarantee that any forward-looking statement will be realized, though we have been prudent in our plans and assumptions. The forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management analysis only as of the date hereof. We do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For any further clarification please contact Mastek Investor Relations (investor.relations@mastek.com)

OVERVIEW OF THE INDUSTRY AND BUSINESS ENVIRONMENT

The last three years have presented a myriad of challenges to economies around the globe. 2008-2010 was one of the worst periods of recession which saw cut back in spending across sectors which indirectly had an impact on the IT budgets. In such times, organizations were intent on focusing on efforts that 'kept the lights on' while falling back on any discretionary spends. While the economy did bounce back a bit in CY 2011, the after effects of those events are still being felt with unemployment in US at 9 per cent mark and the widespread instability in many countries of Europe and the Arab nations.

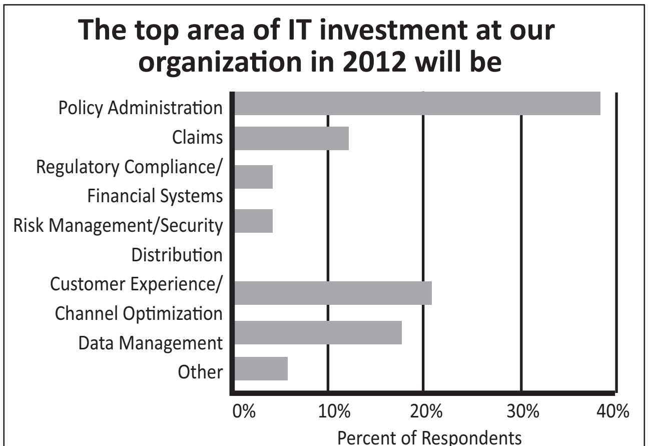
After suffering a major setback during 2011, global prospects are gradually strengthening again, but downside risks remain elevated. Improved activity in the United States during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Accordingly, weak recovery will likely resume in the major advanced economies, and activity is expected to remain relatively solid in most emerging and developing economies. However, the recent improvements are very fragile. Policymakers need to continue to implement the fundamental changes required to achieve healthy growth over the medium term. With large output gaps in advanced economies, they must also calibrate policies with a view to supporting still-weak growth over the near term.

Despite lingering concerns about the global economy and the financial obstacles in 2011, the global outsourcing market recorded a healthy growth amidst record contracting activity during the year. The Total Contract Value (TCV) of IT outsourcing deals in 2011 at USD 95 billion was 3 per cent higher than 2010 and also the highest since 2005 with a record total number of deals at 870.

Having said that, NASSCOM predicts slow growth for India IT-BPO Industry in FY 2012-2013 with growth rate of around 11 - 14% with revenues of around USD 115 billion in FY 2012-13 compared to revenues of around USD 101 billion for FY 2011-12. The year 2012 will be a landmark year as it is for the first time India IT-BPO revenues will cross USD 100 billion mark. In FY 2013, the IT and BPO export revenues is expected to grow at 11-14% (USD 78 billion), while the domestic revenues are slated to grow by 13-16% (USD 37 billion) and reach a total of USD 115 billion. Growth will primarily be driven by new business models and disruptive technologies such as cloud, mobility, analytics, social media, and vertical specific solutions. NASSCOM expects 4.5% growth in the Global Technology spending in 2012 and further predicts that industry can meet the vision 2020 target of touching USD 225 billion by 2020.

From a geographical perspective, US continues to drive a large part of this growth and is expected to grow by about 17% in the current year. Growth in US is being driven by higher demand for IT services and support. Continental Europe and UK, the second largest market for Indian IT exports have seen a marginal decline of about 2% in their share in the last three years. In FY 2012, their combined share is set to be about 28 per cent with UK at USD 12 billion and continental Europe at USD 8 billion. However, there are signs of revival in Europe driven by the increased demand for IT outsourcing, application outsourcing and other support services. Assuming the crisis in Europe does not explode, expectations are that Europe will show a good performance for FY 2013.

From a vertical perspective, BFSI continues to lead spends as far as IT budgets of organizations are concerned and more so with Insurance companies preparing to spend more on information technology. A large proportion of that money will be devoted to replacing legacy core systems, according to recent Information Week's Insurance &Technology (I & T) research done across 37 US Cross-Sector insurers in October 2011. Fifty-two percent of the executives who participated in the survey said their Companies would increase their 2012 IT budgets by 1 percent or more. Of those, 45 percent plan to increase the IT budget by more than 3 percent.



Source: I&T's 2012 Insurance IT Budget Outlook Survey of 37 U.S. Cross-Sector Insurers, Oct. 2011

The top area of IT investment identified by insurers in the I&T poll is policy administration, which garnered 38 percent of the online responses, a full 17 percent more than the next-highest priority, customer experience/channel management. In the live Summit poll, the difference was even more pronounced: 44 percent of participants named policy administration the top priority, compared with just 17 percent who identified claims as the top priority.

Respondents to a Novarica study, U.S. Insurer IT Budgets and Projects for 2012, also overwhelmingly ranked policy administration as the top IT priority for 2012, and Strategy Meets Actions (SMA) 2011 Ecosystem research ranked core systems, including policy administration, claims and billing as the top priority for insurance companies.

IDC Government Insights, recently published a new research study which predicts IT spending for the Western Europe government sector for hardware, software, and IT services will increase from USD 56.6 billion in 2008 to USD 68.5 billion in 2013. Although the recession is causing concern vis-a-vis increases in government social costs and decreases in tax revenues, spending on IT remains relatively stable at this point. The pressure to right size government is likely to become a political issue in some Western European countries, the U.K. for example, and this could result in increased interest in IT as a way to compensate for fewer staff. Although there could be a shift in how money is being spent and growth may be relatively slow, there is unlikely to see any further slowdown in IT spending in the Government space in the next few years.

Indian enterprise IT spending across all industry markets is forecast to reach ₹ 1,910 billion (USD 37 billion) this year, a 16.4 per cent jump from last year in rupee terms. Gartner said growth will moderate to a range of eight to nine per cent through 2016. India would account for 11 per cent of the region's total revenue of USD 29.3 billion for Asia/Pacific this year, or about USD 3.2 billion, or about 1.2 per cent of the total worldwide software market of USD 280 billion. While education segment is expected to achieve the strongest growth in percentage terms in 2012, where the IT spending is forecasted to grow 18 per cent in local currency, the other growth opportunities will remain with the government, financial services and large manufacturing sectors throughout the forecast period, Gartner said.

In conclusion, despite the general muted outlook and strain on economy in different parts of the world, there are pockets of opportunities that could be tapped by the IT industry that has shown resilience time and again and indications are that the same could be true for the years ahead.

MASTEK'S DIFFERENTIATED BUSINESS MODEL AND PERFORMANCE

Mastek aims to bridge business and IT and focuses entirely on enterprise grade business applications in select industries of insurance, financial services, government (public sector), retail, media and telecom.

Mastek is a global software Company with a difference. The Company combines the strengths of a world class product Company and specialised services, a combination that gives a unique position in the market. The focus is on delivering business value and enhanced business capabilities to the clients through a combination of world class enterprise grade products in modern technologies (IP), implementation services and specialised IT services. Additionally the Company has developed a strong focus on modern technologies in the emerging areas of mobility, analytics, business intelligence and business process management.

During the last year, the Company embarked on a strategy to drive the growth agenda of the group by building on strengths in the various markets and geographies. The new direction, involves a geography based go-to-market, based on unique capabilities, world class solutions, deep industry knowledge and strong customer relationships, while harnessing the trends and potential of each market.

Mastek in UK

In the UK – the Company's growth agenda is based on the ability to successfully execute large scale complex programs on a fixed bid basis and the portfolio of specialized services and insurance solutions. The Company specifically targets top clients in the government (public sector), healthcare, insurance, financial services, retail, media and telecom industries. While the go-to-market for the government (public sector) continues through large System Integrators (SI), in all other sectors the effort is on taking a direct to client route.

During the year, UK continued to grow and expand top accounts and SI relationships with additional services and successful ongoing deliveries. The Company's technology partnership with Focus Solutions – saw a significant increase in services provided to their clients, as well as 'co-creation' of new age financial planning tools based on iPads.

In the insurance sector, the Company completed significant deliveries of core platforms and related services to Legal & General (L&G), the leader in the group protection market and from this base extended the insurance sector relationships to include other marquee clients.

The Company's assets and expertise in the area of data warehousing was key to winning and expanding the services to one of the leading retailers in UK. In the financial services sector, Financial Services Authority (FSA) was added as a key client during the year.

During the year, in spite of the general sluggish spend on IT, the performance was creditable in terms of successful deliveries, managing costs, adding new accounts and continued expansion of existing accounts.

Revenue Analysis – UK

The revenue analysis for the verticals is tabulated below:

Vertical	2011-12 (₹ in Lakhs)	% of Revenue	2010-11 ₹ in Lakhs	% of Revenue	Growth %
Insurance	**4,403.7**	**12.6**	6,968.8	24.0	(36.8)
Government	**19,359.6**	**55.5**	12,179.4	41.9	58.9
Other Financial Services	**7,374.6**	**21.1**	6,519.7	22.4	13.1
IT & Other Services	**3,765.4**	**10.8**	3,423.0	11.7	10.0
Total	**34,903.3**	**100.0**	29,090.9	100.0	

Mastek in North America (NA)

In North America (i.e. US and Canada), the Company is positioned uniquely as a provider of modern insurance technology solutions and IT services for both Life & Annuities (L & A) and Property & Casualty (P & C) insurers. Going forward, the Company expects to build on its market position and strong successes in insurance by focusing on the insurance sector.

During the year in the P & C sector, the Company continued its investments in all the solutions namely Billing, Policy Administration Suite, Claims and Product Modeler and the enhancements have been rated highly by leading industry analysts such as Celent, Gartner and Novarica. The market acceptance is added proof of the maturity and solidity of Mastek's product development efforts.

The sales efforts during the year resulted in a number of consistent wins and the momentum should serve as a strong springboard as P & C insurers look to increasingly adopt newer solutions for their operations.

The Company's billing solution was chosen as the modern platform for billing, collection and disbursements by one of the largest P & C insurance carriers, a Fortune 100 Company – for their transformation program. This win is a significant milestone and validates the value of Mastek's solution, services and industry expertise, to top insurers.

The Company's go-to-market efforts of its core insurance solutions to top insurers have been strengthened by partnerships with large SIs and the Big 4. The technology partnerships with Pitney Bowes, Appian and third party solutions from Ipartners, Perr & Knight and ISO continue to provide key capabilities to the client base.

Successful deployments of the Company's solutions continued with go-lives during the year with One Beacon, CNA Canada and other clients reinforcing Mastek's track record of being a dependable partner for its clients' transformation initiatives.

In the Life & Annuities space, the core policy administration solution has been integrated successfully into the Company, and has been chosen by Wawanesa, a Canadian client. In addition, large transformation program at Foresters made significant progress with key modules going live during the year. The strengthening of the core solutions and new technology partnerships in the areas of e-signature with CIC, E-app with Focus 360 establishes the Company as a strong player in the L & A space.

The move to offer specialized services in the areas of data migration, testing, data warehousing and enterprise mobility was received well by existing clients and new engagements in some of these areas have commenced.

All in all, the year was a milestone year – in terms of wins, deployments, partnerships and market momentum that sets a strong growth platform for the coming years.

Revenue Analysis – NA

The revenue analysis for the verticals is tabulated below:

Vertical	**2011-12 (₹ in Lakhs)**	**% of Revenue**	2010-11 ₹ in Lakhs	% of Revenue	Growth %
Insurance	**21,140.6**	**66.6**	15,285.5	59.2	38.3
Government	**-**	**-**	-	-	-
Other Financial Services	**5,106.4**	**16.1**	3,493.7	13.5	46.1
IT & Other Services	**5,517.1**	**17.3**	7,025.2	27.3	(21.5)
Total	**31,764.1**	**100.0**	25,804.4	100.0	

Mastek in India & Asia Pacific (IA)

In India and Asia Pacific region, the Company's strong solutions for Government and Insurance targeting top clients in both sectors will drive the growth agenda in the coming years.

During the year, strong solutions in social justice, e-scholarships and e-municipality have enabled the Company to expand its solution portfolio significantly in the Government Sector. Most of these solutions have been built using strong frameworks and assets built on the Company's long tenure in the government market.

During the year these solutions were successfully deployed at Social Justice Departments in Gujarat and Maharashtra, Tribal Department in Maharashtra, Rural Department of Odisha and Housing Department of Maharashtra. These solutions also garnered a number of awards and recognition namely e-Maharashtra Awards 2012 (Best G2C and Best Urban ICT Initiative), e-India Awards 2011 (Best Urban ICI initiative and Best ICT in Financial Inclusion Initiative).

The Company continued to support and extend tax solutions and have provided extensive additional services to the states of Maharashtra, Orissa and Rajasthan.

The Indian insurance sector continued to be sluggish during the year with limited growth. Despite the cautious outlook, the Company's market leading distribution solution saw increased interest from both Indian insurers as well as the Asia Pacific insurers.

The year saw the successful completion of the major transformation program with one of the largest insurers in the Asia Pacific region. The successful completion of the program is testament to the commitment of the organization to large transformation programs of major carriers and the ability to maintain tight control on profitability and margins during the engagement.

In summary, the year for India, Asia Pacific region was a good year, in terms of new wins and solutions implemented in the Government sector, tight program management and focus on costs of delivery which ensured profitability.

Revenue Analysis – IA

The revenue analysis for the verticals is tabulated below:

Vertical	**2011-12 (₹ in Lakhs)**	**% of Revenue**	2010-11 ₹ in Lakhs	% of Revenue	Growth %
Insurance	2,758.6	49.0	2,320.4	58.5	18.9
Government	1,931.4	34.3	1,455.7	36.7	32.7
Other Financial Services	264.7	4.7	96.4	2.4	174.6
IT & Other Services	674.3	12.7	95.4	2.4	606.8
Total	5,629.0	100.0	3,967.9	100.0	

REVIEW OF FINANCIAL AND OPERATING PERFORMANCE

Financial performance review

After a period of decreasing revenues and eroding profitability, the last financial year saw the Company turnaround. Some of the key initiatives that the Company undertook last year were: 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 business; 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.

The Company is witnessing a positive momentum in the business, specifically in the insurance space in the United States, where Mastek has garnered substantial wins in the last fiscal and is expected to continue the trend going forward. During the fiscal 2012, the Company has added 21 new logos as compared to 14 in fiscal 2011 and ended the year with a 12 month order backlog of ₹ 48,515.1 lakhs up 58.6% as compared to ₹ 30,599.1 lakhs in June 2011.

Financials

On a consolidated basis, the Company registered a total operating revenue of ₹ 72,296.4 lakhs in FY2012. This represents a 22.8% increase compared to ₹ 58,863.2 lakhs in the preceding year. As a consequence, the Company registered a net profit of ₹ 50.0 lakhs in FY 2012 as compared to a loss of ₹ 5,594.3 lakhs in FY 2011.

Break up of Revenue by regions

Region	2011-12		2010-11	
	₹ in Lakhs	% of revenue	₹ in Lakhs	% of revenue
North America	**31,764.1**	**43.9**	25,804.4	43.8
Europe	**34,903.3**	**48.3**	29,090.9	49.4
Others (India / Asia Pacific)	**5,629.0**	**7.8**	3,967.9	6.8
Total	**72,296.4**	**100.0**	58,863.2	100.0

The North American operations, registered a growth of 23.1% to ₹ 31,764.1 lakhs from ₹ 25,804.4 lakhs last year, primarily due to growth in the insurance segment, both in the L & A and P & C space.

The European operations (primarily UK) contributed ₹ 34,903.3 lakhs in revenues, as compared to ₹ 29,090.9 lakhs during the corresponding period last year. The growth of 20% was led by increased business in the government vertical followed by financial services and others.

The growth of 41.8% in the India Asia Pacific region was driven by good level of wins from India Government side.

Break up of Revenue by verticals

Vertical	2011-12		2010-11	
	₹ in Lakhs	% of revenue	₹ in Lakhs	% of revenue
Insurance	**28,302.9**	**39.1**	24,574.8	41.7
Government	**21,291.1**	**29.5**	13,635.2	23.2
Financial Services	**12,745.7**	**17.6**	10,109.7	17.2
IT & Other Services	**9,956.7**	**13.8**	10,543.5	17.9
Total	**72,296.4**	**100.0**	58,863.2	100.0

While the insurance vertical in the UK remained subdued, the large part of the growth of 15.2% was led by a strong momentum in the insurance vertical in the US.

The Government vertical grew by 56.2% supported by good level of business in UK from existing partners and a robust deal flow from India government.

The Financial Services witnessed growth both within the US and the UK, clocking a growth of 26.1%, whereas IT and other services saw a drop of 5.6% primarily due to volume fluctuations in the US geography.

Profitability

The Company ended the year with a profit of ₹ 50.0 lakhs in FY 2012 compared to a net loss of ₹ 5,594.3 lakhs in FY 2011. The return to profitability was driven by the following initiatives:

- Positioning the Company with a well-crafted sales strategy leveraging its core competencies resulting in improved order win ratios and expansion of the sales pipeline
- Improving the overall productivity and efficiency at project levels across the three geographies.
- Cost improvement initiatives
- Higher foreign exchange realizations as compared to previous year

While operating revenues grew 22.8%, the employee benefits expense together with consultancy charges paid to sub-contractors grew by 14.2%. Travel costs grew by 23.4% led by increased sales momentum and activities across the three geographies. While other operating expenses grew by 9.2%, depreciation and amortization expenses remained flat in absolute terms. Forex loss during the year of ₹ 580.0 lakhs was primarily on account of mark to market losses on forward covers whereas in the previous year, the Company had a forex gain of ₹ 1,030.5 lakhs which is reflected as part of other income.

During the year, the Company adopted hedge accounting as per Accounting Standard 30 (AS-30) with effect from October 1, 2011.

Balance Sheet

Non-current Assets

A) Fixed Assets

Tangible assets as at June 30, 2012 were ₹ 7,760.1 lakhs as compared to ₹ 9,091.2 lakhs the previous year. This included a gross addition of ₹ 926.3 lakhs for purchase of computers,furniture and fixtures, etc. and after considering depreciation of ₹ 1,865.4 lakhs for the year. Intangible assets as at June 30, 2012 were ₹ 17,862.1 lakhs as compared to ₹ 14,948.2 lakhs the previous year. This included an addition of ₹ 686.3 lakhs on account of Goodwill and purchase of computer software and after considering depreciation of ₹ 999.1 lakhs for the year and foreign exchange translation adjustment of ₹ 3,226.8 lakhs.

B) Long-term loans and advances

Long term loans and advances were ₹ 5,413.2 lakhs as compared to ₹ 4,381.2 lakhs as at the end of previous year. The increase was mainly on account of advance income tax, net of provisions at ₹ 2,525.3 lakhs as at the end of June 30, 2012 as compared to ₹ 1,860.0 lakhs as at the end of June 30, 2011.

Current Assets

A) Current Investments and Cash and Bank Balances

The total current investments and cash and bank balances as on June 30, 2012 was ₹ 13,785.4 lakhs as compared to ₹ 15,719.5 lakhs in the previous year. The difference was primarily on account of repayment of long term debt of ₹ 1,341.0 lakhs and the balance due to the investments in the net working capital and fixed assets made during the year.

B) Trade Receivables

Trade receivables as at June 30, 2012 stood at ₹ 18,047.0 lakhs as compared to ₹ 10,806.4 lakhs as at June 30, 2011. The increase is in line with the increase in the revenue and due to a higher translation rate of the North America and UK receivables.

C) Short Term Loans and Advances and Other Current Assets

The short term loans and advances was at ₹ 2,081.6 lakhs as at June 30, 2012 as compared to ₹ 1,375.6 lakhs as at June 30, 2011. The increase is on account of service tax credit receivable at ₹ 1,068.1 lakhs as compared to ₹ 672.0 lakhs in the previous year. Other current assets were higher at ₹ 7,737.5 lakhs as at June 30, 2012 as compared to ₹ 5,635.4 lakhs as at June 30, 2011. The increase was primarily on account of unbilled revenue of ₹ 7,402.3 lakhs as compared to ₹ 5,301.2 lakhs.

Shareholders' Funds

Total shareholders' funds as at June 30, 2012 stood at ₹ 53,557.5 lakhs as compared to ₹ 49,070.5 lakhs. The increase was mainly on account of increase in foreign exchange translation reserve from a debit balance of ₹ 250.4 lakhs to ₹ 5,829.5 lakhs and also on account of the hedging reserve account reflecting a debit balance of ₹ 1,681.6 lakhs as compared to nil in the previous year.

Non-current Liabilities

The total non-current liabilities stood at ₹ 4,266.8 lakhs as at June 30, 2012 as compared to ₹ 3,197.9 lakhs as at June 30, 2011. The increase was mainly on account of the provision of ₹ 955.2 lakhs for mark to market losses on derivatives and the balance is on account of increase in provision for employee benefits, in line with increase in the business.

Current Liabilities

The total of current liabilities as at June 30, 2012 was ₹ 17,463.3 lakhs as compared to ₹ 12,244.6 lakhs as at June 30, 2011. The increase has been mainly on account of increase in unearned revenues by ₹ 3,620.7 lakhs and the provision of ₹ 1,369.6 lakhs for mark to market losses on derivatives and the balance is on account of increase in other current liabilities and short term provisions.

Operations review

Operational delivery within Mastek has always been a core attribute. The Company aligned the delivery organization to focus on improving the overall productivity and efficiency levels within projects. Some of the key initiatives undertaken during the year included:

a. Establishment of a Delivery Assurance Index and tracking the same for early-warning of risks associated with projects.

b. Month-wise improvement on project performance against cost metrics arising out of strong governance and control on effort and schedule variances.

c. Turning around of low margin projects.

d. Bench management with better planning of resource in-take as also controlling of ageing of resources on bench.

e. Grade-mix improvement and overall project management through a culture of cost-optimisation.

Despite the economic downturn and drop in overall business performance during the last two years, the Company continued to invest in product development of the insurance platforms in North America. During the year FY 2011-12, the Company spent ₹ 4,487.1 lakhs as compared to ₹ 3,978.7 lakhs in the previous year.

Some of the key business and performance highlights for the year include:

Multiyear agreement with Fortune 100 insurance and financial service major: The Company signed a multi-year license, implementation and maintenance engagement for its STG Billing solution with a Fortune-100 insurance and financial services Company. The initial value of the contract is USD 30 million (around ₹ 16,683 lakhs).

As a part of this contract, Mastek will modernise the Company's enterprise billing and payments platform across all the lines of insurance and financial products. The client is one of the leading companies in the North America insurance and financial industry and is undertaking a multi-year transformation engagement to streamline their internal operations. MajescoMastek was selected after an extensive due-diligence phase that resulted in a comprehensive evaluation of STG Billing solution fit for their end-user business, internal operational and technology roadmap.

Tie-up with CNA Canada: The Company tied up with CNA Canada and is implementing the STG Policy Administration system to administer CAN's commercial auto fleet line of business. Implemented using a private cloud model, the new system has enabled CNA Canada to automate underwriting and policy processing workflow to support growth and maintain a strong competitive position through improved time to market and continued superior service to broker partners.

Fortune 1000 Company Selects STG Billing: COUNTRY Financial, a Fortune 1000 insurance and financial services Company selected STG Billing as the billing component for its core systems legacy replacement and modernization initiative. STG Billing will be used to streamline the billing processes for COUNTRY Financial's portfolio of personal lines products which includes auto, home and agri business. COUNTRY Financial will also leverage the Insurance Content Manager (ICM), a toolkit designed for business users to maintain their own content for business rules, security access control and other configurable data.

Tie-up with Wawanesa Life: Wawanesa Life Insurance Company selected Elixir North America as its new policy administration system for individual life and annuity products. Wawanesa Life's goal is to replace its current multiple legacy mainframe systems environment with a single, modern technology platform. After an extensive review of available offerings, Wawanesa Life selected the Company's Elixir solution as the best fit end-to-end platform available to meet Wawanesa Life's objectives of straight through automated processing, reduced product development time and enhanced customer service.

Deal win with Cypress Insurance Group Inc.: Cypress Insurance Group Inc. selected the Company's STG Suite of products and insurance IT services. The single system will replace Cypress's multiple existing systems currently used for policy, underwriting, rating, billing, and management of the distribution channel. The Cypress selection validates the Company's market position as a provider of complete, integrated, and end-to-end solutions for the property and casualty market.

The STG solution was provided to Cypress through a Software-as-a -Service (SaaS) delivery model as part of a multi-year outsourcing agreement which will include a combination of onshore and offshore support. Cypress chose the Company's billing solution due to the robustness of the policy administration capabilities and the integrated solution built on best-of-breed components for Policy Administration, Billing and Distribution Management.

Partnership with Appian: The Company partnered with Appian, the global innovator in enterprise and cloud-based business process management (BPM) software to offer financial services and insurance industry clients the combined benefits of the Appian BPM Suite and the Company's proven domain knowledge, global engagement delivery model, and systems integration expertise.

Through this partnership financial services and insurance clients can leverage Mastek's extensive expertise in architecting, designing, and implementing mission-critical enterprise applications and thereby fully realize the benefits of the Appian offering for greater customer engagement, more nimble operations and reduced costs.

Update on Board of Directors: The Mastek Board currently has 8 members, of which 4 are Independent Directors and the remaining 4 are Promoter Directors.

During the year under review, Mr. S. Sandilya was appointed as an Additional Director of the Company with effect from January 19, 2012 & is proposed to be appointed as Director liable to retire by rotation in ensuing Annual General Meeting. He is an Independent Director on the Board.

During the year under review, Mr. Diwan Arun Nanda and Mr. Anil Singhvi resigned as Directors of the Company due to pre-occupation, with effect from July 25, 2011 and October 18, 2011 respectively. The Board expressed its sincere appreciation of the valuable services rendered by Mr. Diwan Arun Nanda and Mr. Anil Singhvi during their tenure as Directors of the Company.

People Strength: As on June 30, 2012, the Company had a total of 3,083 employees, of which about 29% were based on-site while the rest were at various offshore locations. The Company continues to recruit fresh talent and intends to add more technical resources at various levels during the new fiscal.

Recognitions and ratings: Mastek's efforts to emerge as a high-end IT solutions provider of choice have been gaining recognition, with some key ones summarized below:

CelentXCelent Awards for STG Billing: The Company was declared a dual-winner in Celent'sXCelent awards for its STG Billing system which profiled 13 other billing systems. MajescoMastek's STG Billing won two XCelent Awards for its top scores in advanced technology and customer base.

The Celent report utilizes the ABCD Vendor View, Celent's standard representation of a vendor marketplace, designed to show at a glance the relative positions of each vendor in four categories: Advanced technology, Breadth of functionality, Customer base, and Depth of service. The awards validate and highlight STG Billing's continued leadership position in the North American Property & Casualty (P&C) market.

Elixir North America Policy Administration System Named CelentXCelent Award Winner: The Company's Elixir North America Policy Administration System (PAS) (formerly SEG's Policy Administration system) has been named a CelentXCelent Award winner. Elixir North America earned the award for Leading Advanced Technology among the 18 policy processing systems profiled in Celent's North American Policy Administration System 2011 Life, Annuities and Health report. The Celent report highlights customer feedback including comments on the system's "ability to bring new products to market quickly" and the "ability of the business users to program the product calculations," with customers giving product design/development their highest rating.

Mastek, either directly or through its clients was also recipient of many awards in India, notable among those being:

- Apollo Munich Health Insurance won Celent Model Insurer Asia 2011 Award for the solution developed by Mastek.
- One of Mastek's customer, Commercial Tax Department, Government of Odisha, won the jury award for 'The Best Project under the Government to Business (G2B) Category' at the eWorld Forum for our e-Services solution.
- Mastek and its client, Department of Social Justice & Special Assistance, Government of Maharashtra, won the jury award for 'Best ICT in Financial Inclusion Initiative of the year' at the eIndia Awards for the e-Scholarship solution developed by Mastek.
- Mastek and its client, Maharashtra Housing and Area Development Authority (MHADA), Government of Maharashtra, won the jury award for 'Best Urban ICT Initiative of The Year' award at the eIndia Awards for the Integrated Housing Lottery Management System (IHLMS) solution developed by Mastek.
- Mastek's 'Claims Surveyor' solution won IDC's FIIA Award for Innovation in Mobility.

BUSINESS OUTLOOK

There are huge market opportunities in both the segments the Company operates in - Insurance and Government. The market, in these geographies, has appreciated the fact that Mastek plays for the long term. They have seen the Company continuing to invest in product development, sales & marketing; and capacity building. These investments have started paying off and will continue to do so in FY 2013 and beyond.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

Mastek's systems for internal control and risk management go beyond what is mandatorily required to cover best practice reporting matrices and to identify opportunities and risks with regard to its business operations.

Internal control systems

The Company has mechanisms in place to establish and maintain adequate internal controls over all operational and financial functions. The Company intends to undertake further measures as necessary in line with its intent to adhere to procedures, guidelines, and regulations as applicable in a transparent manner.

Mastek maintains adequate internal control systems that provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of Company assets. The Company uses an enterprise resource planning (ERP) package that enhances the efficiency of its internal control mechanism.

The Company's internal control systems are supplemented by an internal audit program and periodic reviews by the management. Mastek has appointed an independent audit firm as its Internal Auditors, and the Audit Committee reviews its findings and recommendations at periodic intervals. Mastek's internal control system is adequate considering the nature, size and complexity of its business. Mastek has also put in place a strong enterprise risk management function which oversees the risk management of the Company on an ongoing basis.

Enterprise Risk Management : The primary objective of the Enterprise Risk Management (ERM) function is to :

- Provide a framework that enhances risk response decisions
- Reduce operational surprises and thereby losses
- Identify and manage cross-enterprise risks

The ERM policy, approved by the Board, lays down the risk management process, expected outcomes, governance and reporting structure. The policy also stresses on the importance of having a strong risk culture for ERM to succeed.

Risk Governance Structure : Mastek has put in place a strong risk governance model to ensure risk management principles are followed throughout the organization and a risk culture inculcated. This ERM process and policy is approved by the Governance Committee of the Board and is executed through the Risk Management Committee (RMC) represented by the business and functional heads within Mastek. The RMC is responsible for:

- Being the primary champion of risk management at strategic and operational level
- Setting policy and strategy for enterprise risk management
- Ensuring that risk management policies are implemented with the right spirit through a monitoring mechanism
- Building a risk aware culture within the organization including appropriate trainings
- Informing the Board (through the Audit Committee) about the ERM status & top risks of the Company on a timely basis

Risk Champions : The RMC is supported by the risk champions who are responsible for:

- providing oversight to line managers who manage risk on a day-to-day basis
- promoting risk awareness within their operations

- ensuring that risk management is incorporated right from the conceptual stage of projects / opportunities
- ensuring compliance to the risk management procedures
- providing periodic reports to the RMC

  A discussion of key risks and concerns, and measures aimed at mitigating them, are discussed in the following paragraphs.

Strategic risks: The Company could be susceptible to strategy, innovation, and business or product portfolio related risks if there is any significant and unfavourable shift in industry trends, customer preferences, or returns on R&D investments. Mastek does have the benefit of being very well entrenched with many of its customers, involved in their critical and strategic initiatives. Therefore, client concentration related risks are mitigated to an extent. The Company's investments in intellectual property creation too are being done in a measured manner and are focused more on extending and strengthening existing offerings rather than on new business or end-use/application areas.

Macro-economic risks: Risks emanating from changes in the global markets such as the recent financial meltdown, regulatory or political changes, and alterations in the competitive landscape could affect the Company's operations and outlook. Any adverse movements in economic cycles in the Company's target markets and volatility in foreign currency exchange rates could have a negative impact on the Company's performance. This risk is mitigated to some extent due to the Company's presence in multiple, diverse markets from Europe to Malaysia and India. The Company also takes necessary steps such as forex hedging to mitigate exchange rate risks.

Competition-led risks: Mastek operates in a highly competitive industry, replete with much bigger competitors, in both India and abroad. Shifts in clients' and prospective clients' dispositions could affect its business. While the Company has strong domain expertise, robust delivery capabilities, and significant project experience, there is no guarantee that it will always get the better of competition.

Dependence on Key Personnel: Mastek has one of the best management teams in the industry and this has been a critical enabler of its operating successes. Any loss of personnel through attrition or other means may have an impact on the Company's performance. Mastek does endeavor to have an effective succession plan in place to mitigate these risks.

Client and account risks: The Company's strategy is to engage with a few strategic customers and build long-term relationships with them. Any shift in customer preferences, priorities, and internal strategies can have an adverse impact on the Company's operations and outlook. Mastek does have the benefit of being very well entrenched with many of its customers, involved in their critical and strategic initiatives. Therefore, client concentration related risks are mitigated to an extent.

Contractual, execution and delivery related risks: The Company's operating performance is subject to risks associated with factors that may be beyond its control, such as the termination or modification of contracts and non-fulfillment of contractual obligations by clients due to their own financial difficulties or changed priorities or other reasons. Mastek does have mechanisms in place to try and prevent such situations, as well as insurance cover as necessary.

Acquisition/M&A related risks: Well-considered, properly evaluated and strategic acquisitions form part of the Company's growth strategy. There is no guarantee, however that an acquisition will produce the business synergies, revenues and profits anticipated at the time of entering into the transaction although the Company would undertake all due care and diligence in the process of making any acquisition.

In addition to the aforementioned issues, there are multiple other risk factors that the Company believes it will need to take cognizance of and manage. The Board and management team continually assess the operations and operating environment to identify potential risks and take meaningful mitigation actions. The Company does take necessary insurance or related cover in cases as necessary.