For Immediate Release

Mastek Apr-June 2008 quarter PAT up 63% year-on-year at Rs 39 cr

Total income for quarter up 34% year-on-year at Rs 250 cr

EBITDA margin expands from 14.7% to 19.9%

FY2008 revenues up 23% at Rs 916 cr, PAT up 47% at Rs 126 cr, EPS at Rs. 44.2

Board recommends final dividend of 130%

In dollar terms:
- **Total income for FY2008 grows by 34% to US$ 227 mn**
- **PAT for FY2008 increases 60% to US$ 31 mn**

Strong full year FY2009 growth outlook driven by:
- ***Addition of 21 new accounts during FY2008***
- ***Execution of Swift2Move™ solution with Thales UK***
- ***Expanded order book (to Rs 453 cr) and robust opportunity pipeline***
- ***Phased release of new SOA-based Elixir™ enterprise solution for insurance vertical***
- ***Full contribution from acquisitions (VectorMastek and STGMastek)***
- ***Continued benefits from productivity & efficiency enhancement initiatives***

Mumbai, India – July 23, 2008: Mastek, a high-end IT solutions player with global operations providing new technology and IP-led enterprise solutions to insurance, government, and financial services organizations worldwide, announced its audited financial results for the quarter and financial year ended June 30, 2008 today.

Review of quarterly financial performance

On a year-on-year basis, strong revenue contributions from both the UK and US operations that now include the recently acquired STGMastek enabled the company to deliver a 33.5% growth in total income for the quarter ended 30 June 2008 (Q4FY2008), which increased to Rs 249.8 crore from Rs 187.1 crore in the corresponding quarter last year. Fixed-bid contracts accounted for about 50% of the revenues during the quarter.

EBITDA for Q4FY2008 was higher by 83.9% at Rs 48.7 crore, compared to Rs 26.5 crore in Q4FY2007. The company's performance for the quarter under review includes the benefits of substantial efficiency and productivity improvements that were initiated during preceding quarters. Resultantly, EBITDA margin expanded to 19.9% in Q4FY2008 from 14.7% in the similar quarter last year. PAT for the quarter increased 63.1% from Rs 23.65 crore last year to Rs 38.58 crore.

In dollar terms, total income increased by 45% to US$61.87 million in the quarter under review from US$42.57 million last year, and PAT was up 77% at US$9.54 million from US$5.37 million last year.

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*All references to Mastek's financial results in this release pertain to the company's consolidated operations and comparisons with the preceding financial year are after excluding the erstwhile DC JV (that ended in March 2007), unless otherwise mentioned. Please note that the company's performance for Q4 & FY2008 includes contributions from STGMastek that was acquired on March 8, 2008 and has been consolidated with effect from Jan. 1, 2008, and is therefore not strictly comparable with previous year's performance.

Note: (i) Mastek follows a July 01-to-June 30 financial year; (ii) Rs 1 crore (cr.) = Rs 10 million (mn.).

During Q4FY2008, Mastek added 4 new customers and its 12-month order book expanded from Rs 406 crore as on 31 March 2008 to Rs. 453 crore on 30 June 2008.

On a quarter-on-quarter basis, Mastek's total income for the quarter under review represents a 4.5% increase from Rs 238.9 crore in the preceding quarter. This came on the back of an 11% sequential increase in total income during the preceding quarter (Q3FY2008). EBITDA was higher by 8% and EBITDA margin increased to 19.9% compared to 19.3% in the sequentially preceding quarter. PAT for the quarter was higher by 10% compared to the sequentially preceding quarter.

Review of financial performance for the fiscal year ended 30 June 2008 (FY2008)*

Mastek's revenue performance during FY2008 was driven by sustained growth in its existing accounts and contributions from accounts added in the past few quarters as well as the newly acquired VectorMastek and STGMastek. The operations of VectorMastek have been integrated with the company's North American insurance operations with effect from July 2007, while that of STGMastek have been integrated and consolidated with the company's overall operations with effect from January 01, 2008. Mastek's earnings performance was driven by better than anticipated benefits of the ongoing productivity and efficiency improvement initiatives implemented during the year under review, resulting in higher operating margins.

The company's total income for the year was higher by 23% at Rs 916 crore compared to Rs 743 crore last year (after excluding contributions from the erstwhile Deloitte JV). This was driven by a noticeable improvement in revenues in the US operations which now include STGMastek, and sustained growth in the UK, Asia-Pacific, and domestic operations.

EBITDA for the year under review increased 36.7% to Rs 159.8 crore, translating into a noticeably higher EBITDA margin of 17.9% compared to 16.1% last year. This significant expansion in margin was driven by the ongoing productivity and operational efficiency enhancement initiatives that the company has been implementing over the past few months. Profit After Tax (PAT) increased 46.7% from last year (excluding Deloitte JV) to Rs 125.9 crore, indicating a net profit margin of 13.7%.

In dollar terms, the company's total income increased 34% from US$169 million last year to US$227 million in FY2008. PAT was higher by 59.5% at US$31.1 million in FY2008 compared to US$19.5 million last year.

During FY2008, Mastek added 21 new customers, including some by STGMastek post acquisition (but excluding the multiple existing accounts and customers that came with STGMastek as a result of its acquisition).

In addition to its existing partnerships with Capita plc and BT Global Services, the company also initiated a new partnership with Thales UK during the year under review.

Mastek's 12-month order book expanded 64% from Rs 276 crore at the beginning of the year to Rs 453 crore by the end of the year under review.

***Commenting on the results, Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, said*: "*The quarter and fiscal year under review has proved to be a high growth period for Mastek, both in terms of financial as well as operational performance. We achieved better than anticipated margins and earnings performance for the year, made strategic and value accretive acquisitions,* *added new customers in both the Government and Insurance verticals, 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.*

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 are in the process of implementing additional initiatives that will support growth over the longer term. As a result, despite the prevailing macroeconomic environment, we believe Mastek is well positioned to grow faster than the markets it serves and the competitors it faces."

Dividend

The audited results were taken on record at the Board Meeting held on July 23, 2008. At the meeting, the Board also recommended a final dividend of 130%. Including the interim dividend of 70% announced after the second quarter of the year under review, the total dividend for the year amounts to Rs 10 per share.

Operating performance review

- ***New account addition and growth in existing accounts***: During the quarter under review, Mastek was able to build upon the opportunity pipeline that it has been creating, adding new customers and strengthening relationships with existing ones. During the full year (FY2008), the company added 21 new accounts. Both the newly acquired entities VectorMastek and STGMastek adding new insurance customers.
- ***Elixir™ gains further traction with revised Capital Life & Pensions agreement, expansion of scope for IDBI Fortis***: Mastek's Elixir™ solution for the insurance vertical continued to gain strong traction during the quarter under review.
    - Mastek has revised its agreement with Capita Life & Pensions to expand its licence and service arrangement for Elixir™. This expanded agreement includes an enhanced support and maintenance arrangement based on Elixir as the strategic platform of choice for the new product launches and legacy migrations / consolidations. 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 22 million policies Capita currently administers.
    - After successfully implementing the first phase with the Policy Administration module of the Elixir™ platform for IDBI Fortis Life, which went live in March 2008, 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.

  These developments come closely on the heels of UK's Legal & General selecting Elixir™ for the administration of some of its products in the preceding quarter.

  During FY2008, Mastek's insurance business grew by 50%, contributing about 25% to operating revenues.
- ***Execution begins on Swift2Move™ solution for UK MoD with Thales UK***: During the quarter under review, Mastek began implementing the Swift2Move™ solution in partnership with Thales UK to meet the UK Ministry of Defence (MoD) requirement to manage and

schedule the global air movements of troops and cargo which will be deployed over its Defence Information Infrastructure (DII). The "Swift2Move" software solution has been developed by the Thales-led partnership of Mastek, Fujitsu Services and Flyware. This solution is significant for several reasons; firstly, this project involves the design and development of a specialist system that handles complex military logistics and defence 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 domain.

- ***Order book expands to Rs 453 crore***: Driven by the expansion of existing client relationships, and robust new account addition, and accretion from recent acquisitions, Mastek has also been able to consistently strengthen its order book every quarter during the year under review. The 12-month order book has expanded 11.5% from Rs 406 crore at end of the sequentially preceding quarter to Rs.453 crore as on June 30, 2008.

- ***Continued improvement in Returns on Talent***: For knowledge-driven organizations like Mastek, the key success enabler and most vital resource is world-class talent. Capital, often perceived to be among the scarcest and hence most critical ingredient for success, does play an important role in the company's operations but the primary growth fuel are its talent pool. Not surprisingly, Mastek lays strong emphasis on measuring returns on talent as well, instead of only focusing on return on capital. During FY 2008 Mastek's returns on talent, as reflected in its revenue and profitability per employee (tabulated below), remained at levels superior to most Indian peers of similar size and scale, comparing favourably even with some of the largest players in the industry who enjoy substantial scale advantages.

Return on Talent metrics	**FY 2008**	**FY 2007**
Revenue per employee (US$)	59,144	54,220
EBITDA per employee (US$)	10,318	8,499
Net profit (PAT) per employee (US$)	8,127	6,260

Update on recent corporate developments

- ***Vector and STG fully integrated with overall operations***: Mastek made two strategic acquisitions within its focus Insurance vertical in the US during FY2008, taking a 90% equity stake in the Indianapolis-based Vector Insurance Services in July 2007 and a 100% stake in the New York-based STG International in March 2008 through its US subsidiary MajescoMastek. These initiatives were in line with the company's intent to make well-considered acquisitions that complement its existing strengths in terms of intellectual property, skill-sets, and customer base. Both Vector and STG have now been fully integrated with the operations of the company and these businesses are now operating as MajescoMastek. With its now expanded capabilities, MajescoMastek has broadened its IP-based enterprise-wide technology offerings to cover life, annuity, property and casualty (P&C) insurers in the North American market. The financial and strategic contribution from these acquisitions to Mastek's overall operations during the period under review has been in line with plan, with the opportunity pipeline for the company in the Insurance vertical noticeably expanding.

- ***Share buy-back program completed***: The company had, during FY2008, announced plans to repurchase its shares upto a maximum of 25% of the share capital and free reserves (including share premium) based on the audited accounts as on 30 June 30 2007, that is, up to Rs 65 crore. Accordingly, the share buy-back of programme opened on 20 May 2008 and purchases were made consistently through open market transactions in accordance with applicable laws, rules and regulatory guidelines. While the last date for the buy-back was 26 November 2008 (i.e., 12 months from the date of the resolution passed by the shareholders of the company through postal ballot), the maximum limit of buy-back was reached on 17 July 2008. Resultantly, the buy-back programme stands successfully completed and has been closed. During the period of buy-back, the company repurchased 1,660,095 equity shares for Rs 65 crore. As on 30 June 2007, the company had 28,464,181 equity shares of Rs.5 each outstanding, which will stand at 26,880,201 equity shares after extinguishment of all the bought back shares.

- ***Phase I of new Chennai SEZ campus nearing completion***: Mastek is currently in the process of establishing its new campus at the Mahindra Industrial Park, an SEZ near Chennai. All future expansions over the next 2-3 years will occur at this campus, which will be able to employ about 7,000 professionals when fully operational. In the first phase, which is expected to be completed and ready during the current calendar year, the facility will have the capacity to house 1,500 professionals.

Recognitions

The success of Mastek's strategic focus on providing high-end IT solutions to its global customers was manifested in awards and recognitions during the quarter under review, as summarized below.

- ***Mastek named among Best 20 in Government and Insurance verticals globally***: Mastek was ranked 16 in the "2008 Global Outsourcing 100" companies – a list compiled by the International Association of Outsourcing Professionals (IAOP) which includes companies from around the world providing a full spectrum of outsourcing services – not just information technology and business process outsourcing, but in areas such as facility services, real estate and capital asset management, manufacturing, and logistics. Mastek was also ranked among the Best 20 companies by industry focus in both its target verticals of Government and Insurance, where it has created a strong position for itself within the enterprise applications market. This is the third time, and second consecutive year, when Mastek has been ranked among Top 20 in The Global Outsourcing 100 list compiled by IAOP. The 100 companies selected were announced at The 2008 Outsourcing World Summit® with the rankings unveiled in a special advertising section of the spring issue of FORTUE® magazine in May 2008.
- ***Mastek Chairman conferred with CNBC Asia "India Business Leader of the Year" Award***: Mastek's Chairman and Managing Director Mr Sudhakar Ram was conferred with the CNBC Asia "India Business Leader of the Year" Award in December 2007. The India Business Leader of the Year Award is given to business leaders who approach success holistically. Ensuring the Company's growth through innovation, encouraging employees through motivation, and capitalizing on global trends to grow business profitability were among the qualities that were given special attention in the selection process for this Award.

Outlook

Mastek posted a strong finish to the fiscal year under review, delivering better than expected revenue and earnings growth in FY2008. The company has been able to differentiate itself as a player with IP-led solutions delivery, increase its productivity & operational efficiency, add new accounts and grow partnerships, and expand its order book. The growth outlook for the future, therefore, is strong.

For the July-September 2008 quarter, Mastek estimates its consolidated total income (which is inclusive of other income) to be in the range of Rs 255 to Rs 260 crore. Margins during the quarter will be impacted by wage increases that take effect from July 1, but some expected tax refunds are likely to partly offset that. As a result, net profit after tax and minority interest is likely to be in the range of Rs 39 to Rs 40 crore.

For the full year FY2009, the company is expected to deliver a total income (inclusive of other income) of about $300 million in dollar terms.

About Mastek

Mastek, is a Rs. 916 crore, US $227 million (FY 2008) publicly held, 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 US, Europe, Japan and Asia Pacific regions. Incorporated in 1982, Mastek has been in the forefront of technology, which along with proven methodologies and processes, increase IT value generation to its customers through onsite and offshore deliveries.

For more information and detailed results, please visit our Web Site http://www.mastek.com

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