



**Mastek Oct-Dec 2008 quarter Total Income up 19% year-on-year at Rs 256 cr
PAT for quarter up 16% year-on-year at Rs 31 cr**

Financial performance during quarter reflects significant forex impact

On constant currency basis, total income for quarter at Rs 261 cr (compared to guidance of Rs 265-270 cr)

Excluding foreign exchange losses, PAT for quarter at Rs 43 cr (compared to guidance of Rs 43-44 cr)

— 4 new customers added during the quarter —

— Board recommends an interim dividend of Rs 2.50 per share —

Leadership team in North America and Europe further reinforced

- **Front-end sales organization strengthened**
- **Enables expansion into additional geographies**

Mumbai, India – January 8, 2009: Mastek, a high-end IT solutions player with global operations providing new technology and IP-led enterprise solutions with a focus on the Insurance and Government verticals worldwide, announced its unaudited financial results for the quarter and half-year ended December 31, 2008 today.

The financial performance of the company during the period under review reflects translation impact due to the significant weakening of the British pound sterling (£) relative to the dollar and the rupee, forex losses amounting to Rs 11.7 crore, as well as some headwinds on account of the prevailing economic environment.

Review of quarterly financial performance

On a year-on-year basis:

- Total income during the quarter under review (Q2FY2009) was higher by 19% at Rs 256.2 crore compared to Rs 215.9 crore in the similar quarter last year.
- EBITDA for the quarter under review was Rs 38.1 crore, up 4% from Rs 36.6 crore last year. EBITDA before exchange losses was much higher at Rs 49.8.
- Profit After Tax (PAT) for the quarter under review was Rs 31.3 crore, 16% higher than in the corresponding quarter last year (Rs 27.1 cr). Excluding forex losses, PAT for the quarter was Rs 43 crore.

On a quarter-on-quarter basis:

- Mastek's total income represents a 2% decline from Rs 261.7 crore in the preceding quarter to Rs 256.2 crore in the quarter under review due to translation losses in GBP denominated inflows from UK (the company's largest market) and slowdown in some customer accounts.

Note (i): All references to Mastek's financial results in this release pertain to the company's consolidated operations. Please note that the company's performance for H1&Q2 FY2009 includes contributions from STGMastek that was acquired on 8th March 2008 and has been consolidated with effect from Jan. 1, 2008, and is therefore not strictly comparable with previous year's performance.

Note (ii): Mastek follows a July 01-to-June 30 financial year.

Note (iii): Rs 1 crore (cr.) = Rs 10 million (mn.).



- EBITDA at Rs 38.1 crore was 19% lower compared to Rs 46.9 crore in the preceding quarter, mainly on account of forex losses of Rs 11.7 crore, implying an EBITDA margin of 15.2%. EBITDA before exchange losses was much higher at Rs 49.8 cr, translating into a better EBITDA margin of 19.9%.
- PAT for the quarter, at Rs 31.3 crore, was lower than in the preceding quarter (Rs 41.2 cr, which included a one-time tax refund of Rs 4.8 crore). Before exchange losses, PAT was Rs 43 crore.
- Diluted EPS (non-annualised) reported for the quarter was Rs 11.65. Excluding exchange losses, diluted EPS (non-annualised) for the quarter was Rs 16.0.

On a constant currency basis, total income was flat on a sequential basis in the quarter under review at Rs 261 crore.

During Q2FY2009, Mastek added 4 new customers and its 12-month order book was Rs 453 crore as on 31 December 2008.

Review of half-yearly financial performance

The company's performance for the half-year under review includes the impact of a significantly weakened GBP (£) and forex losses witnessed during the period under review. In face of the unfolding macro-economic conditions, Mastek has reported a 21% growth in total income for the half-year ended 31 December 2008 (H1FY2009) to Rs 517.8 crore from Rs 427.5 crore in the corresponding period last year. This was driven by healthy contributions from both the European and US operations that now include the recently acquired STGMastek. EBITDA for H1FY2009 was higher by 28% at Rs 85 crore, compared to Rs 66.2 crore in H1FY2008. Before exchange losses, EBITDA for H1FY2009 was Rs 100.3 crore. PAT for the half-year under review increased 39% from Rs 52.2 crore last year to Rs 72.5 crore.

Interim dividend

The Board declared an interim dividend of 50% for the year, amounting to Rs. 2.50 per share, in line with its intent to enable shareholder participation in the company's growth. The record date for payment of Interim Dividend will be January 16, 2009.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, said: *"The global financial meltdown began to impact our performance to an extent in the quarter under review, and we expect more impact over the next couple of quarters. In addition, the further weakening of the pound sterling during the quarter depressed our topline and led to an exchange loss of about Rs 12 crore which directly reduced our profit.*

Despite the challenging economic environment, we still believe that our solutions model will see significant growth as the economy revives. Our differentiated business model, complex programme management capabilities, and investments in intellectual property chosen verticals are great advantages in the prevailing macro- environment. We remain optimistic about our long term outlook and are investing in our go-to-market leadership team with the induction of several industry veterans with substantial experience and strengths in relevant markets and verticals. This will enable us to deepen our presence in existing geographies and take advantage of newer market opportunities going forward."

Operating performance review

- **New account addition:** During the quarter under review, Mastek was able to add new customers and maintain its relationships with existing ones despite a tough business environment. The company added 4 new accounts (3 in the US) during Q2FY2009, including a Fortune 500 organization, resulting in 7 new accounts being added in the first half of the current financial year. Of the newly acquired customers during the quarter, 2 are in the insurance vertical, including one for the company's Elixir™ enterprise solution. The financial and strategic contribution to Mastek's overall operations from the acquisitions made in the previous fiscal too has been in line with plan during the period under review.
- **Impact of macro-environment:** During the later part of the quarter under review the company began to experience slowdown in some of its customer accounts across various geographies. This impact of the macro-environment is likely to get more pronounced in the second-half of this fiscal. The company is still likely to maintain its leadership position on key metrics such as return on talent (revenue and EBITDA per employee) and continue to successfully deliver IT solutions for customers globally, given its complex program execution capabilities, intellectual property (IP)-led offerings, and non-linear business model.
- **Order book at end of quarter at Rs 453 crore:** Reflecting the changes in the macro-economic environment, the company's 12-month order book as on 31 December 2008 was lower from Rs 505 crore in the sequentially preceding quarter to Rs. 453 crore.
- **People:** Mastek's differentiated business model and solutions-oriented projects have enabled it to superior returns on talent and it continues to implement measures aimed at sustaining the same. Mastek has also been able to effectively manage attrition over the years and during the quarter under review, the company saw its attrition level decline from the corresponding quarter last year. As on 31 December 2008, the company had a total of 4,243 employees, of which about 27% were based on-site while the rest were at various offshore locations.

Update on recent corporate developments

- **Strengthening of leadership team:** Mastek is making some key appointments in its leadership team across various geographies, aimed at reinforcing its front-end business and sales organization and creating the necessary capabilities to extend its presence in new markets in Europe (outside the UK) and North America. These appointments follow the expansion of the company's management bandwidth last year with the induction of senior and mid-level professionals in delivery and corporate functions, thus strengthening its back-end operations in India.

Towards that end, Mastek has tapped John Dowd to take over as Chief Operating Officer and spearhead the company's next phase of growth. He has already been involved in supporting the company's leadership team in its growth initiatives as a senior advisor since September 2008. John brings over 30 years of broad executive experience that includes successfully leading large international operations for technology and business services corporations. His earlier assignments include a senior role at EDS where he led two regions of EDS' global operations, Canada and Greater China / Korea. The Canadian subsidiary had over 7000 employees and revenues of around a C\$1 billion. Prior to EDS, John Dowd spent over 23 years in Xerox in various cross functional executive roles.

In order to lead the company's growth in the European region, Mastek is appointing Kees Tan Nijenhuis as Managing Director, Mastek Europe to lead the UK leadership team in growing its European business. Kees has spent the past six years as the Senior VP for Wipro Europe and led the growth of its European IT services business into a thriving and large operation.

Kees brings about 26 years of experience, executive leadership skills, and knowledge of how to rapidly grow an IT business in the UK and across Continental Europe.

Joe Venkataraman, who has been heading the company's UK business for several years and overseen its growth to current levels will focus more on specific initiatives and development of mega deal capacities at Mastek within Europe as Director – Strategic Initiatives.

Mastek is also inducting Mike Dufton as President of its wholly-owned US subsidiary MajescoMastek and Senior Vice President, North American Business Unit. Among his previous assignments was leadership of Solcorp, an over \$100 million life insurance policy administration software/consulting business, as its President. Mike has been a key executive behind the growth of Solcorp's international business and has extensive executive relationships within the large insurance organizations across North America and the world. His strategic insights on how to grow an insurance software and services business on both an organic and inorganic basis is of particular importance to Mastek, given the company own capabilities in the Insurance vertical.

The company has appointed Ross Pellizzari as Vice President and Strategic Client Executive, Mastek Canada. Ross will assist Mike Dufton in driving the company's operations beyond the US and exploring business opportunities across North America. Ross comes from Cisco Systems Canada, where he spent the past nine years, and has about 25 years experience with has extensive executive relationships within large corporate and government organizations across the country.

All of these professionals bring the kind of proven track record and substantial hands-on business experience that will enable Mastek to attain business leadership in its chosen verticals.

- **First module of new SOA-based Elixir™ rolled-out:** During the quarter under review, Mastek rolled out the Distribution Management module, first of the modules of its new, more flexible version of Elixir™ based on Service Oriented Architecture (SOA). Additional modules, including New Business Underwriting, Policy Administration, and Claims Processing will be introduced in the market in a phased manner. The new SOA-based Elixir™ insurance enterprise platform is aimed at enabling insurance carriers to efficiently manage broker-dealer networks, administer and launch new products, and claims processes, reduce costs and grow market share. The company already has delivered, and is also currently implementing, the earlier version of Elixir™ for multiple insurance players globally.
- **Next generation of Vector Policy Administration system introduced in USA:** The company introduced the next generation of its trusted and proven Vector Policy Admin System for life insurance at the Society of Actuaries (SOA) Conference in Orlando, Florida in October 2008. The Vector Policy Admin system is browser-based and supports life and annuity products with a comprehensive, low-risk, cost-effective solution. The system, which has been made more flexible and user-friendly, delivers broad functionality, streamlines a complex implementation process, and easily integrates with existing business models. Insurance carriers can reduce per-policy servicing cost in a predictable manner through Vector's hosted delivery model, in some cases by as much as 30%.

Outlook

During the quarter under review, in addition to adverse forex conditions the company has experienced some slowdown in customer demand and in the coming months that trend is likely to continue. Accordingly, the company is making prudent adjustments to its performance outlook. For the Jan-Mar. 2009 quarter (Q3 FY2009), Mastek estimates its consolidated total income (which is inclusive of other

income) to be in the range of Rs 240 to Rs 245 crore. Net profit after tax and minority interest is likely to be in the range of Rs 32 to Rs 33 crore.

While the company does not provide annual guidance, it does share its revenue target for the full year and taking into account the prevailing economic environment, for the full year FY2009 Mastek is targeting a 10%-15% growth in total income (inclusive of other income) in rupee 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 www.mastek.com (and/or the Investors section at <http://www.mastek.com/content/investors/index.asp>).

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Shareholders may also contact Mastek via email at Investor_grievances@mastek.com, which has been specifically created for the redressal of investor grievances.

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