



Mastek Jan-Mar 2009 quarter Total Income at Rs 233 cr

EBITDA margin at 18.7%, PAT for quarter at Rs 33 cr

Profitability maintained despite challenging macro-environment and continued investments in future growth initiatives

Go-to-market leadership team further expanded

- Insurance team reinforced with senior executives from global tech firms
- Creates the necessary capabilities to strengthen pipeline, penetrate new markets, and capitalize on demand recovery

Total Income for 9M FY2009 up 13% at Rs 751 cr, PAT up 21% at Rs 106 cr

— 2 new customers added during the quarter —

Recently acquired STGMastek delivers strong growth-led performance

Mumbai, India – 09 April 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 nine-months ended 31 March 2009 today.

Review of quarterly financial performance

On a quarter-on-quarter basis:

- Mastek's total income represents a 9% decline from Rs 256.2 crore in the preceding quarter to Rs 233.0 crore in the quarter under review reflecting the impact of a significantly weakened pound sterling, the slowdown the company is experiencing in some of its customer accounts, and delays in the initiation of some projects that are now expected to start contributing Jul-Sep quarter onwards.
- On a constant currency basis, total income for the quarter was Rs 241.8 crore.
- **Mastek has been able to maintain margins and profitability** at healthy levels despite increased revenue unpredictability and continued investments in future growth initiatives such as its SOA-Elixir™ platform development and front-end sales team augmentation. During the quarter under review, the company took prompt action in the form of virtual bench creation in line with revised performance outlook for the full year and implemented other measures aimed at cost reduction. It also did not incur any MTM exchange losses, recording a gain of Rs 2 crore. Resultantly, EBITDA at Rs 43.2 crore was 13% higher compared to Rs 38.1 crore in the preceding quarter and EBITDA margin for the quarter stood at 18.7%.
- PAT for the quarter, at Rs 33.4 crore, was 7% higher than Rs 31.3 cr in the preceding quarter.

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 9M 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.).



- Diluted EPS (non-annualised) reported for the quarter was Rs 12.41.

On a year-on-year basis:

- Total income during the quarter under review (Q3FY2009) was Rs 233.0 crore compared to Rs 238.9 crore in the similar quarter last year. The decline in revenue was mainly due to translation losses in GBP denominated inflows from UK (the company's largest market) and slowdown in some customer accounts given the macro-economic conditions.
- EBITDA for the quarter under review was Rs 43.3 crore compared to Rs 45.1 crore last year. The lower EBITDA reflects both the impact of adverse foreign exchange movement as well as the cost of an expanded front-end global sales team.
- Profit After Tax (PAT) for the quarter under review was Rs 33.4 crore (Rs 35.1 cr in the corresponding quarter last year), translating to 14.3% of Total Income, which is relatively stable compared to 14.7% last year.

During Q3FY2009, Mastek added 2 new customers and its 12-month order book was Rs 387 crore as on 31 March 2009.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, said: *"Our performance for the quarter demonstrates our ability to maintain profitability without under-investing for future growth, even as the prevailing economic scenario remains tough and exchange rate headwinds continue to impact our operations. While we are witnessing some challenges in the demand and pricing environment, we have also been able to add new clients in both the government and insurance verticals with our recently acquired non-life insurance division delivering a commendable performance. In addition to that, we have been implementing multiple initiatives to maintain profitability and be ready for new opportunities going forward. These included creation of a virtual bench and continued investments in our front-end sales team, inducting senior business leaders who bring an extraordinary level of domain insight and industry knowledge and network.*

Our business model, characterized by a focus on IP and fixed-price contract based solutions, and our more than a decade-long track record of successfully delivering complex programmes within time and cost parameters, are unique and great advantages in the current environment. These strengths, combined with our investments in creating world-class IP assets and building a solid go-to-market team, will also allow us to capitalize on demand recovery quickly and profitably."

Review of nine-month financial performance

The company's performance for the nine months 01 July 2008 – 31 March 2009 includes the impact of a significantly weakened GBP (£), a slackening demand environment, and forex losses witnessed during the period, especially in the first two quarters of the financial year.

Healthy revenue contributions from both the UK and US operations that now include the recently acquired non-life insurance division (STGMastek) enabled the company to deliver a growth-led performance for the nine-month period despite challenging macro-economic conditions.

Total income for the nine months ended 31 March 2009 (9MFY2009) increased 12.7% to Rs 750.9 crore from Rs 666.3 crore in the corresponding period last year. EBITDA for 9MFY2009 was higher by 15.4% at Rs 128.2 crore, compared to Rs 111.1 crore last year. The company's operating performance for the nine months under review includes the impact of wage hikes implemented in the first quarter of the current financial year, and induction of multiple senior business leaders across

geographies, as well as several efficiency improvements. PAT for 9MFY2009 increased 21.3% from Rs 87.3 crore last year to Rs 105.9 crore.

Operating performance review

During the quarter under review, Mastek was able to leverage the opportunity pipeline that it has built over the past few quarters, adding 2 new customers. The company's new SOA-based Elixir™ solution for the insurance industry also gained further traction with the launch of deepened its relationships with many of its existing customers in its focus verticals of insurance & financial services and government. 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.

- **Further expansion of front-end leadership team:** In addition to the senior executives appointed in the sequentially preceding quarter, Mastek inducted some more professionals into its UK and North American operations during the quarter under review. This includes the appointment Tom Rogerson, who comes with vast insurance sector experience and was Chief Technology Officer at CSC, as Global Product Manager to strengthen Mastek's intellectual property (IP) related initiatives and of Mike Brinsford (past President and CEO at CSC Asia) to play a lead role in the company's global insurance business.

The multiple senior-level appointments made over the past couple of quarters are aimed at reinforcing Mastek's front-end business and sales organization and creating the necessary capabilities to extend its presence in existing and new markets. 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 and geographies.

- **New account addition:** During the quarter under review, Mastek added 2 new customers in the face of a difficult business environment. Of the newly acquired customers during the quarter, one is an end-to-end solution deal for the company's STG Suite for P&C (property & casualty) insurers.
- **SOA-Elixir™ Distribution Management (EDM) launched in USA and India:** In February 2009, Mastek launched the Distribution Management module of its Elixir™ platform. EDM is a standalone system that allows an insurance carrier to manage its entire distribution landscape. A proven solution which has been successfully implemented in six countries by 11 global insurance companies, EDM's Agent Life Cycle Manager, Compensation Manager, Performance Manager and Agent Portal form an end-to-end comprehensive system that oversees diverse channels and administers producers from registration to termination. This follows the roll-out of SOA-based EDM in the UK in the sequentially preceding quarter.

Distribution Management is a key module of Mastek's new, more flexible version of Elixir™ based on Service Oriented Architecture (SOA). Additional modules, including New Business Underwriting, Policy Administration, and Claims Processing are being introduced in the UK and US markets separately 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.

- **Order book at end of quarter at Rs 387 crore:** The company's 12-month order book as on 31 March 2009 was Rs. 387 crore, compared to Rs 453 crore in the sequentially preceding quarter. The decline in order book position was led by slowdown in demand and delays in initiation of some projects that thus could not be included in the order book.
- **People:** Mastek's differentiated business model and solutions-oriented projects have enabled it to deliver superior returns on talent and it continues to undertake measures aimed at sustaining the same. At the same time, in view of the economic slowdown and the resulting

downward revision of its full year growth outlook, the company has also been able to promptly implement initiatives aimed at maintaining profitability and reducing hardship to impacted staff by creating a Virtual Bench. As on 31 March 2009, the company had a total of 4,023 employees, of which about 25% were based on-site while the rest were at various offshore locations.

- **Enhanced Billing module of STG P&C Suite introduced in USA:** The company introduced its new STG Electronic Bill Payment and Presentment (EBPP) module enabling insurance carriers to offer online bill payment and viewing to their policy holders. This enhanced product offering provides insurers with a cost-cutting tool that can help them attract new customers, increase customer loyalty and expedite cash flow. It also offers policyholders a self-service real-time bill payment and account viewing option in a variety of languages, including English, French, German and Spanish. The multi-lingual capability should also allow Mastek to penetrate new markets outside the US.

Outlook

During the nine-months under review, in addition to adverse forex conditions the company has experienced some slowdown in customer demand as well as pricing pressures (mainly in its services-led accounts) that come into effect during the current (Apr-Jun) quarter. Accordingly, for the Apr-Jun. 2009 quarter (Q4 FY2009), Mastek estimates its consolidated total income (which is inclusive of other income) to be in the range of Rs 220 to Rs 230 crore. Net profit after tax and minority interest is likely to be in the range of Rs 30 to Rs 32 crore.

Note on foreign exchange rates: For the Apr-Jun.2009 quarter, the company has assumed a foreign exchange rate of GBP 1 = Rs 71.50 and USD 1 = Rs 50.24, which is the same as the actual exchange rate for the Jan.-Mar. 2009 quarter.

The company uses year-to-date (YTD) average rates for translation and consolidation of its foreign currency denominated revenues into rupees. The YTD average rate applicable for 9M FY2009 is GBP 1= Rs 76.60 and USD 1 = Rs 48.05, and for 9M FY2008 it was GBP 1= Rs 80.14 and USD 1 = Rs 39.89. (The YTD average rate applicable for H1 FY2009 was GBP 1= Rs 79.15 and USD 1 = Rs 46.95, and for H1 FY2008 it was GBP 1= Rs 80.96 and USD 1 = Rs 39.91.)

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 past results & conference call transcripts, please visit our web site www.mastek.com (and/or the Investors section at <http://www.mastek.com/content/investors/index.asp>).

Updated disclosures regarding corporate governance may also be accessed in the web site's Investors section at: <http://www.mastek.com/content/investors/CorporateGovernance/mastek-corporate-governance-FAQs.pdf>

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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.

Note: Except for the historical information and discussion contained herein, statements included in this release may constitute forward looking statements. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from those that be projected by these forward looking statements. These risks and uncertainties include, but not limited to such factors as competition, growth, pricing environment, recruitment and retention, technology, wage inflation, law and regulatory policies etc. Such risks and uncertainties are detailed in the Annual Report of the company which is available on the website www.mastek.com. Mastek Ltd. undertakes no obligation to update forward looking statements to reflect events or circumstances after the date thereof.