

Mastek Apr-June 2009 Total income at Rs 214 cr, PAT at Rs 35 cr

***Performance for quarter reflects faster than anticipated rampdown in BT/NHS project revenue;
most of the rampdown already absorbed in H2FY2009***

FY2009 revenues up 5% at Rs 965 cr, PAT up 12% at Rs 141 cr, EPS at Rs. 52.4

2 new insurance customers added during the quarter

STGMastek delivers strong growth-led performance in first full year of contribution

Board recommends final dividend of Rs 7.50 per share; total for year at Rs 10 per share

Mumbai, India – 22 July 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 year ended 30 June 2009 today.

Review of quarterly financial performance

- Mastek's overall performance during the quarter under review (Q4FY2009) has been in line with plan, with PAT (profit after tax) exceeding the guidance range shared earlier in April 2009.
- The company's revenue performance during the quarter reflects a much faster than anticipated ramp-down in the project part of the BT/NHS programme revenue, the continued impact of the slowdown that the company has been experiencing in some of its customer accounts, and delays in the initiation of some projects.

On a quarter-on-quarter basis:

- Total income during the quarter under review (Q4FY2009) was Rs 214.1 crore compared to Rs 233.0 crore in the preceding quarter. The ramp-down in the BT/NHS project development revenues occurred at a faster than expected pace during the quarter, but growth in other accounts enabled the company to report a healthy overall revenue performance.
- EBITDA for the quarter stood at Rs 30.9 crore, translating into an EBITDA margin of 15.3% compared to an EBITDA margin of 18.7% in the preceding quarter. This sequential decline was on account of the faster ramp down of the NHS project revenue, investments in future growth initiatives including ongoing development of its SOA-Elixir™ platform and some one-time costs.
- PAT for the quarter was Rs 35.3 crore, representing a 6% increase from Rs 33.4 crore in the preceding quarter. PAT for the quarter was 16.5% of total income, better than 14.3% in the previous quarter.
- Diluted EPS (non-annualised) reported for the quarter stood at Rs 13.11.

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 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.).



On a year-on-year basis:

- Compared to last year, the macroeconomic condition and foreign currency exchange rates have been unfavourable for the company. Translation losses in GBP denominated inflows from UK and slowdown in certain customer accounts resulted in a 14% decline in total income for the quarter under review (Q4FY2009) to Rs 214.1 crore compared to Rs 249.8 crore in the similar quarter last year.
- EBITDA for the quarter under review was Rs 30.9 crore compared to Rs 48.7 crore last year. The lower EBITDA reflects the impact of BT/NHS rampdown, adverse foreign exchange movement as well as other one-time costs.
- Profit After Tax (PAT) for the quarter under review was Rs 35.3 crore compared to Rs 38.58 crore in the corresponding quarter last year.

Mastek continues to have a strong balance sheet, with Rs 240 crore in cash and cash equivalents as on 30 June 2009.

17th consecutive year of dividend payout:

Mastek has been a consistent dividend-paying company, rewarding its shareholders with dividend payouts every year since becoming a public company. At its meeting today, the Board declared a final dividend of Rs 7.50 per share. Together with an interim dividend of Rs. 2.50 per share announced earlier, the total dividend for FY2009 amounts to Rs 10.00 per share. This is in line with the company's intent to enable shareholder participation in the company's growth.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, said: *“Considering the uncertain macro environment, we have been able to deliver a reasonable performance for the year. Despite exchange losses due to weakening of the pound sterling and lower volumes in some customer accounts owing to the slowdown, we have been able to maintain our EBITDA margin at a relatively stable level. We continue to make significant investments in building intellectual property and strengthening the leadership team. Productivity and efficiency enhancement also remain a key focus area.*

Given that our solutions-led business model is characterised by a higher dependence on new IT initiatives and transformational programmes, we are taking multiple measures aimed at taking advantage of an upturn whenever it happens and bucking the trend even in a downturn.”

Review of full year FY2009 financial performance

- The company's performance for the full financial year under review (FY 2009) includes the impact of a slackening demand environment following the global economic crisis, a significantly weakened GBP (£), some forex losses (witnessed during the first-half of the financial year), and ramp-down in the project part of its BT/NHS work.
- Despite these challenging business conditions, healthy revenue contributions from both the UK and US operations (including STGMastek) enabled the company to deliver a growth-led performance during the year.
- The company's total income for FY2009 was higher by 5% at Rs 965 crore compared to Rs 916 crore in the preceding year (FY2008). The company has been able to maintain its profitability through several efficiency improvement initiatives and prompt actions in the form of virtual bench. Resultantly, EBITDA for FY2009 was stable at Rs 159.2 crore, compared to Rs 159.8 crore in the previous year. Mastek's operating performance for the year under review includes the impact of some price renegotiations with existing customers, adverse impact of a weakened GBP, and rampdowns/delays in the initiation of some projects.

- Profit after Tax (PAT) increased 12% from Rs 125.9 crore in FY2008 to Rs 141.2 crore in FY2009, translating into an EPS of Rs 52.45.

Operating performance review

During the year under review, Mastek was able to deliver growth despite macro headwinds, adding new customers and maintaining its relationships with all existing key clients. 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. The success of Mastek's strategic focus on providing high-end IT solutions to its global customers was also manifested in awards and recognitions during the quarter under review.

- **Mastek ranked among Best 20 in Government and Insurance by IAOP:** Mastek has been ranked among the Global Top 50 in the "2009 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.
- **Update on global leadership team:** Mr John Dowd, who has been involved in supporting the company in its growth initiatives since September 2008 when he came on board as a senior advisor, has been named President & CEO by the company's Board of Directors in its meeting today. In his expanded role Mr Dowd will be responsible for establishing the strategic direction of Mastek, all its worldwide operations, and have overall accountability for business performance. Mr Sudhakar Ram, who will continue as Chairman & Managing Director, will champion the Vision and Values of the company and focus on governance, corporate social responsibility, and key strategic initiatives and strategic relationships. In continuance to the senior-level appointments made across geographies during the previous two quarters, the company appointed Mr Farid Kazani as Group CFO & Finance Director during the quarter under review. Mr Kazani brings a rich experience of over 18 years in corporate finance to Mastek's global leadership team. During the quarter, Mr Kees Tan Nijenhuis (MD, Mastek Europe) left the organization for personal reasons. The company now has a significantly larger and more robust team of front-end sales professionals and domain experts in its UK and North American operations, which should enable it to extend and grow its market presence.
- **New account addition:** During the quarter under review, Mastek added 2 new customers in the face of a difficult business environment. Both of these customers are in the Insurance vertical.
- **SOA-Elixir™ update:** The company's development of a new, more flexible version of Elixir™ based on Service Oriented Architecture (SOA) remains on schedule, with releases occurring as per plan. During the year under review, Mastek launched the Distribution Management (EDM) module of its Elixir™ platform for the UK market and followed that up with the customised-for-geography EDM aimed at the US market. EDM is a standalone system that allows an insurance carrier to manage its entire distribution landscape. 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. All the key modules for the UK, where the company already has an agreement with Capita to support its growing customer base in the UK Life & Pensions market, are likely to be rolled out by the end of the current calendar year.

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.

- **Mastek's P&C Insurance Billing Solution Ranked as a Leader:** The company's STG Billing Solution for property and casualty (P&C) insurers has been ranked by analyst firm Celent as a market leader with a proven system. The company was rated highly in the ABCD Vendor View that comparatively ranks vendors based on: Advanced technology & technical flexibility, Breadth of functionality, Customer base, and Depth of client services & solutions. STG Billing is live for all standard personal and commercial lines for both direct and agency bill. The product offers support and is in production for multiple specialty lines as well.
- **Alliance with Flexi Software in USA to expand insurance technology offerings:** During the quarter under review, Mastek's wholly-owned U.S. subsidiary MajescoMastek entered into an agreement with Flexi Software, a provider of best-of-breed financial accounting software, to deliver end-to-end integrated accounting solutions for insurance companies. The company will now be able to expand its STG Suite (Policy, Claims, Reinsurance and Billing) offering with the addition of a seamlessly integrated accounting solution for all insurance transactions including general ledger, accounts payable, fixed assets, purchasing and projects. This initiative will benefit insurers by providing them with the best-of-breed solutions that are integrated and supported from a single source, enabling them to operate their business more efficiently and cost effectively.
- **Order book at end of quarter at Rs 300 crore:** The company's 12-month order book as on 30 June 2009 was Rs. 300 crore, compared to Rs 387 crore at the end of the sequentially preceding quarter. The decline in order book position was caused primarily by the faster than expected BT/NHS project revenue rampdown and delays in initiation of some projects that thus could not be included in the order book.
- **People:** 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. The company'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. During FY 2009 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 (based on average no. of employees during the year excluding virtual bench)	FY 2009	FY 2008
Revenue per employee (US\$)	52,380	59,144
EBITDA per employee (US\$)	8,850	10,318
Net profit (PAT) per employee (US\$)	7,834	8,127

As on 30 June 2009, the company had a total of 3,759 employees, with 351 on Virtual Bench (which was created in February 2009).

Outlook

During the year under review the company has experienced adverse forex conditions, noticeable slowdown in customer demand, accelerated rampdown in the project revenues from its BT/NHS engagement, and pricing pressures, most of which were reflected more in the second-half of the year.

For the July-September 2009 quarter (Q1 FY2010), Mastek estimates its consolidated total income (which is inclusive of other income) to be in the range of Rs 195 to Rs 205 crore. The company

expects to improve its EBITDA margin in the quarter with productivity enhancement measures and tighter cost management. Accordingly, net profit after tax and minority interest for the quarter is likely to be in the range of Rs 30 to Rs 32 crore.

Note on foreign currency exchange rates: For the Jul-Sep.2009 quarter, the company has assumed a foreign exchange rate of GBP 1 = Rs 79.50 and USD 1 = Rs 47.91.

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 FY2009 (and Q4FY2009) is GBP 1= Rs 76.31 and USD 1 = Rs 48.12. The average rates for FY2008 (and Q4FY2008) were GBP 1= Rs 80.61 and USD 1 = Rs 40.41.

About Mastek

Mastek is a publicly held (NSE: MASTEK) 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, 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.

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