



Mastek Apr-Jun 2010 quarter Total Income at Rs 165 cr
Earnings performance reflects significant foreign exchange impact

12-month order book expands to Rs 306 cr
Wins new insurance deal in North America for Elixir platform
Board recommends final dividend of Rs 1.25 per share

Total Income for FY 2010 at Rs 722 cr, PAT at Rs 68 cr, EPS at Rs 25.2
Total dividend recommended for the year at Rs 3.25 per share

FY 2011 performance outlook driven by:

- ***Planned ramp-up in order book during the year***
- ***Continued execution of Capita Life & Pensions customer implementations / migrations***
- ***Benefits from further productivity & efficiency enhancement initiatives***

Mumbai, India – 21 July 2010: 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 financial year ended 30 June 2010 today.

Review of quarterly financial performance

During the quarter under review the company delivered a revenue performance in line with plan, benefiting in part from some translation impacts as the rupee weakened (relative to assumed rates for the quarter) although the same exchange rate conditions also resulted in higher than anticipated on-site costs. In addition to that, the company registered net exchange losses of about Rs 5 crore (inclusive of mark-to-market losses on forward contracts) due to the aforementioned adverse forex movement. These factors resulted in lower than expected margins and post-tax profits.

The 12-month order book at the end of the quarter was stable in dollar terms but recorded a sequential growth in rupee terms due to relatively better exchange rate and stood at Rs 306 crore as on June 30, 2010.

On a quarter-on-quarter basis:

- Mastek's total income for the quarter under review was Rs 165.1 crore, as per guidance shared in the preceding quarter, representing a decline from Rs 172.2 crore in the preceding quarter due to lower volumes in some customer accounts and a weaker pound sterling.
- The company's margin performance for the quarter reflects a negative swing of Rs 7.5 crore on account of forex losses of Rs 4.9 crore in the quarter under review compared to a gain of Rs 2.6 crore in the sequentially preceding quarter. The company also registered an increase of Rs 6.7 crore in staff costs due to an increase in headcount and full-quarter impact of the interim wage hike for select employees implemented in February 2010, in addition to certain one-time costs. These factors resulted in a lower EBITDA of Rs 7.7

Note (i): All references to Mastek's financial results in this release pertain to the company's consolidated operations.

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

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



crore compared to Rs 27.1 crore in the preceding quarter. EBITDA before exchange losses was much higher at Rs 12.6 crore, translating into an EBITDA margin of 7.7%.

- PAT for the quarter stood at Rs 2.5 crore compared to Rs 15.3 crore in the preceding quarter, reflecting the aforementioned net exchange losses and higher staff costs during the quarter under review.

On a year-on-year basis:

- Total income during the quarter under review (Q4FY2010) was Rs 165.1 crore compared to Rs 214.1 crore in the similar quarter last year. The lower revenues reflect lower revenues from the BT/NHS engagement in the quarter under review (project development revenues fully ramped down in the first quarter of the current financial year).
- EBITDA for the quarter under review was Rs 7.7 crore compared to Rs 30.9 crore last year, mainly on account of the decline in sales revenue and an exchange loss of Rs 4.92 crore (as opposed to a gain of Rs 2.59 crore in the corresponding quarter last year).
- Profit After Tax (PAT) for the quarter under review was lower at Rs 2.5 crore compared to Rs 35.3 crore in the corresponding quarter last year when the company enjoyed a much lower tax rate due to deferred tax of Rs 8.5 crore.

The company continues to have a strong balance sheet, with Rs 198 crore in cash & equivalents (amounting to Rs 73.5 per share) at the end of the quarter under review.

Review of full year FY2010 financial performance

The company's performance for the full financial year under review (FY 2010) includes the impact of adverse forex conditions (especially a weakened pound sterling), ramp-down of the remainder phase of the BT/NHS project development revenues (as announced by the company earlier) by the end of Q1FY2010, increased hiring, wage hikes implemented in the third quarter of the financial year and induction of multiple senior business leaders across geographies. These factors impacted both revenues and margins. Resultantly, total income for the year was Rs 721.9 crore compared to Rs 964.9 crore last year. EBITDA for FY2010 was Rs 87.2 crore, lower than Rs 159.2 crore last year. Profit after Tax (PAT) was Rs 67.7 crore in FY2010, compared to Rs 141.2 crore in FY2009. Diluted EPS reported for the year under review is Rs 25.16.

Board recommends final dividend of 25% (Rs 1.25 per share)

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 1.25 per share. Together with an interim dividend of Rs. 2.00 per share announced earlier, the total dividend for FY2010 amounts to Rs 3.25 per share.

Commenting on the results, Mr. Sudhakar Ram, Chairman and Group CEO, Mastek, said: *"The quarter and year under review have been disappointing for us, given the weaker than expected financial performance and subdued uptake in demand for IT solutions that depend on discretionary spending and transformational initiatives by clients. At the same time, we did make some progress during the year that are strategically quite significant – we secured our second Elixir deal in North America with a large insurance player choosing us to be part of their transformational initiative, moved into the next phase of our relationship with Capita in the UK life and pensions marketplace, successfully launched ElixirAsia™ with a new win in Thailand, and initiated a partnership with Genpact.*

Over the past several weeks, we have been implementing a comprehensive realignment our sales organization with all other aspects of our value delivery mechanism, including our pre-sales, solutions, engagement, and delivery operations. During the current year FY2011, we intend to focus more on consolidating our order backlog and substantially expanding it, which should then act as a solid platform to restore revenue and earnings growth in the subsequent years.”

Operating performance review

- **New account win in insurance vertical:** The company achieved another key milestone in North America for its Elixir platform for the insurance industry with a large carrier choosing it as a technology partner in its transformational initiative. Initially, Mastek will be implementing its New Business and Underwriting (NB+U) solution for this client and will progressively leverage Mastek’s insurance technology solutions in three major areas of business transformation – Policy Administration, New Business and Underwriting and Producer Portal, enabling the client to derive dramatic cost savings in both policy acquisition and inforce maintenance. The successful implementation of NB+U will allow the client to leverage configurable rules engines and accelerate underwriting decisions and business processes, ensuring optimal efficiency with straight-through-processing wherever possible. With the Elixir Policy Administration System, the client will be capable of launching ground-breaking products across multiple distribution channels while maintaining both a low-risk business transformation and a low-cost of ownership.
- **Strategic partnership with Genpact for insurance industry:** Mastek’s wholly-owned subsidiary in the US (MajescoMastek) entered into a new strategic partnership focused on the insurance industry. The companies will offer joint IT and business process management solutions to large and mid-sized insurance carriers. In addition, both parties plan on developing innovative platform-based business process management solutions across the industry value chain including policy services, billing, claims, distribution management, and new business/underwriting. This partnership brings a new model to help transform insurance carriers’ operations, leveraging both business process management and technology solutions.
- **Update on Capita partnership in UK Life & Pensions market:** As announced earlier during the year under review, Mastek’s partnership with Capita in the UK Life and Pensions marketplace has moved into the next phase focusing on customer implementations and migrations. The migration work began during Q3FY2010 and is in progress, with the first go-live for Zurich Life happening in the quarter under review.
- **Tie-up with Focus Solutions:** During the quarter under review, Mastek joined hands with Focus Solutions (the UK-based, AIM-listed provider of multi-channel distribution solutions to the global financial services industry) to deliver powerful, integrated front and back-office solutions to life & pension and wealth management organizations globally. Under the terms of the agreement, which will generate revenues for both the companies over 5 years, Mastek will become Focus Solutions’ systems integrator for direct engagements with clients, providing Focus Solutions with scalable resource capabilities around the world. Mastek will also have the rights to distribute Focus Solutions’ focus:360° product globally outside of the UK.
- **12m order book at Rs 306 cr:** The company’s 12-month order book was Rs 306 crore as on 30 June 2010, higher than Rs 279 crore in the sequentially preceding quarter as the rupee was relatively weaker on 30-June-2010 compared to 31-March-2010. During Q4FY2010, Mastek added a new customer in its insurance vertical and gained additional traction from some existing customers. The company plans on further strengthen its order book position over the next few quarters.

- **Update on Board:** The company inducted Mr Anil Singvi into its Board of Directors as an Additional Director with effect from 23 April 2010. A Chartered Accountant by profession, Mr. Singhvi is widely recognized as an accomplished business leader. Recently (in July 2010), the company added one more member to its Board with the induction of Dr Rajendra S. Sisodia as an Independent Director. Cited as one of “50 Leading Marketing Thinkers” and named to the “Guru Gallery” by the UK-based Chartered Institute of Marketing (in 2003), Dr Sisodia is Professor of Marketing at Bentley University, and also the Founder and Chairman of the Conscious Capitalism Institute. Mr Raj Nair resigned from the Board at the end of his tenure. With Mr. Singhvi and Dr. Sisodia joining the Mastek Board, it will continue to have 8 members (4 independent directors and 4 founder directors).
- **Update on leadership team:** In a significant addition to its leadership team, the company has appointed Mr Mrinal Sattawala as Group President. Mr Sattawala has close to 25 years of experience in the IT industry with an established track record in sales and operations, having held several key leadership roles in sales, marketing, business unit management, and regional management. In his last role at Patni Computer Systems, Mr Sattawala was the Chief Operating Officer, responsible for the performance and management of all business units and functions. As Group President he will report to Mr Sudhakar Ram, the company’s Chairman & Group CEO, and will lead the company’s operations across its key geographies, playing an active role in expanding the opportunity pipeline in larger markets such as North America.
- **People:** As on 30 June 2010, the company had a total of 3,243 employees, of which about 24% were based on-site while the rest were at various offshore locations. The company has resumed recruitment of fresh talent and intends to add more technical resources at various levels over the next few months. During the quarter under review, the company also decided upon a wage increase for its junior-to-middle level employees in the delivery, sales, and support functions. This increase in wages will be implemented for employees in specified grades at both offshore and onsite locations, with the average increase likely to be approximately 20 per cent and 3.5 per cent, respectively. The revised compensation will come into effect starting July 1, 2010. This initiative will enable the Company to retain and attract the kind of superior talent that is necessary given its focus on intellectual property (IP)-led and high-end IT solutions for global clients.

Outlook

During FY 2011, the company intends to build upon the progress made by it on the operational and strategic fronts in order to add new accounts, grow partnerships, and expand its order book noticeably. The company is also committed to restoring its margins and will be taking multiple steps over the next few months to increase its productivity as well as operational efficiency. Given that a certain degree of uncertainty persists within the macro and demand environments, the company is discontinuing its practice of sharing quantitative outlook, but will be sharing more qualitative information on key corporate developments as and when necessary going forward.

About Mastek

Mastek is a publicly held (NSE: MASTEK; BSE: 523704) 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 North America, Europe, and Asia Pacific regions. Incorporated in 1982, Mastek has been at the forefront of technology and has made significant investments in creating intellectual property, 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/investors.html>). Updated disclosures regarding corporate governance may also be accessed in the web site's Investors section at: <http://www.mastek.com/investors/corporate-governance.html>.

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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. You may also contact the Investor Relations team by email at investor.relations@mastek.com.

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