



## **Mastek July-Sept 2010 quarter Total Income at Rs 151 cr**

### **Earnings performance reflects annual wage hike impact and enhanced R&D spend**

Mumbai, India – 14 October 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 ended 30 September 2010 today.

#### **Review of quarterly financial performance**

The company's performance during the quarter under review was negatively impacted by a reduction in development revenues from one major client account, some revenue reversals in the India/Asia market, and the implementation of annual wage hikes within the company for both onsite and offshore employees. Additionally, the company has enhanced its investments in intellectual property (IP) development.

On a quarter-on-quarter basis:

- Mastek's total income for the quarter under review at Rs 151.4 crore represents a decline from Rs 165.1 crore in the preceding quarter, due to lower development revenues from one client account and some revenue reversals in the India/Asia market.
- The company's margin performance for the quarter reflects
  - higher staff costs resulting from annual wage increases (that came into effect from July 1, 2010) and an increase in total headcount;
  - lower margins on account of project overruns in India / Asia and North America
  - enhanced R&D spend after the addition of a significant new client in the insurance vertical in North America; and,
  - lower utilisation during the quarter under review as newly hired employees tend to become productive with a lag.
- These impacts neutralised the benefits of cost efficiencies in other areas and forex gains made during the quarter, resulting in an after-tax loss of Rs 13.5 crore for the quarter under review.

At the same time, Mastek has maintained its order book, with the 12-month order book at Rs 312 crore as on September 30, 2010, compared to Rs 306 crore as on June 30, 2010.

The company continues to have a strong balance sheet and, after debt repayment of US\$3 mn during the quarter under review, it had Rs 179 crore in cash & equivalents (amounting to Rs 66.5 per share) as on 30-Sept-2010.

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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.).



**Commenting on the results, Mr. Sudhakar Ram, Chairman and Group CEO, Mastek, said:** “This has been a disappointing quarter. A set of adverse events came together, unexpectedly, to cause a severe decline in revenues and a negative PAT.

*We are taking the following steps, several already underway, to improve the situation:*

- *While we have built a good sales team, under Sattawala’s leadership we are strengthening the sales and account management processes to bring better focus and discipline*
- *We are integrating the sales efforts between the services and product sales teams to provide a more comprehensive basket of offerings to our existing customers and new prospects*
- *We are increasing penetration and coverage within our Top accounts to aggressively mine these accounts better*
- *We are working on a margin improvement plan on all major projects*
- *We are reviewing all discretionary costs to ensure that only the essential spends are initiated*
- *We will continue our product R&D investments in line with our strategic focus*

*While these steps will take a few quarters to bring us completely back to healthy growth and profitability, we remain confident of our market opportunities within our target verticals”.*

## **Operating highlights**

- **Foresters selects Mastek as technology partner in their transformational initiative:** As announced earlier, Foresters™, a life insurance provider, has selected the company’s wholly-owned US subsidiary MajescoMastek as a technology partner for “Foresters Invests in Transformation (FIT)”, a major transformational initiative.
- **New account addition:** The company added 2 new client accounts during the period under review. Mastek expects further traction in its pipeline going forward, leading to additional deal wins and order book expansion.
- **12m order book at Rs 312 cr:** The company’s 12-month order book was Rs 312 crore as on 30 September 2010, higher than Rs 306 crore in the sequentially preceding quarter. In constant currency terms, the 12-month order book was higher at Rs 323 crore at the end of Q1FY2011.
- **People:** As on 30 September 2010, the company had a total of 3,360 employees, of which about 23% were based on-site while the rest were at various offshore locations

## **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](http://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](mailto: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](mailto:investor.relations@mastek.com).

*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](http://www.mastek.com). Mastek Ltd. undertakes no obligation to update forward looking statements to reflect events or circumstances after the date thereof.*