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ANNUAL REPORT 2001-02

MASTEK
Investing in relationships

THREE CASE STUDIES OF PARTICULAR INTEREST TO RIVAL FIRMS

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2001-2002 has been a proud year for Mastek.

A year of constant improvement and innovation in defiance of a global recessionary trend.

This year, the Mastek Team once again displayed their expertise in delivering solutions that met and surpassed all client expectations.

Proving that when inspiration is drawn from within, each one can become a leader in his or her own right and crack challenging problems.

In this year's annual report, we are proud to print such cases where Mastek managed to overcome complex assignments.

Here, we reveal secrets of how fresh thinking and inspired leadership can lead to smart, simple and cost effective solutions.

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TOP SECRET

CASE STUDY 1

The Connexions Card project was conceived as a part of the government's strategy to encourage young British school students to continue beyond their compulsory schooling. Students would be rewarded for learning by earning points, which could later be used to claim rewards.

The British Government's, Department for Education and Skills (DfES), appointed Capita Business Services, as the Prime Contractor to design, develop, support and manage the Connexions card service. Capita appointed Mastek, as a key consortium member for Bespoke Design, Development and Support.

The project was so high profile that it had the Prime Minister's personal backing.

"Why, if education is the key to success do we allow so many children to leave school at 16 when we should be doing all we can to get them to stay on? Today we are announcing a smart card to offer all 16 - 18 year olds who stay on in education cut price deals at shops, in theatres and cinemas and on trains and buses."

***Mr.Tony Blair** (British Prime Minister)*

In England, more students quit school at the end of their compulsory schooling compared to several other European countries. An estimated 9% of 16-18 year olds are not in education, employment or training; and further 20-25% experience obstacles which cause many to drop out before completing their planned course of learning. This reduces their chances of obtaining rewarding jobs and reduces the nation's economic competitiveness.

The Connexions Card was designed as a multi-purpose smart card with a chip to store basic information about the student, such as date of birth and details of the Learning Centre. Mastek was required to help interface this card with the Connexions card reader software that had been developed to capture the attendance records and transfer them to the central system for processing. Points would be automatically credited to a student's account everytime the card is swiped for marking the attendance in the classes. Thus enabling the cards to be used to monitor and track the student's progress. Besides, cases of low attendance could now be highlighted and attended to.

Key Challenges

• Collection of data from over 1000 Schools in UK • A huge database of 1 million users all over UK • Integration of the Application with over 100 Partner applications

Given the complex interfaces to third party systems and software, the software solution strategy worked out by Mastek delivered on all aspects of this complex project including the choice of technology and development methodology to meet the extremely short delivery deadline of less than 5 months.

Clear leadership was demonstrated by Mastek in doing multiple delivery drops so that the client could do the acceptance testing even while further development continued.

Mastek also identified technical problems with the platform at a very early stage and was not only able to solve them but also deliver a cost-saving model in terms of hardware/platform migration. Due to these proactive initiatives, the product reached the market on schedule. In fact it enabled DfES to reach the market before time.

Mastek is proud to have been involved in a project whose end result is the betterment of human capital.

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The Cost & Time Benefit Leadership : enabling the Oil Industry to maintain precise production information

Schlumberger, a leader in Oil Field IT products and services, and Petronas, the Malaysian national oil company are designing and developing a web based Production Information Management System (PIMS).

Schlumberger selected Mastek as the partner to develop a system to manage production information and provide web services in other products for the oil industry.

The goal of this project was to replace old and outdated information management systems with an upgraded and easier to use version. The task also involved the development of software for capturing data and creating short-term production forecasts.

Mastek's core belief in the projects it handles stems from the fact that it would always go beyond the brief and deliver solutions much above the client's expectation.

Even in the case of Schlumberger, despite the fact that the project was meant to be custom built, Mastek, together with Schlumberger engineers, designed and conceptualized the web-based solution with object-oriented technology, which was more complex to implement, but which would have allowed for greater benefits through productisation. Thus giving Schlumberger the leeway to replicate the solution for other uses.

The advantage was clear. Due to the replicable nature of the solution, the client would be able to save on time, effort and cost.

This spirit of exploring the unexplored and venturing into unseen territories has been one of the guiding principles behind Mastek's ability to produce breakthrough solutions. In short, making something ordinary turn into something very extraordinary.

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CASE STUDY 3

The Mayor of London had the perfect plan to decongest traffic and reduce pollution:

A £ 5 fee for drivers wishing to enter Central London. Payable in advance.

The Transport of London (TFL) is currently responsible for implementing this programme. After a hotly contested bidding process, they chose Capita to deliver and manage all customer services infrastructure including the payment and collection system in a deal worth approximately £ 230 million over 5 years.

Using bleeding edge technology to solve London's traffic woes

Mastek, a key member of the consortium had been engaged to architect, design and build the Bespoke solutions systems integration. In fact, Mastek was closely involved with Capita during the bidding process itself.

The London Congestion programme is a complicated one. And the first of its kind ever to be implemented on such a massive scale. Needless to say, the system needed to be extremely robust in order to handle the sheer size and volume of the data.

Mastek's task was daunting. They needed to design and develop a system that catered to:

- Capturing 1.5 million to 3 million images over a 12 hour period
- Posting financial transactions, document printing
- Dealing with 35000 enquiries per day
- Issuing over 75000 licenses per day
- Registering 1000 customers per day

After a gruelling Technical Design Study phase, which essentially compared technologies, i.e. Microsoft DotNet and J2EE, Mastek influenced the decision to go the DotNet way. This was a revolutionary decision since it is one of the first major engagements globally on this scale to be implemented using DotNet.

Mastek's entire approach to the project and the prototype developed went a long way in reassuring the client not only on the feasibility of the technology, but also on Mastek's ability to handle a project this large, complex and prestigious.

The current status is that the Enquiry Service has gone live, on schedule and users can browse through the website and raise queries as well. (www.cclondon.com)

Technology leadership has always been Mastek's key cornerstone of success and the successful handling of the London Congestion Programme only proved this once again.

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Next year, we will strive even harder to produce outstanding solutions. This goes without saying because we are setting new benchmarks for ourselves and only we can set a mission that would push us to cross our own benchmarks.

With inspired leadership within the Mastek community, we can be sure that ideas will continue to flow and clients will continue to celebrate our expertise.

But shhh...lets keep this to ourselves. Prying eyes of the competition are everywhere. Please continue reading with discretion.

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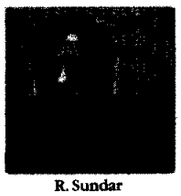
Ashank Desai

Ketan Mehta

Sudhakar Ram


R. Sundar

Michael Cast

P.G. Kakodkar

Gurcharan Das

Raj Nair

BOARD OF DIRECTORS

Ashank Desai
Chairman & Managing Director

Ketan Mehta
Director

Sudhakar Ram
Director

R. Sundar
Director

Michael Cast
Director

P.G. Kakodkar
Director

Gurcharan Das
Director

Raj Nair
Director

BANKERS
ICICI Bank Limited
The Vysya Bank Ltd.

AUDITORS
Price Waterhouse & Co.

REGISTERED OFFICE
804/805 President House,
Opp. C. N. Vidyalaya,
Near Ambawadi Circle,
Ahmedabad - 380 006.

SHARE TRANSFER AGENT
Sharepro Services
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai - 400 099.

EXECUTIVE BOARD

Ashank Desai
Chairman & Managing Director

Ketan Mehta
Director

Sudhakar Ram
Director

Michael Cast
Managing Director
Mastek (UK) Ltd.

Atul Vohra
President
Majesco Software Inc.

Karl-Heinz Jauch

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Ashank Desai
Chairman & Managing Director

Dear Shareholders,

The year gave us more than one reason to celebrate. We turned Twenty during the year, completing two decades of continuous innovation and contribution to a growing base of global customers. The year also saw the strategic transformation efforts bearing fruits in terms of increased revenues and profits.

I am happy to note that there has been significant improvement and good performance despite the global slowdown. While we met revenue expectations by registering a growth of 12% in Group Revenues, the Group Profits grew by over 400%, exceeding all expectations. In addition, we have also redefined our vision, strategy and structure to focus on large strategic accounts, deliver significant value, and move up the value chain.

Mastek Group posted revenues of Rs. 2.9 billion for the year ended June 2002 as against Rs. 2.6 billion in the previous year. The Group Profit during the fiscal year was placed at Rs.415 million.

The Group Revenues as per the US GAAP were Rs. 2.8 billion (USD 58.5 million). After depreciation and interest of Rs. 111 million (USD 2.3 million), the Group Profit before tax was Rs. 492 million (USD 10.2 million) and after tax the Group Profit stood at Rs. 413 million (USD 8.6 million). The board was happy to announce a dividend of 60% on equity shares.

Mastek Ltd., posted revenues of Rs. 1,124 million during the year 2001-2002 as against Rs 849 million last year.

Highlights of the year

Winning large accounts

Our focus on adding large accounts from Fortune 1000 companies has yielded

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positive results over the last year. Over 20 strategic accounts were added last year, a phenomenal increase over the 4 or 5 large accounts that were typically added in the preceding years. Many of these accounts were added in the US and a large number of these were from the Financial Services sector.

While business with these accounts is beginning on a modest scale, each account has good growth potential. We are hopeful that with an upward swing in the US economy, these accounts will start generating good revenues and profits for the company.

Winning large contracts

Winning large contracts involves a complex and lengthy bid process, where we have to prove our credentials and capabilities against the best service companies in the world. This year we have successfully won and executed large projects that have put us in a completely different league!

London Congestion Charging is one such project where we bid against major players and signed a GBP 6.5 million deal with Capita Plc in the UK to be the IT application development partner. The project involves development and integration of a fully automated system for license purchase and enforcement in London. This will be one of the largest projects to be developed under the Microsoft DotNet platform and will be executed over a period of 16-18 months.

Making partnerships work

Last year we signed a very promising global joint venture agreement with Deloitte Consulting, a Big 5 firm, to provide offshore software development services to their clients. This past year has been the foundation year for this JV.

Having commenced operations in October, 2001, the Company has successfully completed multiple projects, in conjunction with broader Deloitte Consulting teams, for Fortune 500 clients across a broad spectrum of industries including manufacturing, healthcare, communications, consumer business, financial services and public sector. There are at present several ongoing engagements ranging from custom development in Java to Siebel and Oracle implementations. Although the present size of the orders are small, the Company is on track to grow its delivery capacity through onsite and offshore resources in the next year.

In 2001, Mastek was one of the few companies selected by Microsoft to develop technologies on the DotNet platform. Over the last year, we have taken this alliance forward with the execution of London Congestion Charging, one of the largest DotNet initiatives.

Others

Despite a difficult year for the IT industry worldwide, Mastek is back in the NASSCOM Top 20 list (Rank 16) for the year ending 2002. We have always been among the NASSCOM Top 20 companies with the exception of last year.

As per our analysis of the growth rates of Indian IT companies over the last 7 years, we rank as the 7th fastest growing IT company today.

We have opened new offices in the US and UK. We have also completed the construction of our new building with 80,000 sq. feet area at Mahape in Navi Mumbai and are in the process of occupying 38,000 sq. feet of capacity during the period of July-December 2002.

Our receivables are fairly under control. We have Cash, Cash Equivalent and Liquid

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[illegible] Operations stand at 18% in 2002 as against 12% in 2001. In addition, Mastek's Return on Invested Capital is steadily improving. We have a Virtual Debt Free status except for old Capital Leases worth Rs. 11 million.

Management team and corporate governance

- During the year, Mr. Michael Cast, an Executive Board Member and Managing Director of Mastek (UK) Ltd. and Mr. Raj Nair, a Management Consultant, were inducted on the Board of Directors of Mastek Ltd.
- Mastek's Governance Structure has undergone changes in order to inspire leadership, promote teamwork, reduce layers and clarify accountability in the different facets and time frames that we operate in. This new structure will also help growth and accelerate the development of new business units, practice lines, delivery units and competencies.
- Mr. Sudhakar Ram has been appointed as the Group President & Chief Operating Officer (COO), responsible for the organic growth of the company. Mr. Ketan Mehta has been appointed as President - Joint Ventures & Acquisitions, responsible for Joint Ventures, Alliances and Acquisitions.
- Mastek has always set standards in Corporate Governance. Credit Lyonnais (CLSA) has for the second year in succession, ranked Mastek fourth among Indian IT companies.

Major Projects

Mastek continues to move up the IT value chain with its execution of complex and prestigious projects like the London Congestion Charging with Capita Plc. UK. We are also developing fully automated VAT applications for the Maharashtra Sales Tax Department using J2EE and Java (EJB) technology.

In the US, we support one of the largest suppliers of electronic design technologies and design services with the successful implementation of a CRM application. This project involves knowledge of specialized skills and complex enterprise application integration.

In the UK, we are working on a project for Connexions, a support service for the UK government with our business partner Capita Plc. Set up as a "Frequent Flyer" type application for encouraging High School attendance, it involves development of card reader software which captures the attendance records of students and transfers it to the central system for processing. Key challenges include collection of data from over a thousand schools in the UK, management of a huge database of one million users all over the UK and integration of the application with over a hundred partner applications.

In the Asia Pacific region, we have developed a Total Life Insurance Back Office Solution System connecting all the offices and agents using a Web based system. In addition, we are also designing and developing various Information systems for Schlumberger in the Asia Pacific region with the objective of replacing old and outdated information management systems with an upgraded and user friendly version. The project also involves software development for data

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