



ANNUAL REPORT 2011-2012

CELEBRATING 30 YEARS
OF ENDURING RELATIONSHIPS

BEING OPEN TO THE FUTURE



“Lots of companies have values but they can be pretty pointless. The fact is that Mastek is an open company, open culture, respect for the individual... and what I do remember is customer intimacy.”

Mastek gets into your blood, that’s what happens... I still keep an eye on what’s happening in Mastek. I still got friends on that table over there and it is truly, truly great company...”

Mike Cast, Former Managing Director, Mastek, U.K.





TIME TO PAUSE, REWIND AND REVIEW

“Optimism is a strategy for making a better future. Because unless you believe that the future can be better, you are unlikely to step up and take responsibility for making it so.”

Noam Chomsky, the ‘father of modern linguistics’

What better time than our 30th Anniversary to pause, rewind, review?

What better time to step back from what we have built and look at a future we’ll be proud and glad that we helped build, a generation from now?

We are at a crucial period in the history of the world – and that’s no exaggeration. During the past 30 years, Mastek has been part of the revolution that helped shape a very fast culture and brought individuals, groups, cultures, even nations, onto the digital platform.

On the negative side, it is unfortunately, a platform where individual identities are slowly dissolving, and our only

way of connecting with each other is becoming ‘keyword’ driven... how else can one explain the all-encompassing, ubiquitousness and success of Google, Facebook, Twitter, or any number of bank, insurance, shopping and trading portals?

Amidst all the noise and inputs pouring in from all directions, we stand at a cross-road where we have several choices laid out before us, all of them revolving around relationships, values and emotions that connect us as humans:

In a burgeoning digital and technology-driven world, how do we want to take relationships forward – geographically, politically, culturally, environmentally?

Do we want to be part of a society where each person is just another username with an identity made up of an approximation, an aggregate of the activities he or she gets involved in, over one network or the other?

At Mastek, we can confidently say, “Most certainly not!” As a matter of fact, we are very positive about the choices that lie ahead of us, because 30 years ago, similar choices lay before us, and we believe we chose correctly. Our optimism comes from the fact that ‘respect for the individual’ and ‘building enduring relationships that go beyond business’ are values truly encoded in Mastek’s DNA itself, as evidenced in the quotes that follow.



THE JOURNEY SO FAR



THE FUTURE OF RELATIONSHIPS.

Mr. Ashank Desai – Founder, Director, Mastek

"...Enduring Relationships... Mastek approaches all interactions and stakeholders with an open, transparent and long term orientation – rather than a short term business transaction alone. This has led to... enduring relationships that go beyond business."



"A FACE IS EMERGING CLEARLY NOW."

Mr. Pravin Patkar – Co-Founder, NGO Prerna

" ...We have been with Mastek and very often... we forget that it is a business house. We very often feel that it is a kind of a social institution in contrast with what we experienced in dealing with the Corporate Social Responsibilities... 30 (years) maybe very early for the company but the face is very clear now, the face is full of compassion, the face is full of sharing, the face is full of a sense of social responsibility. And Mastek's identity again and again reminds us of that kind of inner sense of social responsibility."



DRIVERS
FOR
SUSTAINABLE
GROWTH



"I FEEL SPECIAL!"

Mr. Adi Pocha – Owner, Squirkle Productions

"...There are a few things that I think make this company really special... values and respect for the individual... I have to say that with Mastek, they walk the talk on that. I have never felt like a vendor, I have never felt like a supplier, I have always felt respected, I have always felt valued, I have always felt like I am a partner with them..."



THE PAST LEADS TO THE FUTURE.

Mr. Jaitirth Rao – An Indian entrepreneur, Former CEO & Chairman, Mphasis, Former Chairman, NASSCOM, held various positions at Citibank

"...The stuff that has been said about how open, transparent and customer-focused the company (Mastek) is today, it was the case 27 years ago when I was a customer. And a very happy customer because you know it is not that we didn't have problems but the frustrations were shared... But it was not something that ever impacted the relationship because it was transparent and it was totally good..."



LEAP 10 YEARS, 30 YEARS AHEAD.

Mr. Harish Mehta – Founder Member, NASSCOM

"...I still remember that one application which Mastek developed for UK Healthcare Department... helped UK society to improve – you did it for the citizens of UK which added a lot of value to UK Government, UK as a country, which again helped globalisation dramatically..."

"... And when we look at the next 30 years – when we look at the next 10 years – we see that there is massive technology conversions happening, opening up huge opportunities and of course, challenges. But it is the pioneering spirit of Mastek which will allow it to reach newer and newer heights..."



THE FUTURE

Dear Shareholders,

"So what does the future hold for Mastek? I dream of a Mastek that is a much stronger institution — responsive, vibrant, joyful, enthusiastic — raring to make a larger difference to its constituents. I see many more discerning clients who are demanding but fair, who can see the value that Mastek can bring to them. I see many more Mastekers who take pride in what they do and the value they deliver to the clients, who see their work as true expressions of their own individuality and talent. I see many more shareholders who want to participate in the Mastek story, playing for long-term value rather than immediate gains. I see many more suppliers and partners who love being challenged by us and deliver to our needs. I see a Mastek that has a much higher impact on the industry and community — as a role model, as a contributor and as a company that cares."

We have completed 30 years as a company, starting from small beginnings in 1982 as a management and software technology firm — one dedicated to acting as a bridge between business and IT. Today, we have over 3,000 employees, serve a hundred clients, and have delivered hundreds of transformational programs and projects. We cherish the enduring relationships that we have built with Mastekers, customers, partners and shareholders — past and present — relationships built on trust and mutual respect. Mastek has always aspired to being more than just a business — it has sought to be an admired institution that wins the hearts and minds of every person it touches.

After a period of decreasing revenues and eroding profitability, the last financial year saw a turnaround in the company's fortunes. The operating revenue for the year was Rs 722.9 crore compared to Rs 593.3 crore in the previous year, an increase of 21.9% in rupee terms. The EBITDA margins were Rs 41.1 crore compared to Rs 1.6 crore in the previous year. Most importantly, the company turned profitable with a marginal net profit of Rs 0.5 crore for FY12 against a net loss of Rs 55.9 crore in the previous fiscal.

Apart from revenues and profits, there are other key leading indicators of future growth – client additions, order book and market standing. We added 21 new clients across the globe last year (14 in the previous year). Our 12-month order backlog stood at Rs 485 crore (Rs 306 crore in June 2011). Both these augur well for revenue growth in the coming years. This has largely come about because of sustained product investments that we made in the last two years – despite our margin pressures. The result has been Mastek's IP on insurance being rated as world leading by analyst firms like Novarica and Celent. The insurance segment therefore, has been the prime driver of Mastek's growth and turnaround.

Mastek undertook some key initiatives last year. These include positioning the company with a well-crafted sales strategy leveraging its core competencies, aligning the delivery organization to focus on improving the overall productivity and efficiency levels within projects, centralized monitoring of projects, strong governance on review and performance against budgets, turning around low-margin businesses, cost reduction initiatives, and, lean bench management. All these measures have had a positive effect and we continue to focus on these initiatives as we move forward.

From a vertical perspective, as mentioned earlier, insurance continues to be the catalyst that is driving Mastek's growth. We primarily operate in the property & casualty (P&C) and the life & annuity (L&A) businesses in the US. The company offers the STG Suite for the P&C segment, comprising the point of sale, policy administration, billing, and claims modules. In the past two years, we have made significant investments in both segments, refreshing the technology in P&C while acquiring new technology in the life segment.

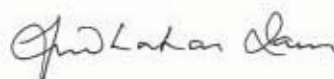
Our pre-eminent position in the P&C billing market was validated when we signed a multi-year licence, implementation and maintenance engagement with a Fortune 100 insurance and financial services company. The initial value of the contract is \$30 million (around Rs 170 crore). The client is a leading insurance company in the US and we have a multi-year transformation engagement to streamline its internal operations. This major victory establishes the functional breadth and depth of our STG platform and its technical agility and scalability to handle the size and complexity of a Tier 1 carrier. While our billing solution is already a market leader, this win will put it on a different growth trajectory.

The momentum in the government vertical in India continues. We have been successfully delivering many large programs for individual state governments, and are winning new deals. In the UK, we have expanded our footprint in the existing partner relationships and are aiming to build new partners. We have also been able to leverage our strengths in the testing and data warehousing arena by winning large marquee clients during the year. So both India and UK are showing good signs of growth in the future.

There are huge market opportunities in the insurance and government segments. Market players in these geographies have appreciated the fact that Mastek plays for the long term. They have seen us continuing to invest in product development, sales and marketing, and capacity building. These investments have started paying off and will continue to do so in FY 2013 and beyond.

On behalf of the Board of Directors, I would like to express my sincere appreciation to our customers, partners, shareholders, employees and vendors for their support as we continue to build Mastek to be an evergreen institution – a company with a soul.

Mastek Zindabad!



Sudhakar Ram
Chairman and Managing Director