



**Mastek™**

Annual Report 2009-2010



# Change

To the organisation of the future

# WELCOME

## From the Chairman's Desk

Dear Shareholder,

The last couple of years have seen major downturns in world economies. Bastions of 20<sup>th</sup> century capitalism have come crumbling down. Some vanished, others were absorbed and lost their identities and some were thrown lifelines by governments.

At a recent forum in New York, Americans aged 20 to 30 expressed their views on the economy and on the drivers of the economy like large corporations. They put across their opinions directly and plainly – they did not think much of large corporations in general and large financial institutions in particular.

This point of view plus the diminishing average life span of a Fortune 500 corporation (only 40 to 50 years now) make one thing clear – we need to reinvent the corporation. We need to re-examine the fundamental constructs of corporate behavior and better align them to the long-term interests of the stakeholders they intend to serve.

Mastek intends to take the lead not just in embracing this change in its own operations but also supporting our customers' embrace of this change – by providing them with innovative IT platforms that will help them transform.

I believe three fundamental shifts are needed to remake the corporations of this decade. Successful corporations will reinvent themselves to embrace and embody these shifts.





# TRANSFORMING

From 'Too Big to Fail' to 'Sized for Success'

Too many corporations have become focused on growth at any cost. Corporations have acquired, merged, & grown their way into ungovernable behemoths. Part of the problem is that board members and managers are not entirely aware of the way the companies are conducting business, thereby threatening not only their companies but millions of other people, too.

This decade will call for a serious re-examination of the right size for a corporation. My view is this: if a company is too big for the CEO & the Board to provide sufficient oversight and be personally accountable, then the company is just too big. The more complex and diversified the business, the more risk. When there is too much risk, the corporation should be smaller.

The 2020 corporation must pursue speed, adaptability and agility, without reducing accountability.

The structure and systems must be geared so that the entire organization can sense market opportunities and threats and respond in real-time. The corporation of the future has to be sized for success.

Mastek has always believed in being lean and agile. For our size, we have fewer but higher skilled personnel/people/workers /staff/employees than any other Indian company. In addition, we are re-organizing ourselves around being a market/customer focused unit with complete control over the end-to-end value chain. This will bring the spirit of smallness combined with the speed and agility to discover and respond to customer value creation opportunities. Mastek's platforms and solution offerings will cater to our clients' needs to break-up into smaller units, to have collective intelligence in real time across the organization for the relevant teams to generate creative responses to take advantage of opportunities and problems in the marketplace. For example, our QMAS system for the NHS collects and tracks over 100 Quality of Service Parameters that drive GP payments in the UK – a system by which they can benchmark themselves against the best and strive to improve their own health related services to patients.



# iNNOVATING

## From Commoditization to 'iPodization'

Large corporations tend to offer 'me too' products & services. They survive and grow by the power of their brand, their size, and their ability to gobble up their competition. Just look at the products offered by your bank, your insurance company, your automaker and your FMCG manufacturer. And then along comes Apple. There are MP3



players and then there is the iPod. There are cell phones and the iPhone. Tablet PC's and the iPad. Apple is a clear example that hearts, minds & wallets can be won by the appeal of freshness. Differentiation rules the day. Similarly, Google took a commodity – a search engine that was part of a portal – and turned it into an entirely new business.

The 21<sup>st</sup> century offers immense opportunities for innovation in producing eco-friendly products. Instead of token responses, corporations must design products that create zero waste, eliminate toxicity and negative environmental impacts, and promote overall well-being. Financial institutions must shift from being faceless predators to demonstrating genuine commitment to their customers. Successful corporations must pursue innovation and differentiation in every aspect of their business. They must have deep customer insights that translate into products and services, that win hearts, minds and wallets.

By focusing on our core DNA of high-end enterprise solutions, we at Mastek have already demonstrated our intention to stay away from commoditized services to innovative platforms like Elixir and STG Billing. Our intention is to harvest knowledge assets in a more systematic manner across client engagements to ensure that we deliver the highest business impact to our clients. We are bringing in Client Engagement Teams, comprising industry domain and solutions innovation consultants who can work with clients in discovering new opportunities for business impact. They will then work with our delivery teams to ensure that our platforms and programs are driven towards delivering this impact.





# PARTNERING

From 'Maximizing Shareholder Wealth'  
to 'Maximizing Stakeholder Delight'

We do not claim to be more unselfish, more generous or more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholders our own, and the health and welfare of the employees, the sure foundation of our success. — *Jamsetji Tata*

The 21<sup>st</sup> century calls for more socially conscious corporations. These new companies must be adept at generating solutions that can provide a win for every stakeholder. They must delight their customers with environmentally sustainable, innovative products, and empathetic services. Companies must provide employees with a challenging workplace that enables them to work – and live – at their full potential. Companies must bring sustainability into every aspect of their product and service design, and reduce waste and pollution to near zero. They must take an inclusive ecosystem approach to their businesses, focusing on what they do best and partnering with others to deliver the rest.

Good profits will be a natural outcome of good business practices.

Our culture has been to provide the space and support for every stakeholder – client, employee and partner – to be their best. This year, the Board and the Executive Team renew their commitment to this value and intend to drive transformation programs that will make this a habit amongst all Mastekeepers.



At the customer level, our engagement and solutions teams have been tasked with the mandate of taking a 360 degree stakeholder view when we are crafting new systems. As an example, our insurance claims applications serves the insurance company's customer by reducing claims settlement times dramatically. The application makes the lives of the internal claims processor easy through auto-adjudication in most cases. It also reduces claims costs for the company by sophisticated fraud detection. This is a simple example of serving and delighting every stakeholder.



# SUSTAINING

Long live the corporation

I have no doubt that the coming decade will usher in tremendous shifts in the nature of corporations. Regulations can increase compliance, but we need a few dynamic corporations to come forward to spearhead a larger, more fundamental change. As this change finds favor with customers, employees & society at large, more corporations will follow suit. It is only a matter of time before we reach a tipping point – a point where the companies that do not make this shift get left behind. While Sizing for Success, 'iPodization' and Stakeholder Delight will be the fundamental facets of the new corporation, I'm sure many other significant shifts and trends will be visible along the way.

In India, we can seize a unique opportunity. We can skip the generation of corporations that pursued size for its own sake. We can leapfrog to the corporation of the future and avoid creating 'soulless' corporations that grow like cancer to the detriment of society. Instead, we can create corporations that combine head and heart to be truly useful, inclusive and contributing members of the world at large and become world-class role models for the 21<sup>st</sup> century.

Mastek was a pioneer in the third wave of Indian IT – moving to high end IP based solutions as its sole

business. In doing so, we went against the grain but as a result are today in a much stronger position than others in the industry that are vying to ride the third wave and remain relevant to their clients.

As a solutions-focused company, we tend to get relatively more affected during macroeconomic downtrends, as reflected in the disappointing financial performance during FY 2010. This weaker than expected financial performance was a consequence of multiple factors, including adverse foreign currency movements and subdued uptake in demand for IT solutions that depend on discretionary spending or transformational initiatives by clients. At the same time, we did make some progress that are strategically quite significant – we made substantial headway in the North American insurance market with two new deals for our Elixir platform, 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.

During the new financial year we will focus on considerably expanding and consolidating our order backlog, which should then act as a solid platform to restore revenue and earnings growth in the subsequent years.

Over the next few years, we also intend to take the lead in defining and living up to the demands of a corporation of the future – a company that will delight every stakeholder with innovative IT solutions that improve the agility and response-ability of the clients.



Sudhakar Ram | Chairman and Managing Director

## Board of Directors



**Sudhakar Ram**  
Chairman and  
Managing Director



**Ashank Desai**  
Non Executive Director



**Ketan Mehta**  
Non Executive Director



**R Sundar**  
Executive Director



**Arun Nanda**  
Non Executive Director  
(Independent)



**Amit Shah**  
Non Executive Director  
(Independent)



**Anil Singhvi**  
Non Executive Director  
(Independent)



**Rajendra Sisodia**  
Non Executive Director  
(Independent)



# MASTEK GROUP

Making a valuable difference

## **BANKERS**

ICICI Bank

Standard Chartered Bank

## **AUDITORS**

Price Waterhouse

## **REGISTERED OFFICE**

804/805, President House, Opp. C. N. Vidyalaya,

Near Ambawadi Circle, Ahemdabad 380 006

## **SHARE TRANSFER AGENT**

Sharepro Services (India) Private Limited,

Samhita Warehousing Complex, 13AB, Gala No.52

Near Sakinaka Telephone Exchange,

Off Andheri-Kurla Road,

Andheri (East), Mumbai 400 072



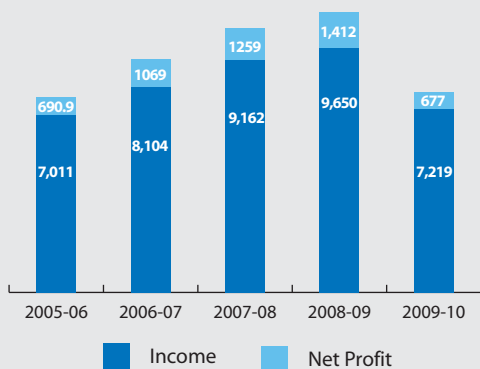
# MASTEK GROUP

## Management Team

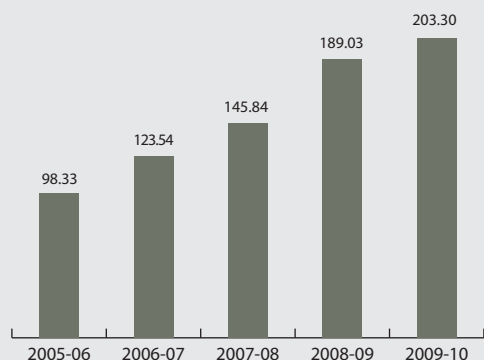
- **Sudhakar Ram** — Chairman and Managing Director
- **Mrinal Sattawala** — Group President
- **Barry Yard** — Business Head - United Kingdom
- **Michael Dufton** — Business Head - Insurance, North America
- **Vilas Kanyal** — Business Head - India & APAC
- **Vinay Rajadhyaksha** — Chief Delivery Officer
- **Stefan Van Overtveld** — Chief Engineer Officer
- **Farid Kazani** — Group CFO & Finance Director
- **Kalpana Jaishankar** — Group Head - Human Resources
- **Rajagopal Tampi** — Chief Information Officer
- **Ketan Mehta** — Founder Director - Mergers & Acquisitions
- **R. Sundar** — Founder Director - Strategy

# PERFORMANCE ANALYSIS OF MASTEK GROUP

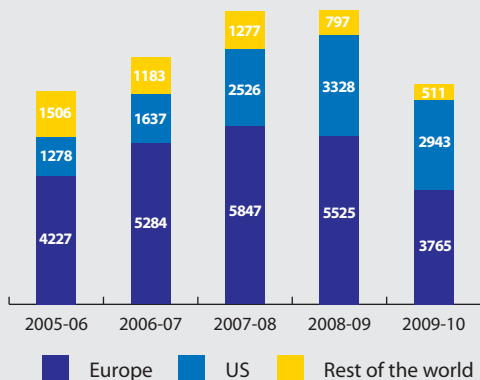
**GROUP INCOME & NET PROFIT**  
(Rs. in Million)



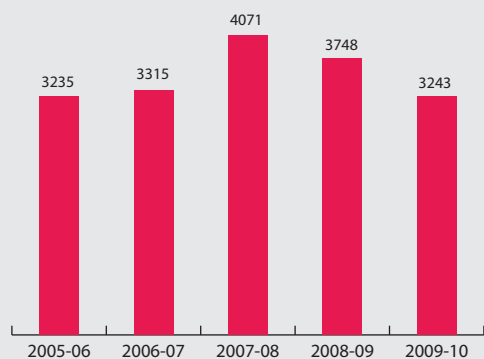
**BOOK VALUE OF SHARE**  
(Rupees)



**GEOGRAPHICAL SPREAD OF REVENUE**  
(Rs. in Million)



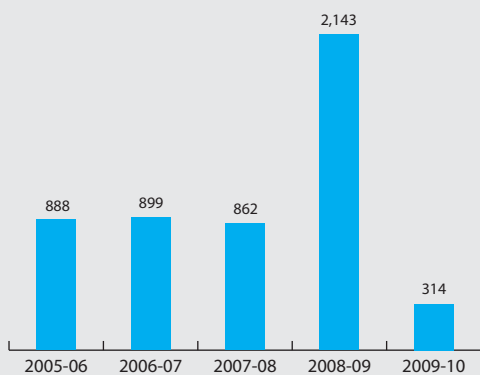
**GROUP EMPLOYEES STRENGTH**  
(Numbers)



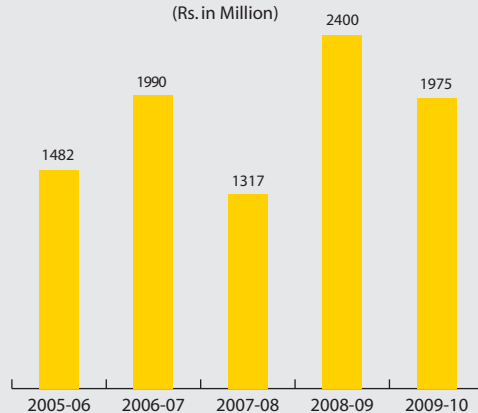


# PERFORMANCE ANALYSIS OF MASTEK GROUP

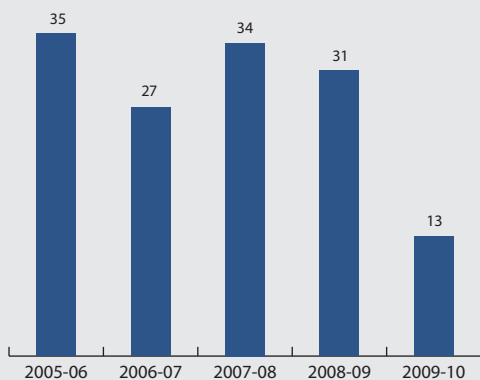
**CASHFLOWS FROM OPERATIONS**  
(Rs. in Million)



**CASH AND CASH EQUIVALENTS**  
(Rs. in Million)



**RETURN ON EQUITY**  
(%)



# TABLE OF CONTENTS

	PAGE NOS
<b>FROM THE CHAIRMAN'S DESK .....</b>	<b>i-ix</b>
<b>MASTEK GROUP</b>	
Summarised Balance Sheet and Profit and Loss Account .....	18
Auditors Report .....	19
Financial Statements .....	20-42
Key Statistics .....	43
Management Discussion & Analysis of Global Performance .....	44-50
Frequently Asked Questions (FAQs) .....	51-52
<b>MASTEK LIMITED</b>	
Directors' Report .....	53-59
Auditors Report .....	60-61
Financial Statements .....	62-87
<b>CORPORATE GOVERNANCE REPORT .....</b>	<b>88-107</b>
<b>CORPORATE SOCIAL RESPONSIBILITY .....</b>	<b>108-116</b>

*MASTEK GROUP*

**Mastek™**

# CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF MASTEK GROUP

## CONSOLIDATED BALANCE SHEET

(Rs. in Million)

	As at June 30, 2010	As at June 30, 2009
<b>I. Sources of funds</b>		
<b>1. Shareholders' Funds</b>		
(a) Capital	135	134
(b) Reserves and surplus	5,343	4,951
	<u>5,478</u>	<u>5,085</u>
<b>2. Loan funds</b>	420	704
<b>TOTAL</b>	<u><u>5,898</u></u>	<u><u>5,789</u></u>
<b>II. Application of funds</b>		
<b>1. Fixed assets</b>		
(a) Gross block	4,505	4,371
(b) Less : Depreciation	2,089	1,875
(c) Net block	2,416	2,496
(d) Capital work in progress	356	369
	<u>2,772</u>	<u>2,865</u>
<b>2. Investments</b>	197	1,014
<b>3. Deferred Taxation</b>	231	226
<b>4. Current assets, loans and advances</b>		
(a) Sundry debtors	1,951	2,027
(b) Cash and bank balances	1,778	1,386
(c) Loans and advances	405	534
	<u>4,134</u>	<u>3,947</u>
<b>Less : Current liabilities and provisions</b>		
(a) Liabilities	904	1,373
(b) Provisions	532	890
	<u>1,437</u>	<u>2,263</u>
<b>Net current assets</b>	<u>2,698</u>	<u>1,684</u>
<b>TOTAL</b>	<u><u>5,898</u></u>	<u><u>5,789</u></u>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

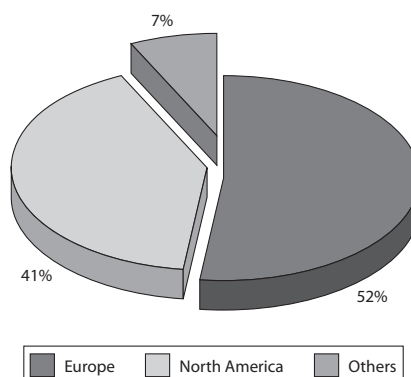
(Rs. in Million)

	Year ended June 30, 2010	Year ended June 30, 2009
Income	7,219	9,650
Expenditure	6,266	7,835
Depreciation	267	295
Interest and Financial costs	13	48
<b>Profit before taxation</b>	<u>673</u>	<u>1,472</u>
Provision for taxation	(4)	60
<b>Profit after taxation for the year</b>	<u><u>677</u></u>	<u><u>1,412</u></u>

## GEOGRAPHICAL CONTRIBUTION TO REVENUE

(Rs. in Million)

2009-2010



# AUDITORS' REPORT

## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF MASTEK LIMITED

The Board of Directors of Mastek Limited

1. We have audited the attached consolidated balance sheet of Mastek Limited (the "Company") and its subsidiaries hereinafter referred to as the "Group" (refer Note 4 on Schedule 15 to the attached consolidated financial statements) as at June 30, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Mastek Asia Pacific Pte. Ltd., Singapore and Mastek MSC Sdn. Bhd., Malaysia, whose financial statements reflect total assets of Rs. 2,528.83 Lacs and net assets of Rs. 2,149.85 Lacs as at June 30, 2010, total revenue of Rs. 2,185.35 Lacs, net profit of Rs. 198.29 Lacs and net cash flows amounting to Rs. 585.32 Lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We did not audit the financial statements of Mastek GmbH, Germany and MajescoMastek Canada Ltd., Canada, whose unaudited financial statements reflect total assets of Rs. 879.86 Lacs and net assets of Rs. 500.87 Lacs as at June 30, 2010, total revenue of Rs. 1,207.37 Lacs, net loss of Rs. 403.86 Lacs and net cash flows amounting to Rs. 25.22 Lacs for the year then ended. These financial statements and other financial information have been certified by its directors and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the management certified financial statements.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements together with the notes thereon and Schedules 1 to 15 attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at June 30, 2010;
  - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Price Waterhouse  
Firm Registration Number:007568S  
Chartered Accountants

Vasant Gujarathi  
Partner

Place : Mumbai  
Dated : July 21, 2010

Membership Number 17866

**Mastek™**

# CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

		As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>I. Sources of funds</b>			
1. Shareholders' funds			
(a) Capital	1	1,347.20	1,344.97
(b) Reserves and surplus	2	53,430.71	49,504.29
		<u>54,777.91</u>	<u>50,849.26</u>
2. Loan funds			
Secured loans	3	4,204.71	7,038.38
		<u>58,982.62</u>	<u>57,887.64</u>
<b>II. Application of funds</b>			
1. Fixed assets	4		
(a) Gross block		45,050.87	43,708.54
(b) Less : Depreciation		<u>20,886.97</u>	<u>18,747.42</u>
(c) Net block		24,163.90	24,961.12
Capital work in progress (including capital advances)		<u>3,556.82</u>	<u>3,692.36</u>
		<u>27,720.72</u>	<u>28,653.48</u>
2. Investments	5	1,972.73	10,136.63
3. Deferred Taxation (Refer note 10 of Schedule 15)		2,312.44	2,256.59
4. Current assets, loans and advances			
(a) Sundry debtors	6	19,508.55	20,265.07
(b) Cash and bank balances	7	17,779.26	13,859.22
(c) Loans and advances	8	4,053.68	5,339.36
		<u>41,341.49</u>	<u>39,463.65</u>
Less : Current liabilities and provisions			
(a) Liabilities	9	9,044.31	13,727.38
(b) Provisions	10	5,320.45	8,895.33
		<u>14,364.76</u>	<u>22,622.71</u>
Net current assets		<u>26,976.73</u>	<u>16,840.94</u>
		<u>58,982.62</u>	<u>57,887.64</u>
Notes to the accounts	15		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet and should be read in conjunction therewith.

In terms of our report of even date

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

Vasant Gujarathi  
Partner  
Membership Number: 17866

Place: Mumbai  
Dated: July 21, 2010

For and on behalf of the Board of Directors

Sudhakar Ram  
Chairman & Managing Director

Ashank Desai  
Director

O.Banerjee  
Company Secretary

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Schedule	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>Income</b>			
Information Technology Services and Products		71,382.51	94,260.45
Other income	11	807.76	2,236.50
		<u>72,190.27</u>	<u>96,496.95</u>
<b>Expenditure</b>			
Operational expenses	12	55,378.84	68,724.35
Other expenses	13	7,282.34	9,619.77
Depreciation		2,673.06	2,953.89
Financial costs	14	128.57	478.46
		<u>65,462.81</u>	<u>81,776.47</u>
<b>Profit before taxation</b>		<u>6,727.46</u>	<u>14,720.48</u>
Provision for taxation (Refer note 10 of Schedule 15)			
For the year			
— Current tax		1,760.37	3,092.95
Less: MAT credit receivable		(289.38)	(947.08)
		<u>1,470.99</u>	<u>2,145.87</u>
— Deferred tax		(510.07)	(1,143.73)
— Fringe benefits tax		(29.92)	96.60
		<u>931.00</u>	<u>1,098.74</u>
Income tax for earlier years		(975.16)	(494.35)
<b>Profit for the year</b>		<u>6,771.62</u>	<u>14,116.09</u>
Add: Profit brought forward from previous year		37,494.86	28,904.73
<b>Profit available for appropriation</b>		<u>44,266.48</u>	<u>43,020.82</u>
<b>Appropriations</b>			
Interim dividend		539.50	661.88
Final dividend		336.80	2,017.46
Corporate dividend tax		147.63	455.47
Transferred to general reserve		1,692.91	2,391.15
Balance carried to Balance Sheet		<u>41,549.64</u>	<u>37,494.86</u>
		<u>44,266.48</u>	<u>43,020.82</u>
<b>Earnings per share (net of taxes) in Rs.</b>			
— Basic		25.15	52.45
— Diluted		24.99	52.44

(Refer note 13 of Schedule 15) (Nominal value per share Rs. 5/- each)

Notes to the accounts

15

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account and should be read in conjunction therewith.

In terms of our report of even date

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

Vasant Gujarathi  
Partner  
Membership Number: 17866

Place: Mumbai  
Dated: July 21, 2010

For and on behalf of the Board of Directors

Sudhakar Ram  
Chairman & Managing Director

Ashank Desai  
Director

O.Banerjee  
Company Secretary

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# SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
40,000,000 equity shares of Rs. 5/- each	2,000.00	2,000.00
2,000,000 preference shares of Rs. 100/- each	2,000.00	2,000.00
	<u>4,000.00</u>	<u>4,000.00</u>
<b>Issued, Subscribed and Paid up :</b>		
<b>Equity Shares</b>		
26,943,937 shares of Rs. 5/- each, fully paid up	1,347.20	1,382.19
(Previous year 27,643,875 shares of Rs. 5/- each, fully paid up)		
(Refer note 8 of Schedule 15)		
Less: Nil (Previous year 744,381) shares of Rs. 5/- each extinguished		
of which Nil (Previous year 176,863) shares have been bought back		
during the year in accordance with Section 77A of the Companies Act, 1956		
(Refer note 3 of Schedule 15)	—	37.22
26,943,937 (Previous year 26,899,494) shares of Rs. 5/- each, fully paid up	<u>1,347.20</u>	<u>1,344.97</u>
<b>Of the above:</b>		
— 14,054,594 and 6,913,280 equity shares of Rs. 5/- each fully paid, have been		
issued as bonus shares by utilisation of Capital Redemption Reserve and Share		
Premium Account respectively.		
— 660,000 equity shares of Rs. 5/- each fully paid have been issued as bonus		
shares by capitalisation of profits transferred from General Reserve		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per last balance sheet	21.44	21.44
	<u>21.44</u>	<u>21.44</u>
<b>Capital Redemption Reserve Account</b>		
As per last Balance Sheet	1,295.27	1,286.42
Add : Transferred from General Reserve	—	8.85
	<u>1,295.27</u>	<u>1,295.27</u>
<b>Share Premium Account</b>		
As per last Balance Sheet	36.63	—
Add : Addition on account of ESOP	103.03	36.63
	<u>139.66</u>	<u>36.63</u>
<b>Employess stock option outstanding (Refer note 8 of Schedule 15 )</b>	57.00	—
<b>General Reserve</b>		
As per last Balance Sheet	8,712.33	6,983.46
Add : Transferred from Profit and Loss Account	1,692.91	2,391.15
Less: Transfer to Capital Redemption Reserve in accordance with Section 77A of		
the Companies Act, 1956 on buy back of equity shares during the year		
(Refer note 3 of Schedule 15)	—	8.85
Less: Utilised for buy back of shares in accordance with Section 77A of		
the Companies Act, 1956 (Refer note 3 of Schedule 15)	—	653.43
	<u>10,405.24</u>	<u>8,712.33</u>
<b>Foreign Currency Translation Account</b>		
As per last Balance Sheet	1,943.76	911.11
Add : Exchange gain/(loss) on translation	(1,981.30)	1,032.65
	<u>(37.54)</u>	<u>1,943.76</u>
<b>Profit and Loss Account</b>	<u>41,549.64</u>	<u>37,494.86</u>
	<u>53,430.71</u>	<u>49,504.29</u>



# SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

(Rs. in Lakhs)  
As at  
June 30, 2010      As at  
June 30, 2009

## SCHEDULE 3 SECURED LOANS

Term Loan from Bank (Refer note 5(ii) of Schedule 15) (Secured against pledge of shares of System Task Group International Ltd)	4,180.05	6,946.23
Loan from financial institution - hypothecated against assets [Due within one year Rs. 21.16 Lakhs (Previous year - Rs. 84.63 Lakhs)]	24.66	92.15
	<u>4,204.71</u>	<u>7,038.38</u>

## SCHEDULE - 4 FIXED ASSETS

(Rs. in Lakhs)

Description	Gross Block (at cost)					Depreciation					Net Block	
	As at July 01, 2009	Additions	Deletions/ Adjust- ments	Exchange Difference	As at June 30, 2010	As at July 01, 2009	for the year	Deletions/ Adjust- ments	Exchange Difference	As at June 30, 2010	As at June 30, 2010	As at June 30, 2009
Goodwill	16,645.87	391.44	-	(508.62)	16,528.69	247.45	-	-	(7.54)	239.91	16,288.78	16,398.42
Leasehold Land & Premises	2,637.95	452.49	-	-	3,090.44	599.04	96.53	-	-	695.57	2,394.87	2,038.91
Owned Premises	2,683.06	-	-	-	2,683.06	371.31	117.68	-	-	488.99	2,194.07	2,311.75
Plant and Machinery	9,157.88	457.66	329.83	(61.57)	9,224.14	6,866.55	1,090.24	329.05	(55.24)	7,572.50	1,651.64	2,291.32
Software Designs	6,994.85	1,011.66	-	(14.98)	7,991.53	6,551.70	848.98	-	(13.91)	7,386.77	604.76	443.15
Furniture and Fittings	4,708.52	36.52	39.77	(39.63)	4,665.64	3,479.67	425.54	39.18	(37.66)	3,828.37	837.27	1,228.85
Leasehold Improvements	473.66	-	-	(1.97)	471.69	427.49	26.34	-	(1.43)	452.40	19.29	46.17
Vehicles	406.75	67.40	78.47	-	395.68	204.21	67.75	49.50	-	222.46	173.22	202.54
<b>Total</b>	43,708.54	2,417.17	448.07	(626.77)	45,050.87	18,747.42	2,673.06	417.73	(115.78)	20,886.97	24,163.90	24,961.12
<b>Previous Year</b>	38,498.12	2,925.96	601.86	2,886.32	43,708.54	16,000.08	2,953.89	576.79	370.24	18,747.42	24,961.12	

- Owned premises include subscription towards share capital of Co-operative societies amounting to Rs. 250 (Previous year Rs. 250).
- Net block of vehicles include leased assets amounting to Rs.16.53 Lakhs (Previous year Rs. 17.74 Lakhs)

# SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
<b>I. Investment in units of mutual funds (Current, non trade, unquoted)</b>		
Nil (Previous year - 5,469,603) units of Birla Sun Life Savings Fund - Inst. Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 2.02 Lakhs (20,161 units) and sold during the year Rs. 549.35 Lakhs (5,489,764 units).	—	547.33
Nil (Previous year - 8,547,783) units of IDFC Money Manager Treasury - Plan C - Daily Dividend Reinvestment. Purchased during the year Rs. 4.89 Lakhs (48,940 units) and sold during the year Rs. 859.8 Lakhs (8,596,723 units).	—	854.91
Nil (Previous year - 16,683,820) units of ICICI Prudential - Flexible Income Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 7,567.56 Lakhs (18,989,531 units) and sold during the year Rs. 9,331.62 Lakhs (35,673,351 units).	—	1,764.06
Nil (Previous year - 13,388,495) units of JPMorgan India Treasury Fund - Super Inst. Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 3,602.77 Lakhs (35,995,695 units) and sold during the year Rs. 4,942.81 Lakhs (49,384,190 units).	—	1,340.04
4,499,550 (Previous year - Nil) units of TATA Fixed Income Portfolio Fund Scheme A2 - Inst. Purchased during the year Rs. 450.00 Lakhs (4,499,550 units) and sold during the year Rs. Nil (Nil units).	450.00	—
Nil (Previous year - 15,379,777) units of LIC MF Savings Plus Fund - Daily Dividend Reinvestment. Purchased during the year Rs. 1,993.44 Lakhs (19,934,404 units) and sold during the year Rs. 3,531.42 Lakhs (35,314,181 units).	—	1,537.98
225,383 (Previous year - 14,196,323) units of Kotak Floater Long Term Fund - Daily Dividend Reinvestment. Purchased during the year Rs. 4,178.67 Lakhs (41,455,876 units) and sold during the year Rs. 5,586.90 Lakhs (55,426,816 units).	22.73	1,430.96
Nil (Previous year - 2,383,886) units of Birla Sun Life Savings Fund - Institutional Plan. Purchased during the year Rs. 1.32 Lakhs (13,200 units) and sold during the year Rs. 239.87 Lakhs (2,397,086 units).	—	238.55
Nil (Previous year - 1,754,831) units of ICICI Prudential - Flexible Income Plan. Purchased during the year Rs. 1.21 Lakhs (11,439 units) and sold during the year Rs. 186.76 Lakhs (1,766,270 units).	—	185.55
Nil (Previous year - 4,383,619) units of JM Money Manager Fund - Super Plus Plan. Purchased during the year Rs. 2.61 Lakhs (26,087 units) and sold during the year Rs. 441.2 Lakhs (4,409,706 units).	—	438.59

# SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>SCHEDULE 5</b>		
<b>INVESTMENTS (Contd.)</b>		
Nil (Previous year - 3,989,644) units of JPMorgan India Treasury Fund - Super Institutional Plan. Purchased during the year Rs. 2.12 Lakhs (21,198 units) and sold during the year Rs. 401.44 Lakhs (4,010,842 units).	—	399.32
Nil (Previous year - 13,620,241) units of JM Money Manager Fund - Super Plus Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 2,378.36 Lakhs (23,770,999 units) and sold during the year Rs. 3,741.11 Lakhs (37,391,240 units).	—	1,362.75
Nil (Previous year -712) units of Dresdner Bank Money Market Fund-Geldmarktfds	—	24.60
Nil (Previous year -18) units of Allianz Princo Liquiditatsmanager Anteile A Fonds	—	11.99
<b>II. Investment in deposits</b>		
Deposit with Housing Urban Development Corporation	1,500.00	—
	<u>1,972.73</u>	<u>10,136.63</u>
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS - (UNSECURED)</b>		
<b>a. Debts outstanding for a period exceeding six months</b>		
— Considered good	15.39	44.08
— Considered doubtful	274.55	351.45
	<u>289.94</u>	<u>395.53</u>
<b>b. Other debts</b>		
— Considered good	19,493.16	20,220.99
	<u>19,783.10</u>	<u>20,616.52</u>
Less : Provision for doubtful debts	274.55	351.45
	<u>19,508.55</u>	<u>20,265.07</u>

# SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash balance on hand	1.80	2.24
Balances with banks #		
— in Current Accounts *	4,512.75	2,788.71
— in Fixed Deposits**	13,264.71	11,068.27
	<u>17,779.26</u>	<u>13,859.22</u>

\* Includes amounts restricted Rs.53.10 Lakhs (Previous year - Rs.42.27 Lakhs) on account of unpaid dividends.

\*\* Includes Rs.72.47 Lakhs (Previous year - Rs.91.25 Lakhs) restricted on account of margin money.

# Consists of balance with unscheduled banks Rs.6,413.46 Lakhs (Previous year - Rs.9,172.07 Lakhs)

Name of the Bank	Balance as at June 30, 2010	Balance as at June 30, 2009
Chase Bank of Texas	935.43	1,334.78
JP Morgan Chase Bank, New Jersey	39.91	39.97
Dresdner Bank, Germany	335.32	235.49
Lloyds Bank - UK	2,834.64	6,720.63
MayBank-Malaysia	669.05	109.92
Canadian Imperial Bank of Commerce	26.90	-
Citibank, Newyork	1,569.71	692.87
Ayudhya Bank, Thailand	2.50	38.41
<b>Total</b>	<u>6,413.46</u>	<u>9,172.07</u>

# SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,681.36	3,176.66
Less : Provision for doubtful advances	92.89	95.81
	1,588.47	3,080.85
Advance Fringe benefits tax (net of provision)	26.31	108.99
MAT credit entitlement	2,438.90	2,149.52
	<u>4,053.68</u>	<u>5,339.36</u>
<b>SCHEDULE 9</b>		
<b>LIABILITIES</b>		
Sundry Creditors	5,728.69	9,537.75
Unclaimed dividends *	53.11	42.27
Unearned revenue	677.78	1,272.11
Book overdraft in current account with bank	1.17	50.37
Other Liabilities	2,583.56	2,824.88
	<u>9,044.31</u>	<u>13,727.38</u>
* Note : There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
<b>SCHEDULE 10</b>		
<b>PROVISIONS</b>		
Proposed dividend	336.80	2,017.46
Provision for Corporate dividend tax	55.94	342.87
Provision for taxes (net of advances tax)	333.85	1,736.58
Provision for gratuity	2,319.76	2,122.18
Provision for leave encashment	2,274.10	2,676.24
	<u>5,320.45</u>	<u>8,895.33</u>

# SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010 (Contd.)

	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>SCHEDULE 11</b>		
<b>OTHER INCOME</b>		
Interest on deposits etc.	491.62	342.67
[Tax deducted at source Rs.23.52 Lakhs (Previous year - Rs.3.65 Lakhs)]		
Profit on sale of fixed assets (net)	4.11	1.23
Profit on sale of investments (current, non-trade)	0.03	338.45
Income from investments (current, non trade)	140.39	331.44
Writeback of doubtful debts and advances	—	336.62
Miscellaneous income	171.61	886.09
	<u>807.76</u>	<u>2,236.50</u>
 <b>SCHEDULE 12</b>		
<b>OPERATIONAL EXPENSES</b>		
Salaries, bonus, incentives, etc.	41,574.17	51,082.19
Gratuity	322.48	863.24
Contribution to provident and other funds	2,869.14	3,496.59
Staff welfare	742.82	933.09
Recruitment and training expenses	449.90	916.38
Travelling and conveyance	3,619.63	4,228.72
Communication charges	859.56	938.14
Electricity	655.68	824.69
Consulting charges	3,934.79	5,336.40
Purchase of software for resale	350.67	104.91
	<u>55,378.84</u>	<u>68,724.35</u>

# SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010 (Contd.)

	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>SCHEDULE 13</b>		
<b>OTHER EXPENSES</b>		
Rates and taxes	262.15	364.74
Repairs		
— Building	241.13	250.45
— Machinery	983.94	986.92
Insurance	378.27	418.66
Printing and stationery	139.89	212.81
Exchange loss (net)	391.73	1,067.15
Professional fees	2,550.70	3,598.84
Rent (Refer note 6 of Schedule 15)	1,069.48	1,247.81
Advertisement and publicity	565.49	783.32
Provision for doubtful debts	106.71	—
Loss on Investments written off	1.91	—
Miscellaneous expenses	590.94	689.07
	<u>7,282.34</u>	<u>9,619.77</u>

## **SCHEDULE 14** **FINANCIAL COSTS**

Interest on cash credit	1.17	0.34
Interest on term loan	129.91	333.33
Bank charges	20.64	28.07
Other financial charges	(23.15)	116.72
	<u>128.57</u>	<u>478.46</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010

## SCHEDULE 15

### 1. DESCRIPTION OF BUSINESS

Mastek Limited (hereinafter referred to as "The Company") and its subsidiaries (hereinafter referred to as "Mastek") are engaged in software development, technical and consultancy services. Mastek adopts a cost effective synthesis of onsite and offshore development teams to enhance the value generation to its clients. Mastek also customizes software products for insurance sector and stock broking services.

Mastek Limited has evolved a subsidiary model of operations. It has international subsidiaries in Germany, USA, Canada, UK, Singapore, Thailand and Malaysia and a branch office each in UK, Japan and Korea which cater to the needs of the specific regions. The offshore software development centers are located at Mumbai, Pune, Chennai and Mahape.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of consolidation

The consolidated financial statements of Mastek are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India and the Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company (Mastek Limited) for its separate financial statements.

The financial statements of subsidiaries have been combined in full on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses and of the associates as per equity method of accounting. Intra group balances and intra group transactions and resulting unrealized profits are eliminated in full. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### b. Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as

at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

#### c. Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalized until the assets are ready for use and include inward freight, duties, taxes and expenses incidental to acquisition and installation.

Depreciation of fixed assets is provided on Straight Line Method over the useful life of assets, as estimated by the management, on a pro-rata basis or as per Schedule XIV of the Act in cases where the rates specified therein are higher. Assets costing less than Rs.5,000/- each are depreciated fully in the year of acquisition. Expenditure incurred on purchase of Design and Software used in operations of the entity, is depreciated over its estimated life. The useful lives estimated by the management for amortisation of the assets which are higher than rates specified as per Schedule XIV are as under:

Goodwill on Merger	Amortised over 3 years
Leasehold Land	Over the Lease Term ranging from 95-99 years
Owned/Leasehold Premises	25 - 30 years
Computers (Included in Plant & Machinery)	2 years
Other Plant and Machinery	5 years
Software	1 - 5 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years or over the primary period of lease whichever is less
Vehicles	5 years

#### d. Investments

Long-term investments are stated at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Current investments are stated at lower of cost and fair value. Any reduction in carrying amount and any reversal of such reductions are charged or credited to the Profit and Loss Account.

#### e. Foreign Currency Transactions and Translation

The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency for Mastek Limited. However, U.S. Dollar, Pound Sterling, Singapore Dollar, Malaysian Ringgits, Thai Baht, Canadian Dollar and Euro are the functional currencies for



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

its subsidiaries located in United States of America, United Kingdom, Singapore, Malaysia, Thailand, Canada and Europe (Germany), respectively. The translation of the functional currencies into Indian Rupees (reporting currency) is performed for assets and liabilities using the current exchange rates in effect at the Balance Sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting periods and for share capital and reserves using the exchange rate at the date of transaction. The differences on translation are taken directly to reserves, under Foreign Currency Translation Reserve Account.

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet, any exchange loss or gain, on such conversion is accounted for in the Profit and Loss Account. Exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

In respect of transactions related to foreign branches, all revenue and expense transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the Balance Sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Net gain/loss on foreign currency translation is recognised in the Profit and Loss account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or

loss on that contract for an earlier period) and is recognised in the profit and loss account for the period.

## **f. Retirement Benefits**

### **i) Long-term Employee Benefits**

#### **a) Defined Contribution Plans**

The Company has Defined Contribution Plans for post employment benefits in the form of Provident Fund and Superannuation Fund for eligible employees in India, which are administered through Government of India and/or Life Insurance Corporation of India (LIC). Provident Fund and Superannuation Fund (which constitutes an insured benefit) are classified as Defined Contribution Plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred. In case of certain overseas subsidiaries, the Company also provides for defined contribution plans in accordance with the local laws.

In case of Mastek (UK) Limited, the contribution in respect of pension plan for employees is charged to the revenue every year. The assets of the scheme are held separately from those of the company in an independently administered fund.

#### **b) Defined Benefit Plans**

The Company has Defined Benefit Plans for post employment benefits in the form of Gratuity and Leave Encashment for the employees in India. Liability for Defined Benefit Plans is provided on the basis of actuarial valuations, as at the Balance Sheet date, carried out by independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

### **ii) Short-term Employee Benefits**

The undiscounted amount of short term

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee rendered the services. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

## **g. Revenue Recognition**

Mastek derives its revenues primarily from software services.

Revenues from customer support services are recognised ratably over the term of the support period.

Revenues from software related services are primarily related to implementation services performed on a time and material basis under separate service arrangements. Revenues with respect to time and material contracts are recognised as and when services are rendered.

Revenues from fixed price, fixed time frame contracts are recognised in accordance with the percentage of completion method measured by the percentage of cost incurred over the estimated total cost for each contract. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed, in advance of services performed are recorded as unearned revenue. Unbilled revenue included in debtors, represents amounts recognised based on services performed in accordance with contract terms and where billings are pending.

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised on time proportion basis.

## **h. Borrowings Costs**

Borrowing costs that are incurred on borrowings made specifically for the acquisition, construction or production of a qualifying asset are capitalized as a part of that asset. The amount of borrowing costs from funds that are borrowed generally and used for the purpose of obtaining a qualifying asset are calculated by applying a weighted

average capitalization rate to the expenditure on that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

## **i. Leases**

Assets taken on leases which transfer substantially all the risks and rewards incidental to ownership of the assets i.e. finance leases, in terms of provisions of Accounting Standard (AS) - 19, 'Leases', are capitalized. The assets are capitalized at the lower of the fair value at the inception of the lease and the present value of minimum lease payments. Such assets are disclosed as a part of the class of owned assets to which they belong and are depreciated accordingly.

## **j. Earnings per share**

Basic earnings per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by adjusting the number of shares used for basic EPS with the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value i.e. average market value of outstanding shares. The number of shares and potentially dilutive shares are adjusted for share splits and bonus shares, as appropriate.

## **k. Income taxes**

Provision for tax for the year comprises of current tax and deferred tax. Current tax provision is measured by the amount of tax expected to be paid on the taxable profits after considering tax allowances and exemptions and using applicable tax rates and laws. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured on the timing differences applying the

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Changes in deferred tax assets and liabilities between one Balance Sheet date and the next are recognised in the Profit and Loss account in the year of change. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss account in the year of change. Deferred tax assets are recognised only if there is reasonable certainty that they will be realized by way of future taxable income. Deferred tax assets related to unabsorbed depreciation and carry forward losses are recognised only to the extent that there is virtual certainty of realization. Deferred tax assets are reviewed for appropriateness of their carrying amounts at each Balance Sheet date.

## I. Accounting for Employee Stock Options

Stock options granted to the employees of Mastek Limited and its subsidiaries under the stock option schemes established after June 19, 1999 are accounted as per the treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 (SEBI guidelines) issued by the Securities and Exchange Board of India (SEBI) and as amended from time to time. According to the above guidelines, the excess of market value of the stock options as on the date of grant over the exercise price of the options is to be recognised as deferred employee

compensation and is to be charged to profit and loss account ratably over the vesting period of the options.

## 3. BUYBACK OF SHARES

The Board of Directors at their Meeting held on October 11, 2007 had announced buy back of its fully paid equity shares from existing shareholders and beneficial owners in accordance with the relevant provisions of Companies Act, 1956 and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 at a price not exceeding Rs.750 per share. The Company opted to buy back shares from open market through stock exchange route and the total offer size aggregates to Rs. 65 crores representing 25% of the Company's paid up capital and free reserves as on June 30, 2007.

During current year, the Company had bought back Nil (Previous year 176,863) equity shares of Rs. 5/- each at an average price of Nil (Previous year Rs. 374.45) and extinguished Nil (Previous year 744,381) equity shares of Rs. 5/- each. The difference between the nominal value and amount spent for buy back, amounting to Rs Nil (Previous year Rs. 653.43 Lakhs) which has been appropriated from General Reserve to the tune of Rs. Nil (Previous year Rs. 653.43 Lakhs).

The Company has transferred Rs. Nil (Previous year Rs. 8.85 Lakhs) from General Reserve to Capital Redemption Reserve which represented the nominal value of shares bought back during the year.

## 4. LIST OF SUBSIDIARIES CONSIDERED FOR CONSOLIDATION:

Name of Subsidiary Company	Country of Incorporation	Extent of Holding (%) as on June 30, 2010	Extent of Holding (%) as on June 30, 2009
MajescoMastek	USA	100%	100%
Mastek (UK) Limited	UK	100%	100%
Mastek GmbH	Germany	100%	100%
Mastek Asia Pacific Pte Ltd.	Singapore	100%	100%
Mastek MSC Software Sdn Bhd.	Malaysia	100%	100%
Mastek Outsourcing Services Private Ltd @	India	-	100%
Carretek LLC *	USA	100%	100%
Mastek MSC (Thailand) Co. Ltd **	Thailand	100%	100%
Vector Insurance Services LLC <	USA	90%	90%
System Task Group International Limited >	USA	100%	100%
Keystone Solutions Private Limited #	India	100%	100%
MajescoMastek Canada Ltd ( Formerly known as MajescoMastek Enterprise Solutions Canada Co. Ltd ) ~	Canada	100%	100%

\* Held by MajescoMastek - 100% subsidiary w.e.f. January 1, 2007.

\*\* Incorporated on February 5, 2007 and 100% held by Mastek MSC Software Sdn.Bhd

< Acquired w.e.f July 1, 2007 and 90% held by MajescoMastek

> Acquired w.e.f January 1, 2008 and 100% held by MajescoMastek

@ Mastek Outsourcing Services Private Ltd. has been closed down w.e.f . September 20, 2009

# Held by System Task Group International Ltd. - 100% subsidiary w.e.f.January1,2008

~ Incorporated on February 9, 2009

**Mastek™**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

## 5. CONTINGENT LIABILITIES AND COMMITMENTS

	(Rs. in Lakhs)	
	As at June 30, 2010	As at June 30, 2009
<b>Contingent Liabilities and Commitments</b>		
(i) Counter guarantees outstanding in respect of guarantees given by banks on behalf of the Company	103.19	157.18
(ii) Corporate guarantees given		
— on behalf of subsidiary, Majesco Mastek	4,180.05	6,946.23
— on behalf of subsidiary, Majesco Mastek Enterprises Solutions Canada Co. Ltd	967.53	—
— on behalf of subsidiary, Mastek MSC Thailand Co Ltd	153.49	—
— on behalf of subsidiary, Mastek (UK) Limited	36,462.26	32,256.67
(iii) Guarantees given by bank on behalf of the company to custom authorities	—	1.42
(iv) Claim against the Company not acknowledged as debts	105.78	105.78
(v) Estimated amount of contracts remaining to be executed on capital account not provided for	1,813.15	2,153.19

## 6. LEASES

	(Rs. in Lakhs)	
	As at June 30, 2010	As at June 30, 2009
a) Future minimum non-cancellable capital lease commitments on account of finance leases:		
Due within one year	21.16	84.63
Due later than 1 year but not later than 5 years	9.07	23.55
Due later than 5 years	—	—
Total minimum lease payments	30.23	108.18
Less: Interest portion	(5.57)	(16.03)
Present value of net minimum capital leases payments	24.66	92.15
b) Lease rentals recognised in the profit and loss account	1,069.48	1,247.81
c) Future non - cancelable operating lease rental commitments		
Due within one year	278.70	265.86
Due later than 1 year but not later than 5 years	795.23	894.17
Due later than 5 years	—	143.24
Total minimum lease payments	1,073.93	1,303.27
d) Description of significant lease agreements:		
— The Company has given refundable interest free security deposit under the lease agreements.		
— All agreements contain provision for renewal at the option of either parties.		
— All agreements provide for restriction on sub lease.		

## 7. FORWARD CONTRACTS

Forward Contracts outstanding as on June 30, 2010 amount to Rs. 7,250.52 Lakhs (Previous year Rs. 1,154.65 Lakhs). Gain / (loss) of foreign exchange forward contracts are included under the head Exchange loss (net). Forward contracts amounting to Rs. 3,830.93 Lakhs (Previous year Rs. 1,154.65 Lakhs) are backed by receivables.

## 8. EMPLOYEE STOCK OPTIONS

### Plan II

The Company established a new scheme in 2002 for granting 700,000 stock options to employees and each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by SEBI. There is a minimum period of twelve months for the first vesting from the date of the grant of options. The options are exercisable within two years of their vesting. As per the SEBI guidelines issued in 1999, and as amended from time to time, the excess of the market price of the underlying equity shares as of the date of the grant of the option over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006, the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

In accordance with the Guidelines, the Company has passed the necessary special resolutions in January 2002 to approve the scheme and to extend the plan to the employees of its subsidiaries.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	91,520	250,579
Granted during the year	-	-
Exercised during the year	(14,458)	(10,629)
Cancelled during the year	(69,312)	(148,430)
Balance unexercised options	7,750	91,520

## Plan III

The Company passed special resolutions at its Annual General Meeting held on September 20, 2004 approving the allocation of 700,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2004 for granting 700,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. As per the SEBI

guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006 the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	898,624	1,071,038
Granted during the year	-	-
Exercised during the year	( 26,938)	(8,664)
Cancelled during the year	(324,892)	(163,750)
Balance unexercised options	546,794	898,624

## Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. During the year the Company has extended the vesting period from two years to seven years. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	614,917	248,876
Granted during the year	—	413,484
Exercised during the year	(3,047)	—
Cancelled during the year	(98,156)	(47,443)
Balance unexercised options	513,714	614,917

## Plan V

The Company introduced a new scheme in 2008 for granting 1,500,000 stock options to the employees, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares except for 25,000 options, which have been granted at a price less than the market price. Consequently, compensation cost of Rs 57.00 Lakhs (Previous Year Rs. Nil) has been charged to the Profit and Loss account during the current year.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	61,000	—
Granted during the year	1,116,000	61,000
Exercised during the year	—	—
Cancelled during the year	(2,86,000)	—
Balance unexercised options	8,91,000	61,000

## 9. RETIREMENT BENEFIT PLANS

### a) Defined contribution plans

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident Fund Commissioner and the superannuation fund is maintained by making contribution to Life Insurance Corporation of India. Under the schemes, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The Company recognized Rs. 701.78 Lakhs (Previous year Rs. 898.06 Lakhs) for provident fund contribution and Rs. 30.16 Lakhs (Previous year Rs. 29.18 Lakhs) for superannuation contribution in the Profit and Loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

### b) Defined benefit plan

The Company provides for liability towards gratuity and leave encashment payable to the employees. Gratuity vests to the employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. Leave encashment vest to the employees at time of retirement, death while in employment or on termination of employment of amount equivalent to salary payable for number of days of accumulated leave balance.

The present value of the defined benefit obligation and the related current service cost are measured using the Projected Unit Credit Method with actuarial valuations being carried out at the balance sheet date, made by independent actuaries.

### c) The following table sets out the status of gratuity (unfunded) and the amounts recognized in the Company's financial statements as at June 30, 2010 and June 30, 2009.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

	(Rs in Lakhs)	
	As at June 30, 2010	As at June 30, 2009
<b>1. Change in defined benefit obligations:</b>		
Projected benefit obligation, beginning of the year ( July 1, 2009)	2122.18	1,358.95
Service cost	467.12	330.44
Interest cost	188.17	143.44
Actuarial (gain) / loss	(332.81)	389.36
Benefits paid	(124.90)	(100.01)
<b>Projected benefit obligation, closing of the year ( June 30, 2010)</b>	<b>2,319.76</b>	<b>2,122.18</b>
<b>2. Change in fair value of assets:</b>		
Fair value of plan assets, beginning of the year ( July 1, 2009)	—	—
Expected return on plan assets	—	—
Employer's contribution	124.90	100.01
Acquisitions	—	—
Benefit paid	(124.90)	(100.01)
Actuarial (gain) / loss	—	—
<b>Fair value of plan assets, closing of the year ( June 30, 2010)</b>	<b>—</b>	<b>—</b>
<b>3. Amount recognised in the Balance Sheet</b>		
Present value of obligations as at June 30, 2010	2,319.76	2,122.18
Fair value of plan assets as at June 30, 2010	—	—
Amount not recognised as an asset	—	—
<b>Net Liability recognised as at June 30, 2010</b>	<b>2,319.76</b>	<b>2,122.18</b>
<b>4. Net gratuity cost for the year ended June 30, 2010</b>		
Service cost	467.12	330.44
Interest cost	188.17	143.44
Expected return on plan assets	—	—
Net actuarial (gain) / loss recognised in the year	(332.81)	389.36
<b>Net gratuity cost</b>	<b>322.48</b>	<b>863.24</b>
<b>5. Assumptions used in accounting for the gratuity plan:</b>		
Discount rate (p.a.)	8.15%	7.50%
Salary escalation rate (p.a.)	20 % p.a. for 1 <sup>st</sup> year & 10% p.a. thereafter	15 % p.a. for 1 <sup>st</sup> year & 10% p.a. thereafter
<b>6. Return on plan assets (p.a.)</b>	<b>N.A.</b>	<b>N.A.</b>

d) Leave encashment charged during the year amount to Rs. 491.74 Lakhs (Previous year Rs. 1,201.45 Lakhs).

## 10. INCOME TAXES

The Company follows Accounting Standard 22 'Accounting for taxes on income'.

a) The Company's operations are eligible for significant tax incentives under the Indian taxation laws. These incentives presently include an exemption from payment of Indian corporate taxes for a period of ten consecutive years of operations of software development facilities designated as Software Technology Park or in Special Economic Zone. The management estimates the provision for current taxes and deferred taxes after considering such tax benefits and the expected results of the future operations of the Company.

b) Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). The MAT liability can be carry forward and set off against future tax liability. Accordingly, a sum of Rs. 289.38 Lakhs (Previous year Rs. 947.08 Lakhs) has been carried forward and shown under 'Loans and Advances'.

In addition to Indian operations, the Group is liable to income taxes relating to income of its foreign subsidiaries.

Significant components of activities that gave rise to deferred tax assets and liabilities included on the balance sheet were as follows:

	(Rs. in Lakhs)	
	As at June 30, 2010	As at June 30, 2009
<b>Deferred tax assets:</b>		
Doubtful debts	63.80	95.44
Fixed Assets	629.47	758.20
Employee benefits	1,359.02	784.68
Operating loss carry forwards	166.84	361.65
Other	93.31	256.62
<b>Total deferred tax assets</b>	<b>2,312.44</b>	<b>2,256.59</b>
<b>Net deferred tax assets</b>	<b>2,312.44</b>	<b>2,256.59</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

## 11. RELATED PARTY DISCLOSURES

The Company has entered into transactions with the following related parties:

Key Management Personnel: Sudhakar Ram (Chairman & Managing Director)

R Sundar (Director)

(Rs. In Lakhs)

	Transactions during the year ended	
	June 30, 2010	June 30, 2009
	Key Management Personnel	Key Management Personnel
Other Income	-	-
Remuneration paid/payable:		
Sudhakar Ram	175.12	161.23
R Sundar	73.38	66.56

(Rs. In Lakhs)

	Closing Balance as at	
	June 30, 2010	June 30, 2009
Key Management Personnel		
Remuneration payable	-	48.05

Notes:

- Reimbursement of expenses incurred by related parties for and on behalf of the Group and vice versa has not been included above.
- The disclosure given above has been reckoned on the basis of information available with the Group.

## 12. SEGMENT REPORTING

Mastek follows AS 17, 'Segment Reporting' issued by the Institute of Chartered Accountants of India, which requires disclosures of financial and descriptive information about Mastek's reportable segments, both primary and secondary.

Mastek's operations predominantly relate to providing IT services, delivered to customers globally. The organizational and reporting structure of Mastek is based on Strategic Business Units (SBU) concept. The SBU's are primarily geographical segments of Mastek. SBU's are the operating segments of Mastek for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive management in deciding how to allocate resources and in assessing performance. These SBU's primarily provide end-to-end information technology solution that includes consulting on time and material basis contracts and fixed bid contracts.

Mastek's reportable primary segments consist of the following SBUs, which are primarily based on the location of the customers: US operations (includes Canada), UK Operations, and Others. 'Others' include operations of Mastek in other parts of the world including India, except those mentioned separately as a segment.

Since Mastek operates only in IT services (which is not classified further by the management), Mastek does not have a reportable business segment.

### Segmental Reporting on the basis of location of customers

(Rs. in Lakhs)

	Year Ended June 30,	
Revenue	2010	2009
UK	37,393.41	54,430.55
USA	29,283.72	33,276.50
Others	4,705.38	6,553.40
Inter-segment	-	-
Total	71,382.51	94,260.45
Segment Contribution		
UK	11,488.62	19,852.79
USA	4,463.24	5,997.84
Others	630.57	360.47
Inter-segment	-	-
Total	16,582.43	26,211.10
Common unallocable charges	(10,534.16)	(13,248.66)
Interest expenses	(128.57)	(478.46)
Other Income	807.76	2,236.50
Profit before taxation and exceptional items	6,727.46	14,720.48
Minority Interest	-	-
Profit before taxation	6,727.46	14,720.48

Mastek Limited incurs common costs on account of various support functions for services that are provided to SBUs. These support functions mainly includes, services of technical cell, resources, recruitment, infrastructure, training, quality, etc.

Mastek Limited also incurs expenses on account of corporate functions, which are provided to these SBUs, and which are not specifically allocable to the SBUs. These unallocable costs primarily consist of expenses relating to offices of directors, interest cost and public relations. Hence, Mastek has disclosed 'Segment Contribution' before the common unallocable charges and interest.

Major portion of segments assets used in Mastek's business comprise of fixed assets, which are primarily located at it's off shore centers in India and are commonly used by various SBUs. These fixed assets



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

are therefore not directly identifiable to any particular reportable segment and have been allocated to SBUs on the basis man-months billed by these SBUs.

Major portion of segments assets used in Mastek's business comprise of fixed assets, which are primarily

located at it's off shore centers in India and are commonly used by various SBUs. These fixed assets are therefore not directly identifiable to any particular reportable segment and have been allocated to SBUs on the basis man-months billed by these SBUs.

(Rs. In Lakhs)

Other Segmental Information	Segmental Assets		Segmental Liabilities	
	As at June 30,			
	2010	2009	2010	2009
UK	22,013.08	26,185.53	4,524.49	5,931.91
USA	30,302.45	26,920.54	9,237.75	13,476.34
Others	8,884.78	6,053.50	730.49	855.74
Segmental Assets/Liabilities	61,200.31	58,159.57	14,492.73	20,263.99
Unallocated Corporate Assets/Liabilities	12,147.07	21,350.78	4,076.74	9,397.10
Total Assets/ Liabilities	73,347.38	80,510.35	18,569.47	29,661.09

Since the locations of assets are different from the above segments disclosed, which primarily are segments on the basis of location of customers, Mastek has disclosed the following additional information based on the location of assets.

(Rs. in Lakhs)

Segmental Assets on basis of Location of Assets	Segmental Assets	
	As at June 30	
	2010	2009
UK	19,697.01	24,226.84
USA	25,410.37	25,488.97
India	25,378.29	28,237.30
Others	2,861.71	2,557.24
Segmental Assets	73,347.38	80,510.35

(Rs. in Lakhs)

	Non-Cash other than Depreciation As at June 30,		Depreciation for the year ended June 30,*		Capital Expenditure for the year ended June 30,@	
	2010	2009	2010	2009	2010	2009
UK	(13.49)	(352.35)	29.07	61.46	15.67	28.80
USA	64.21	84.73	195.19	271.62	246.35	107.04
India	55.99	32.56	2,448.60	2,613.28	1,763.71	2,164.99
Others	-	(101.56)	0.20	7.53	-	0.55
Totals	106.71	(336.62)	2,673.06	2,953.89	2,025.73	2,301.38

\* excludes depreciation on allocated assets

@ excludes goodwill and assets on takeover

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2010 (Contd.)

## 13. EARNINGS PER SHARE (EPS)

The components of basic and diluted earnings per share were as follows :

	As at June 30, 2010	As at June 30, 2009
(a) Net income available to equity shareholders before exceptional item (Rs. in Lakhs)	6,771.62	14,116.09
(b) Weighted average number of outstanding equity shares		
Considered for basic EPS	26,923,796	2,69,14,521
Add : Effect of dilutive issue of stock options	168,742	1,469
Considered for diluted EPS	27,092,538	26,915,990
(c) Earnings per share (net of taxes) in Rs.		
Basic	25.15	52.45
Diluted	24.99	52.44

(Nominal value per share Rs. 5/- each)

14. During the year ended June 30, 2008, MajescoMastek, a subsidiary of Mastek Limited had acquired System Task Group International Limited (STG) w.e.f January 1, 2008. The terms of purchase provides for payment of contingent consideration to the selling shareholders, payable over two years and calculated based on achievement of specific targets. The contingent consideration is payable in cash and cannot exceed \$ 2 Million. The consideration so payable would be accounted in the books of account in the year of achieving the milestones under the agreement.

Accordingly MajescoMastek has paid \$ 0.71 Million ( Previous Year \$ 0.50 Million ) equivalent to Rs.331.58 Lakhs ( Previous Year Rs 250.51 Lakhs) during the year which has been accounted as additional cost of acquisition in accordance with the terms of agreement. As a result the goodwill in consolidated financial statement has been increased by \$ 0.71 Million (Previous Year \$ 0.50 Million) equivalent to Rs.331.58 Lakhs (Previous Year Rs 250.51 Lakhs).

15. During the year ended June 30, 2008, MajescoMastek, a subsidiary of Mastek Limited had acquired Vector Insurance Services LLC (Vector) on 1 July, 2007. The terms of purchase provides for payment of contingent consideration to the selling shareholders, payable over two years and calculated based on achievement of specific targets. The contingent consideration is payable in cash and cannot exceed \$ 4.5 Million. The consideration so payable would be accounted in the books of account in the year of achieving the milestones under the agreement.

Accordingly MajescoMastek has accounted \$ 0.13 Million (Previous Year \$ 0.80 Million) equivalent to Rs. 50.78 Lakhs (Previous Year Rs 377.47 Lakhs) as additional cost of acquisition in accordance with the terms of agreement. As a result the goodwill in consolidated financial statement has been increased by \$ 0.13 Million (Previous Year \$ 0.80 Million) equivalent to Rs.50.78 Lakhs (Previous Year Rs 377.47 Lakhs).

## 16. Acquisition of Keystone's business

The Board of Directors of Mastek Limited at its meeting held on May 9, 2009 approved the acquisition of business activities pertaining to "Keystone Solutions Private Limited" ('Keystone'), a fully owned subsidiary of System Task Group International Ltd. Consequent to this, Mastek Limited has entered into a business transfer agreement dated June 8, 2009 and addendum to agreement dated August 1, 2009 with Keystone to purchase the entire business on a slump sale basis as a going concern for a total consideration of Rs. 2,036 Lakhs with effect from August 31, 2009. This transfer has no financial impact on the consolidated numbers of Mastek.

17. The previous year's figures have been regrouped and reclassified, wherever necessary.

Signatures to Schedules 1 to 15

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

Vasant Gujarathi  
Partner  
Membership Number: 17866

Mumbai  
Dated: July 21, 2010

For and on behalf of the Board of Directors

Sudhakar Ram  
Chairman & Managing Director

Ashank Desai  
Director

O.Banerjee  
Company Secretary

# Consolidated Cash Flow Statement for the year ended June 30, 2010

	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>Cash flows from operating activities</b>		
Net Profit before tax and minority Interest	6,727.46	14,720.48
Adjustments for :		
Interest on deposits etc.	(491.62)	(342.67)
Income from investments (current, non-trade)	(140.39)	(331.44)
Employee Stock Options	57.00	-
Financial expenses	107.93	450.39
Depreciation and amortisation	2,673.06	2,953.89
Provision/(Writeback) for doubtful debts and advances	106.71	(336.62)
Profit on sale of asset	(4.11)	(1.23)
Loss on Investments written off	1.91	-
Profit on sale of investments (Long term, trade)	(0.03)	(338.45)
Unrealised Foreign exchange gain /(loss)	651.49	72.24
Operating profit before working capital changes	9,689.41	16,846.59
Decrease / (Increase) in sundry debtors	(1,035.79)	11,287.36
Decrease / (Increase) in loans and advances	616.46	1,090.03
Increase / (Decrease) in liabilities	(4,130.38)	(4,998.10)
Cash generated from operations	5,139.70	24,225.88
Income taxes paid (net of refunds received)	(1,997.89)	(2,799.83)
<i>Net cash from operating activities</i>	<u>3,141.81</u>	<u>21,426.05</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	38.54	26.30
Purchase of fixed assets (including leasehold improvements and capital work in progress)	(2,285.71)	(4,395.13)
Interest received	491.62	319.02
Sale proceeds of current investments(Net)	66,817.37	100,779.03
Dividend from current investments	140.39	331.44
Purchase of current investments(Net)	(58,653.45)	(102,605.00)
<i>Net cash (used in) investing activities</i>	<u>6,548.76</u>	<u>(5,544.34)</u>

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# Consolidated Cash Flow Statement for the year ended June 30, 2010

## Cash flows from financing activities

Payment towards redemption of share capital	-	(662.27)
Proceeds from equity share capital	105.26	37.59
Payment of Lease obligation	(67.22)	(115.22)
Repayment of Long Term loan	(2,633.88)	(2,366.92)
Dividends paid (including Corporate dividend tax)	(2,980.68)	(2,822.11)
Interest paid on loans and lease obligations	(107.93)	(450.39)
<i>Net cash (used in) financing activities</i>	<u>(5,684.45)</u>	<u>(6,379.32)</u>
Effect of exchange changes	(86.08)	(844.35)
<b>Total increase in cash and equivalents during the year</b>	<b>3,920.04</b>	<b>8,658.04</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>13,859.22</b>	<b>5,201.18</b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>17,779.26</u></b>	<b><u>13,859.22</u></b>

## Notes :

- 1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- 2 Assets acquired on lease - Rs. 8.88 lakhs (Previous year Rs. 32.28 Lakhs) being a non-cash transaction has not been considered in the cash flow statement.
- 3 For reasons, principally the effects of translation differences, certain items in the statement of cash flow do not correspond to the differences between the balance sheet amounts for the respective items.
- 4 Cash and cash equivalents includes Rs.53.10 Lakhs Lakhs (Previous year Rs.42.27 Lakhs) restricted on account of unpaid dividend.
- 5 Figures in brackets indicate cash outgo.
- 6 Previous year's figures have been regrouped/restated wherever necessary.

This is the cash flow referred to in our report of even date

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

**Vasant Gujarathi**  
Partner  
Membership Number: 17866

Place : Mumbai  
Dated: July 21, 2010

For and on behalf of the Board of Directors

**Sudhakar Ram**  
Chairman & Managing Director

**Ashank Desai**  
Director

**O.Banerjee**  
Company Secretary

# Key Statistics

(Rs.in lakhs)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Total Income	70111	81036	91619	96,497	72,190
Operating Profit (EBIDT)	13116	14780	18205	18,153	9,529
Net Profit	6,909	10,692	12,588	14,116	6,772
EPS (Rs/share)	24.8	37.8	44.23	52.45	25.15
DPS (Rs/share)	6.5	7.5	10.0	10.00	3.25
Growth in					
Revenue / Income	22%	16%	13%	5%	-25%
Operating Profit	34%	13%	23%	-0.3%	-47.5%
Net Profit	29%	55%	18%	12%	-52%
Operating Profit Margin	19%	18%	20%	19%	13%
Net Profit Margin	10%	13%	14%	15%	9%
Effective Depreciation rate	4%	4%	4%	3%	4%
Effective Tax rate	17%	26%	14%	4%	-1%
Interest Cover	115.1	132.64	41.50	31.77	53.33
Return on Networth	35%	27%	34%	31%	13%
Debt/Equity	0.00	0.00	0.22	0.14	0.08
(Debt includes Preference Shares)					
Current Ratio	1.6	1.7	1.5	1.7	2.9
Debtors Turnover (No. of days)	110	96	124	77	99
Depreciation/Average Gross Block	15%	15%	11%	7%	6%
Dividend Payout	26%	20%	23%	19%	13%
Dividend Yield	1.9%	2.6%	2.7%	4.5%	1.3%
Operating Cashflows	8882	8990	8507	21,426	3,142
Capital Expenditure in Fixed Assets	3843	3914	17676	4,395	2,286
Cash & Cash Equivalents	14817	19897	13173	23,996	19,752
Cash & Cash Equivalents as % of total assets	48%	57%	27%	41%	34%
Book Value of Shares	98.3	123.54	145.84	189.03	203.30
Market Value to Book Value	3.6	2.4	2.5	1.2	1.3
Price Earning Multiple	14	8	8	4	10
Group Employees as at the year end	3235	3315	4071	3759	3243
Offshore (No)	2257	2292	2870	2831	2449
Onsite (No)	978	1023	1201	928	794
Off-shore Facility (Sq.feet)	297303	307892	343554	343554	343554

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# MANAGEMENT DISCUSSION AND ANALYSIS

(forms part of the Directors' Report of the company's Annual Report FY2009-10;  
figures mentioned are on a consolidated basis unless otherwise mentioned)

- ❖ Overview of the industry and business environment
- ❖ Mastek's differentiated business model: Verticals focused, IP led
- ❖ Review of financial and operating performance
- ❖ Business outlook
- ❖ Internal control systems and risk management

## **Cautionary statement:**

This Management Discussion and Analysis of the company's performance and outlook may contain forward-looking statements that set out anticipated performance based on the management's plans and assumptions. Its aim is to facilitate a better understanding of the company's prospects and make informed decisions. We cannot guarantee that any forward-looking statement will be realized, though we have been prudent in our plans and assumptions. The forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management analysis only as of the date hereof. We do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For any further clarification please contact Mastek Investor Relations ([investor.relations@mastek.com](mailto:investor.relations@mastek.com)).

# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

## OVERVIEW OF THE INDUSTRY AND BUSINESS ENVIRONMENT

The past couple of years have been substantially more challenging for the Indian IT industry, which had otherwise been enjoying robust growth year after year as the country successfully leveraged its vast talent pool to emerge as an enabler of efficiency and cost saving for client organizations.

The global economic crisis that unfolded during 2008 and spilled well into 2009, was characterized by a sharp slowdown in the global economy, pushing almost all major economies into the grip of recession, except for a handful of emerging nations like India and China. This in turn translated into lesser demand, lower prices, or both for the Indian IT industry. Macroeconomic upheavals also led to increased volatility in factors such as foreign currency exchange rates. It has taken substantial state interventions across many countries to obviate any further worsening of the situation and bring the world's financial system back on track.

There has been some improvement in global economic conditions during the latter half of 2009 and first half of 2010, with visible signs of recovery in most countries including the US. Such recovery, however, is still seen by some as tentative, with country or geography specific crises continuing to pop up unexpectedly. The Dubai debt crisis and the financial crisis in Greece as well as the Eurozone have been clear reminders that the world economy's recovery stands on shaky foundations and there is some way to go before we can expect sustained, healthy growth.

In the face of such conditions, India's IT Services exports increased to US\$27.3 billion during fiscal 2010 as per NASSCOM estimates, underlining the resilience of the Indian IT sector.

An interesting trend that has been emerging is the accelerated pace at which IT and IT-led solutions are being adopted within India, especially by the government at both central and local levels. A slew of e-governance initiatives and large transformational projects announced within the public sector are very encouraging signs for both the average citizen as well as the country's IT industry.

The international markets too are beginning to see an uptake in demand, coinciding with a revival in consumer confidence in those markets, although a certain degree of uncertainty and unpredictability remains.

On an overall basis and in comparison to the past year, these initial signs of demand recovery in global markets and increased IT spending within the domestic market are

undoubtedly positive developments. Yet, for our industry to rapidly grow from its current base and enhance its share of the global IT spend, it will need to effectively penetrate the higher-value consulting, systems integration, strategic application development, and solutions market where the benefits for customer organizations are much more than just cost advantages. This will also allow Indian players to generate better revenues, earnings, and growth with lesser human resource utilization, resulting in higher returns on the talent they employ. The better operating margins derived from such increased returns on talent can enable IT companies to absorb wage inflation or foreign exchange volatility impacts to a larger extent.

Whether the industry is able to make the successful transition from a mostly linear, services led model to a non-linear model led by intellectual property (IP) and solutions architecture capability will depend upon multiple factors. These include domain expertise across multiple industries, an organization culture that fosters creativity, and willingness to invest in developing intellectual property. There are few players in the Indian IT sector today with such a broad range of competencies.

Mastek, in a way, has been ready for the business environment that is now emerging, with strong enterprise architecture capabilities, program management skills, and a portfolio of IP-led offerings.

## **MASTEK'S DIFFERENTIATED BUSINESS MODEL: VERTICALS FOCUS, IP LED**

Mastek's business model is characterized by a focus on IP and enterprise solutions, with a presence on verticals where it already has a solid track record and commands a competitive advantage over its peer set. Unlike most of the firms in the country's IT sector that rely chiefly on labour cost arbitrage and scale, Mastek has over the years developed the kind of skill-set and intellectual capabilities that are key to designing and delivering high-impact projects and solutions aimed at helping customers in their own transformational initiatives. The company's 90%+ on-time delivery record, in an industry where hardly 30% of large projects are delivered on time, is a key reason why its partners and customers retain their relationship with the company for an extended period of time and it is a partner of choice for several systems integrators (SIs).

During the past few years, Mastek has been consolidating its position as an IP-led solutions provider. The company has crystallized its focus on two verticals - Government and Insurance - and its new, more flexible version Elixir4™ platform for the insurance industry has entered into the implementation and migration phase in the UK. While it is in the process of creating a North America version of that

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# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

platform, the company launched two modules for the North American market during the year under review - Elixir Distribution Management (EDM) and New Business & Underwriting (NB+U), with one client win for EDM already secured during the year. In July 2010, Mastek announced its second Elixir deal in North America with Foresters, a large life insurance provider, choosing it to be part of their transformational initiative.

Mastek's unique business model helps it generate industry-leading gross margins that reflect its superior quality of revenues, although it also necessitates relatively higher sales and marketing costs inherent to a solutions-led business, and R&D expenses towards intellectual property (IP) creation.

The various IP offerings that Mastek has today are mostly an outcome of pioneering investments made by the company, such as Elixir™. The company has also added IP assets to its stable by way of acquisitions, such as the STG Suite™, or through a co-creative process, such as Swift2Move™ which is co-owned by both Mastek and Thales.

## **Insurance vertical**

Mastek's solutions for the insurance industry address both the life and non-life segments. The Insurance vertical delivered revenues of Rs 258.6 crore during FY2010, comprising more than 36% of overall revenues.

The company's Elixir platform and its variations such as the new Elixir4 and ElixirAsia as well as modules like EDM, and NB+U are designed to serve the life and annuity (L&A) segment in insurance.

For the property & casualty (P&C) segment of the insurance industry, the company offers the STG Suite, comprising the point of sale, policy administration, billing, and claims modules. Many of these solutions are well regarded within the market, which often gets reflected in opinions and views of industry analyst firms like Gartner, Novarica, and Celent as well.

Elixir™ is an IP created by Mastek on its own with significant investments made over a period of time, while the STG suite was acquired (in March 2008). This acquisition expanded Mastek's presence into the non life segment of the insurance vertical. The company had also acquired Vector Insurance Services in July 2007, which added "software as a service" (SaaS) and "process as a service" (PaaS) capabilities to Mastek's offerings basket in the L&A segment, and that has since been fully integrated within Mastek's overall L&A insurance operations.

## **Government vertical**

Mastek has many years of experience in working closely with governments on large-scale, complex projects that

have made a valuable difference to millions of people. The company conceptualizes, architects, and delivers new technology based solutions that enable cities and countries to transform.

Although there could be different end-uses within the Government vertical, ranging from health and transportation to defence and education, there is a common set of underlying capabilities that comes into play each time the company undertakes an assignment in this vertical. These include the ability to work along with multiple other vendors on the project and manage large programmes. The company has created a database of metrics that enable it to better price and manage such programmes. It also has entered into, and grown, several partnerships in the UK, including one with Capita, where Mastek has a broader partnership covering the Insurance vertical as well, BT, with whom the company has been engaged on the NHS programme, and Thales, where the company created and now co-owns an intellectual property "Swift2Move" for the UK's Defence Information Infrastructure.

During the year under review, this vertical contributed Rs 196.7 crore to overall revenues, which is lower than Rs 336.7 crore last year chiefly due to the ramp-down of project development in the BT/NHS programme and a weaker pound sterling (given that most of the revenues in this vertical emanate from the UK).

## **Others**

Mastek also derives a significant part of its business from customers that may not fall within the Insurance or Government verticals but are still important accounts from a strategic, historic relationship or long-term growth potential perspective. These include clients in other financial services and IT. The knowledge acquired by way of collaborating with some of these clients may enable the company to add new verticals to its offerings portfolio in the future. Some of these clients are also services-led, and there the company did face some pricing pressure during the year under review. The company plans to make efforts to try and compensate for that either through increased volumes or better pricing terms during the course of the next couple of years.

## **REVIEW OF FINANCIAL AND OPERATING PERFORMANCE**

### **Financial performance review**

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 by the end of the first quarter of FY2010, increased hiring, wage hikes implemented in the



# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

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.

The company continues to have a strong balance sheet, with Rs 198 crore in cash & equivalents (amounting to Rs 73.5 per share) as on 30 June 2010.

## Operations review

Mastek made some progress during the year under review towards achieving its longer-term business objective and these are thus strategically quite significant. The company secured its first Elixir deal in North America, moved into the next phase of its 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.

- Update on Capita partnership in UK Life & Pensions market: Mastek's partnership with Capita in the UK Life and Pensions marketplace moved into the next phase focusing on customer implementations and migrations during the year. Towards this, Capita is taking a more active role in overseeing the development and it entered into an arrangement with Mastek to pay for the required development, implementation and support related services with an initial contract value of £25m over the next 24 months from date of agreement. The migration work began during the third quarter of FY2010 and is in progress, with the first go-live for Zurich Life happening in the last quarter of the year.
- New account wins for Elixir in North America: In January 2010, Mastek acquired the first customer for its Elixir™ Distribution Management offering in the North American market. Later, in July 2010, the company achieved another key milestone in North America for its Elixir platform for the insurance industry with Foresters, a large life insurance provider, 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. These developments represent an important breakthrough for the company, because while the company has already had multiple clients for Elixir™ offerings in various geographies, it did not have any in North America until these new wins. North America is the single largest market for enterprise solutions in insurance and thus remains a focus area for Mastek. Successful implementation for these new clients is likely to accelerate the company's penetration of this large and lucrative market.

- Strategic partnership with Genpact for insurance industry: Mastek's wholly-owned subsidiary in the US (MajescoMastek) and Genpact 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.
- Tie-up with Focus Solutions: During the year 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.
- Successful launch of ElixirAsia with a new win in Thailand: In August 2009, the company launched

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# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

ElixirAsia, a platform for life insurance carriers in the Asia-Pacific region that will enable new carriers 'go live' with their businesses in 90 days. An out-of-the-box platform with ready to deploy pre-configured products, interfaces and reports, backed by a proven implementation methodology, ElixirAsia helps insurance carriers go live with their business in 3 months. Within a few months of launch, Mastek received confirmation to implement ElixirAsia Individual Life and Group Life Projects for an insurer based in Thailand.

- 12-month order book at end of year at Rs 306 crore: The company's 12-month order book as on 30th June 2010 was Rs. 306 crore, which is slightly higher than Rs 300 crore a year ago. The order book position did not witness a stronger expansion as the faster than expected BT/NHS project revenue rampdown and delays in initiation of some projects had an adverse impact on the orderbook size. The company plans to focus its sales effort towards consolidating and expanding its order book during the next financial year.
- Acquisition of Kognitio's Data Migration Offering: Mastek acquired the data migration offering from the UK-based Kognitio comprising its Data Factory Tool Kit (DFTK) and data migration methodology, which has long been considered the industry leader in data migration for the insurance market there. With over forty man years of development invested in its software, the DFTK solution provides the technology to support the end-to-end data management environment covering all aspects of data processing in a data migration project. This transaction was in line with Mastek's move towards strengthening its position as an IP-led enterprise solutions provider, with Kognitio's data migration tools and processes embedded at the heart of Mastek's Migration Centre of Excellence.
- Update on Board of Directors: The Mastek Board currently has 8 members, of which 4 are independent directors and the remaining 4 are founder directors. The Directors' Report in this Annual Report discusses the changes within the company's Board of Directors in greater detail.
- Update on leadership team: In a significant addition to its leadership team, the company has appointed Mr Mrinal Sattawala as Group President in July 2010. 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. Earlier during FY2010, Mr John Dowd, Group President & CEO, resigned from the organization. Mr Sudhakar Ram, the company's Chairman & Managing Director, has since taken over additional charge as Group CEO. In the UK, Mr Barry Yard, who had been driving the company's client engagement with BT Global Services was named Managing Director, Mastek UK.

- People: As on 30th 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 during the new fiscal. In the fourth quarter of the year 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 is to 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 1st, 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.

## Recognitions and ratings

Mastek's efforts to emerge as a high-end IT solutions provider of choice have been gaining recognition, with some key ones summarized below:

- Ranked fastest growing P&C insurance billing solution provider in U.S. market: The company's STG Billing Solution has been recognized as the most widely used Property & Casualty insurance billing solution in the US market by Novarica, a research and advisory firm focused on markets, operations, and technology for insurers and wealth management firms. This was reported in Novarica's report titled "U.S. Property/Casualty Billing Solutions 2010 (Q1)," released in January 2010.

# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Mastek rated 'promising' in Gartner's ICM Marketscope: The leading analyst firm Gartner, in its research report, "MarketScope for Insurance Incentive Compensation Management Applications" published on December 16, 2009, rated Mastek as "promising" after evaluating vendors operating in the ICM solutions space. Mastek's Elixir Distribution Management (EDM) offering is a play in this particular space.
- Celent recognizes success of Mastek's ElixirAsia policy administration system: In a recent report "Asian Policy Administration Systems 2009 - Life and Pensions ABCD Vendor View" issued during the year under review by Celent, the company's ElixirAsia enterprise-wide policy administration system was well rated on several parameters. The company received a good rating, based upon customer feedback, on the product design/development, rating, policy issue, policy service, disbursements, billing and premium accounting, workflow, forms and correspondence functions.

## BUSINESS 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 during the next year to increase its productivity as well as operational efficiency. Mastek continually strives to develop strategic customer accounts and new partnerships where necessary, and this in turn should over time result in better quality of revenues and

much deeper client engagement. The company's leadership team remains fully aligned to the long term vision and growth strategy. Implementation of Mastek's growth strategy is expected to get reflected in the company's performance in each of its chosen verticals and in its operating metrics going forward.

## INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

Mastek's systems for internal control and risk management go beyond what is mandatorily required to cover best practice reporting matrices and to identify opportunities and risks with regard to its business operations.

### Internal control systems

The company has mechanisms in place to establish and maintain adequate internal controls over all operational and financial functions. The company intends to undertake further measures as necessary in line with its intent to adhere to procedures, guidelines, and regulations as applicable in a transparent manner.

Mastek maintains adequate internal control systems that provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of company assets. The company uses an enterprise resource planning (ERP) package that enhances the efficiency of its internal control mechanism.

The company's internal control systems are supplemented by an internal audit program and periodic reviews by the management. Mastek has appointed an independent audit firm as its Internal Auditors, and the Audit Committee



# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

reviews its findings and recommendations at periodic intervals.

Mastek's internal control system is adequate considering the nature, size and complexity of its business.

## Management of risks and concerns

Mastek has a risk management framework that enables active monitoring of the business environment and identification, assessment and preemption or mitigation of potential internal or external risks. The company's risk management process encompasses five major activities:

- Risk identification and assessment
- Risk management and monitoring
- Exploiting risk to create opportunities
- Risk control and reporting
- Integrating with business strategy to keep ahead

Mastek is creating a more robust enterprise-wide risk management system with a governance and reporting framework that should help the company adapt to an increasingly volatile operating environment. As summarized in the chart above, the company's efforts include collation of detailed risk registers for each of its operating units and corporate functions, reviewing them at specified intervals on a regular basis, and formulating strategies aimed at avoidance or mitigation of identified risks. The risk reporting, review and monitoring process, which includes active participation of the senior leadership team and Board, is designed to enable the company operate effectively under varying conditions.

A discussion of key risks and concerns, and measures aimed at mitigating them, are discussed in the following paragraphs.

- ✧ *Strategic risks:* The company could be susceptible to strategy, innovation, and business or product portfolio related risks if there is any significant and unfavourable shift in industry trends, customer preferences, or returns on R&D investments. Mastek does have the benefit of being very entrenched with many of its customers, involved in their critical and strategic initiatives. Therefore, client concentration related risks are mitigated to an extent. The company's investments in intellectual property creation too are being done in a measured manner and are focused more on extending and strengthening existing offerings rather than on new business or end-use/application areas.
- ✧ *Macro-economic risks:* Risks emanating from changes in the global markets such as the recent financial meltdown, regulatory or political changes, and alterations in the competitive landscape could affect the company's operations and outlook. Any adverse movements in economic cycles in the company's target markets and volatility in foreign currency exchange

rates could have a negative impact on the company's performance. This risk is mitigated to some extent due to the company's presence in multiple, diverse markets from Europe to Malaysia and India. The company also takes necessary steps such as forex hedging to mitigate exchange rate risks.

- ✧ *Competition-led risks:* Mastek operates in a highly competitive industry, replete with much bigger competitors, in both India and abroad. Shifts in clients' and prospective clients' dispositions could affect its business. Changes in the pricing policy of competition could also lead to factors that may affect the company's profitability. While the company has strong domain expertise, robust delivery capabilities, and significant project experience, there is no guarantee that it will always get the better of competition.
- ✧ *Client and account risks:* The company's strategy is to engage with a few strategic customers and build long-term relationships with them. Any shift in customer preferences, priorities, and internal strategies can have an adverse impact on the company's operations and outlook. Mastek does have the benefit of being very entrenched with many of its customers, involved in their critical and strategic initiatives. Therefore, client concentration related risks are mitigated to an extent.
- ✧ *Contractual, execution and delivery related risks:* The company's operating performance is subject to risks associated with factors that may be beyond its control, such as the termination or modification of contracts and non-fulfillment of contractual obligations by clients due to their own financial difficulties or changed priorities or other reasons. Mastek does have mechanisms in place to try and prevent such situations, as well as insurance cover as necessary.
- ✧ *Acquisition/M&A related risks:* The company's growth strategy involves both organic and inorganic initiatives. Realizing the synergies of an M&A transaction involves addressing various aspects right from appropriate due diligence and proper integration to managing clients and the organizational culture. The entire process carries a wide range of risks that will need to be efficiently dealt with. The company would undertake all due care during any such transaction but these risks may not completely eliminated.

In addition to the aforementioned issues, there are multiple other risk factors that the company believes it will need to take cognizance of and manage. The Board and management team continually assess the operations and operating environment to identify potential risks and take meaningful mitigation actions. The company does take necessary insurance or related cover in cases as necessary.



# FREQUENTLY ASKED QUESTIONS (FAQs)

Shareholders and investors are advised to go through the section on Management Discussion & Analysis and Investor information provided in the Report on Corporate Governance, as these and other parts of this Annual Report provide substantial information about the Company that you may find relevant and useful.

## 1. WHEN WAS MASTEK LTD INCORPORATED AND WHEN DID IT HAVE ITS INITIAL PUBLIC OFFER?

Mastek Ltd. was incorporated in the name and style of Management and Software Technology Private Limited on May 14, 1982. The first public offering was made in December 1992 at a price of Rs.70 (premium Rs.60) followed by another public issue in 1996 at a price of Rs.190 (premium of Rs.180). The Company issued bonus shares in the ratio of 1:1 in January 2000. The Company's shares were sub divided from Rs.10 to Rs.5 in November 2000. The Company issued bonus shares in the ratio of 1:1 in April 2006.

## 2. WHICH ARE THE SUBSIDIARIES OF MASTEK LIMITED AND WHERE ARE THEY LOCATED?

Mastek Limited has the following subsidiaries located in respective countries:

MajescoMastek in the USA

Mastek (UK) Limited in the United Kingdom

Mastek Asia-Pacific Pte.Ltd. in Singapore

Mastek MSC Sdn. Bhd. in Malaysia

Mastek GmbH in Germany

Vector Insurance Services LLC in USA

Systems Task Group International Ltd in USA

Keystone Solutions Pvt Ltd in India

Mastek MSC Thailand Co Ltd in Thailand

MajescoMastek Canada Ltd. in Canada

In addition to the above subsidiaries, Mastek has a branch in Japan and Korea.

## 3. WHAT IS THE CORE BUSINESS OF MASTEK LIMITED?

Mastek is an IT solutions player with global operations providing new technology and intellectual property-led enterprise solutions to insurance, government, and financial services organizations worldwide. Mastek's strengths are in architecting solutions for large, complex and mission critical business problems, and delivering these solutions with high levels of predictability.

## 4. WHAT IS THE EMPLOYEE STRENGTH OF MASTEK GROUP?

As on June 30, 2010, the Mastek Group had 3,243 employees.

## 5. HOW MANY SOFTWARE DEVELOPMENT CENTRES DOES MASTEK HAVE?

Mastek has seven development centres out of which six are located in and around Mumbai, India and one in Pune, India. Mastek also owns about 15 acres of land in a SEZ near Chennai, which is not operational at this time.

## 6. HOW MANY MARKETING OFFICES DOES MASTEK HAVE?

Mastek has 12 marketing offices located across multiple geographies: 1 each at Theale and London in the UK, Villingen in Germany, New York and New Jersey in the US, in Singapore, Kuala Lumpur in Malaysia, Tokyo in Japan, Seoul in South Korea, Bangkok in Thailand, in Hongkong and domestic marketing offices in Mumbai, Delhi & Bangalore.

## 7. WHAT IS THE FISCAL YEAR FOR MASTEK?

The fiscal year for Mastek is a period of 12 months starting July 01, every year.

## 8. WHAT IS THE DIVIDEND TRACK RECORD OF MASTEK LIMITED?

Fiscal Year	Shares Outstanding In mn.	Dividend per share Rs.	Total Dividend Rs. in mn
1993	3	2.50	4.68
1994	3	3.50	10.50
1995	3.06	3.50	10.53
1996	3.46	3.50	10.99
1997	3.46	3.50	12.10
1998	3.46	3.50	12.10
1999	3.46	4.00	13.82
2000	6.91	4.00	27.65
2001 *	13.88	2.00	27.77
2002 *	13.94	3.00	41.91
2003 *	14.11	3.00	42.34
2004 *	13.88	3.00	41.64
2005 *	13.87	7.50	103.61
2006*	28.14	6.50	140.31
2007*	28.46	7.50	213.23
2008*	27.62	10.00	275.73
2009*	26.89	10.00	268.99
2010* <sup>§</sup>	26.94	3.25	87.57

\*indicates dividend on face value of Rs. 5 per share.

<sup>§</sup>Proposed final dividend of Rs. 1.25 per share.

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## FREQUENTLY ASKED QUESTIONS (FAQs) (Contd.)

### 9. HOW DOES ONE GET THE ANNUAL REPORT AND QUARTERLY RESULTS OF MASTEK?

The annual report as well as quarterly results along with analysis are available on our website [www.mastek.com](http://www.mastek.com) in the “Investors” section.

### 10. WHO IS THE SHARE TRANSFER AGENT?

The Share Transfer Agent of Mastek is SHAREPRO SERVICES, whose address appears below:

Sharepro Services (I) Pvt. Ltd.  
Samhita Warehousing Complex.  
13AB, Gala No. 52,  
Nr. Sakinaka Telephone Exchange,  
Off. Kurla Andheri Road,  
Sakinaka, Mumbai - 400 072.  
Contact Persons : Ms. Indira / Ms Sarita  
Tel: 022- 6772 0300 Fax : 022 -2837 5646

### 11. HOW DOES ONE TRANSFER HIS/HER SHARES OR CHANGE THE ADDRESS WITH THE TRANSFER AGENT?

For the transfer of shares in physical form and noting your change of address, you need to write to our share transfer agent at the above mentioned address.

Transfer of shares in the electronic mode is effected through your depository participant.

### 12. WHO DOES ONE CONTACT IN CASE OF NON-RECEIPT OF DIVIDEND, LOSS OF SHARE CERTIFICATES ETC?

You may contact Sharepro Services, which will advise you accordingly. You may also communicate with the

Company in the event of any unresolved issues via email at [investor\\_grievances@mastek.com](mailto:investor_grievances@mastek.com).

### 13. IS ELECTRONIC CLEARING SERVICE (ECS) FACILITY AVAILABLE FOR PAYMENT OF DIVIDEND ?

Mastek extends ECS facility to all its shareholders. The dividend amount of shareholders availing ECS facility is directly credited to their bank accounts. Shareholders holding shares in physical form have to submit an ECS Mandate form to Sharepro Services whose address is given above.

### 14. WHICH ARE THE STOCK EXCHANGES WHERE MASTEK SHARES ARE LISTED?

Mastek's shares are listed in India on National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

### 15. HOW CAN THE SHARES BE DE-MATERIALIZED AND WHO ARE THE DEPOSITORY PARTICIPANTS (DP)?

Mastek's shares are traded only in electronic form with effect from June 2000. Shares can be de-materialized by opening the demat account with the depository participant (DP). DPs are some of the banks, brokers and institutions who have been registered with National Securities Depository Limited (NSDL) or Central Depository Services (I) Limited (CDSL). A comprehensive list of DPs is available at [www.nsdl.com](http://www.nsdl.com) and [www.cdslindia.com](http://www.cdslindia.com).

*MASTEK LIMITED*

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# DIRECTORS' REPORT

To the Members,

Your Directors herewith present the 28<sup>th</sup> Annual Report and Audited Statement of Accounts of Mastek Ltd for the year ended June 30, 2010.

## 1. FINANCIAL RESULTS - CONSOLIDATED RESULTS OF MASTEK LIMITED AND ITS SUBSIDIARIES

Rs. in Mn.

PARTICULARS	Year Ended June 30 2010	Year Ended June 30 2009
Income from IT services	7,138	9,426
Other Income	81	224
<b>Total Income</b>	<b>7,219</b>	<b>9,650</b>
Expenses	6,266	7,835
Depreciation	267	295
Interest & Financial Charges	13	48
<b>Profit Before Tax</b>	<b>673</b>	<b>1,472</b>
Provision for Tax	(4)	60
<b>Profit after Tax</b>	<b>677</b>	<b>1,412</b>

## FINANCIAL RESULTS- MASTEK LIMITED

Rs. in Mn.

PARTICULARS	Year Ended June 30 2010	Year Ended June 30 2009
Income	4,409	5,978
Profit before tax	240	946
Provision for tax	(130)	(10)
<b>Profit After Tax</b>	<b>370</b>	<b>956</b>
Add : Balance b/f from last year	2,395	1,991
<b>Profit available for appropriation</b>	<b>2,765</b>	<b>2,947</b>
Interim Dividend	54	66
Final Dividend	34	202
Corporate Dividend Tax	14	45
Transfer to General Reserve	169	239
<b>Balance carried to Balance Sheet</b>	<b>2,494</b>	<b>2,395</b>

## 2. RESULTS OF OPERATIONS

### A) Group global operations

The Company's performance for the financial year under review (FY 2010) reflects the impact of slower uptake in demand following the recent global economic crisis, adverse forex conditions, ramp-down of the remainder phase of the BT/ NHS project development revenues, increased hiring, some wage hikes implemented during the year, and induction of multiple senior business leaders across geographies.

On a consolidated basis, the company registered a total income of Rs 7.22 billion in FY2010. This represents a 25% decline compared to Rs 9.65 billion in the preceding year.

Profit after Tax (PAT) declined by 52% in FY2010 to Rs 677 million from Rs 1,412 million in FY2009.

The UK remained the largest contributor to Mastek's business among all its operating geographies. During the year under review, the UK operations contributed Rs 3,739 million in revenues, amounting to 52% of overall consolidated revenues for the year.

The North American operations, which now includes both the US and Canada businesses, also registered a de-growth of 12% to Rs 2,928 million from Rs 3,328 million last year.

The company's P&C division (resulting from the acquired subsidiary STGMastek that is focused on the non-life insurance segment) has delivered a noticeably strong performance during the year. During the year, the recently established (in February 2009) Canadian subsidiary of the Company acquired its initial set of customers and began generating revenues.

Mastek's operations in the Asia-Pacific region including India witnessed some progress during the year that are strategically significant, such as the successful launch of ElixirAsia™ where the Company also secured a deal with a Thailand-based insurance company and initiatives in the Government vertical that positions the Company well for future opportunities in areas like GST implementation. During FY2010, these operations (Asia-Pacific including India & Middle East and Germany) contributed Rs 470.6 million to overall consolidated revenues.



(A more detailed discussion of the Company's business model, strategy, and performance appears in the *Management's Discussion & Analysis* section of this annual report.)

## **B) Mastek standalone operations**

On a stand-alone basis, Mastek reported a total income of Rs.4.41 billion for FY2010, as compared to Rs.5.98 billion for FY2009. Profit after Tax stood at Rs. 370 million in FY2010 as compared to Rs. 956 million in the preceding year.

## **C) Board and management & sales team expansion**

During the year under review, Mr. Anil Singhvi was inducted as Director of the Company. In the same period, Mr. Rajesh Mashruwala resigned from the Board of the Company.

The Company also expanded and strengthened its leadership and sales teams globally, with multiple senior-level appointments during the year under review. These appointments are aimed at reinforcing Mastek's business and sales organization and creating the necessary capabilities to extend the Company's presence in existing and new markets.

## **3. BUSINESS OUTLOOK**

The Company's performance during the year under review reflects the combined influence of several factors including subdued uptake in demand for IT solutions that depend on discretionary spending and transformational initiatives by clients as well as macroeconomic pressures such as volatility in foreign currency exchange rates. The Company did accomplish some strategically important successes during the year, from gaining a foothold in the North American insurance market for its Elixir platform based solutions to moving its Capita relationship to the next phase. Mastek intends to build upon all the progress made by it so far on the operational and strategic fronts, and will take concrete steps aimed at adding new accounts, growing partnerships, and expanding its order book. An expanded order backlog and enhanced market presence in its key verticals should create a solid platform for the Company to deliver revenue and earnings growth in the subsequent years. The Company is also committed to restoring its margins and will be implementing initiatives towards that end during the next financial year. Mastek continually strives to develop strategic customer accounts and new partnerships where necessary, and this in turn should over time result in better quality of revenues and much deeper client engagement.

## **4. LIQUIDITY AND CASH EQUIVALENTS**

The Company continues to maintain a reasonably high level of cash and cash equivalents, which enable it to not only eliminate short and medium-term liquidity risks but also provide the leverage to scale up operations at a short notice.

During the year, Mastek invested surplus funds in Liquid Schemes and Fixed Maturity Plans of Blue-chip Mutual Funds and Fixed Deposits with leading Banks. As of June 30, 2010, the Cash and Cash Equivalents stood at Rs. 1.98 billion which amounted to 39 days of expenses and Rs. 73.48 per share.

## **5. AUDITED ACCOUNTS OF SUBSIDIARY COMPANIES**

In view of the approval granted by the Government of India, Ministry of Company Affairs, New Delhi, vide its letter dated June 8, 2010, the accounts of subsidiary companies are not attached to the audited accounts of the Company. We, hereby, undertake that the audited annual accounts of subsidiary companies shall be made available to the investors at any point of time. Copies of the audited annual accounts of subsidiary companies shall also be available for inspection by any investor at the registered office of the company.

## **6. ISSUE OF SHARE CAPITAL**

During the year, the Company allotted 44,443 equity shares of Rs. 5 each to its eligible employees who exercised their options under Employee Stock Option Plan.

## **7. DIVIDEND**

At the Board Meeting held on July 21, 2010, the Board proposed a final dividend of Rs. 1.25 per share. Resultantly, the total effective dividend for the year 2009-10 is 65 % compared to 200% for the year 2008-09.

## **8. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on June 30, 2010, and of the profit of the company for the year ended on that date;

# DIRECTORS' REPORT (Contd.)

- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the company's assets and prevent and detect fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis;

## 9. DIRECTORS

Mr. Ashank Desai and Mr. Ketan Mehta, Directors of the company, retire by rotation and being eligible, offer themselves for re-appointment.

## 10. AUDITORS

The retiring Auditors, M/s. Price Waterhouse, Chartered Accountants (Firm Registration No. 007568S), have expressed their unwillingness to be re-appointed for the year 2010-11. You are requested to appoint M/s. Price Waterhouse, Chartered Accountants (Firm Registration No. 012754N) as the Auditors of the Company for the year 2010-11. The Company has received a certificate from M/s. Price Waterhouse, Chartered Accountants (Firm Registration Number 012754N), confirming that their appointment, if made, will be within the limits of Section 224 (1B) of the Companies Act, 1956.

## 11. HUMAN RESOURCES

Mastek deploys its intellectual capability to create and deliver intellectual property (IP)-led solutions that make a business impact for its global clients. For this, the key success enabler and most vital resource is world-class talent. Mastek continually undertakes measures to attract and retain such high quality talent.

As on 30 June 2010, the Company had a total of 3,243 employees. The Virtual Bench, which had been created in FY2009 in view of the worldwide financial meltdown and the resulting downward revision of growth outlook, came to an end during FY2010, and the Company has resumed recruitment of fresh talent.

The Directors wish to place on record their appreciation for the contributions made by employees to the Company during the year under review.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, the report and accounts, excluding the Statement of Particulars under Section 217(2A), are being sent to all members. Any member interested in obtaining a copy of the Statement of

Particulars may write to the Company at its Registered Office.

## 12. EMPLOYEE STOCK OPTIONS

### Plan II

The Company established a new scheme in 2002 for granting 700,000 stock options to employees and each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by SEBI. There is a minimum period of twelve months for the first vesting from the date of the grant of options. The options are exercisable within two years of their vesting. As per the SEBI guidelines issued in 1999, and as amended from time to time, the excess of the market price of the underlying equity shares as of the date of the grant of the option over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006, the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

In accordance with the Guidelines, the Company has passed the necessary special resolutions in January 2002 to approve the scheme and to extend the plan to the employees of its subsidiaries.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	91,520	250,579
Granted during the year	-	-
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	(14,458)	(10,629)
Cancelled during the year	(69,312)	(148,430)
Balance unexercised options	7,750	91,520

# DIRECTORS' REPORT (Contd.)

## Plan III

The Company passed special resolutions at its Annual General Meeting held on September 20, 2004 approving the allocation of 700,000 stock options to the eligible employees of the Company and its subsidiaries. The Company subsequently established a new scheme in 2004 for granting 700,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006 the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	898,624	1,071,038
Granted during the year	-	-
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	(26,938)	(8,664)
Cancelled during the year	(324,892)	(163,750)
Balance unexercised options	546,794	898,624

## Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000

stock options to the eligible employees of the Company and its subsidiaries. The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	614,917	248,876
Granted during the year	-	413,484
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	(3,047)	-
Cancelled during the year	(98,156)	(47,443)
Balance unexercised options	513,714	614,917

## Plan V

The Company introduced a new scheme in 2009 for granting 1,500,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme

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## DIRECTORS' REPORT (Contd.)

is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within Seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The options granted during the year in certain cases were less than the market price of the underlying equity shares. Consequently, Rs 57,00,000 has been provided as compensation cost for the current year.

The Shareholders of the Company through Postal Ballot on March 20, 2009 approved the Scheme, which contained the allocation of 1,500,000 stock options to the eligible employees of the Company and its subsidiaries.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	61,000	-
Granted during the year	1,116,000	61,000
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	-	-
Cancelled during the year	(286,000)	-
Balance unexercised options	891,000	61,000

### Disclosure required under SEBI (ESOS & ESPS) Guidelines, 1999

In order to enable the Company to continue with its ESOP, the Company passed special resolutions through postal ballot in January, 2002 for issue of 7,00,000 stock options to its employees. At the Annual General Meeting held on September 20, 2004, the Company passed special resolutions to issue 7,00,000 stock options to its employees. The Company passed special resolutions through postal ballot in August 9, 2007 for issue of 10,00,000 stock options to its employees. On March 20, 2009, the shareholders of the Company

approved the further issue of 15,00,000 options to the employees.

- Options granted: Opening: : 1,666,061
- Issued during the year: 1,116,000
- Pricing formula: Market Price as defined by SEBI from time to time or face value or such price as may be decided by the Compensation committee from time to time.
- Options vested: 6,99,942
- Options exercised: 44,443
- Total number of shares arising as a result of exercise of options: 44,443
- Options lapsed: 778,360
- Variations of terms of options: NIL
- Money realized by exercise of options: Rs. 10,524,952
- Total number of options in force: 1,959,258
- Employee-wise details of options granted to:
  - Senior managerial personnel: 25 (Twentyfive)
  - Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year: 3 (three)
  - Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: 1 (One)
- Diluted EPS pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 is Rs 13.66 per share
- The impact of this difference on profits and on EPS of the Company

(Rs in lacs)

Profit After Tax (PAT)	3699.84
Less Additional employee compensation based on fair value	372.91
Adjusted PAT	3326.93
Adjusted EPS	12.34

# DIRECTORS' REPORT (Contd.)

- n) Weighted-average exercise price and fair value of Stock Options granted during the year:

Stock options granted on	Weighted average exercise price (in Rs)	Weighted Average fair value	Closing market price at BSE on the date of grant (in Rs.)
July, 2009	247	127.65	246.55
October, 2009	295	154.27	294.90
January, 2010	399	212.08	398.75
April, 2010	353	185.42	352.80

- (o) Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information:

The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since Option pricing models require use of s u b s t a n t i v e assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.

The main assumptions used in the Black-Scholes option-pricing model during the year were as follows

Sr. no	Grant Date	July 22, 2009	October 8, 2009	January 12, 2010	April 12, 2010
1	Risk Free Interest Rate	6.77%	7.08%	7.36%	7.77%
2	Expected Life (years)	6	6	6	6
3	Expected Volatility	54.08%	54.24%	55.13%	53.04%
4	Dividend Yield	1.49%	1.49%	1.49%	1.49%

## 13. ADDITIONAL INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1968, forming part of the Directors' Report for the year ended June 30, 2010:

### a) Conservation of Energy

As a software company, energy costs constitute a small portion of the total cost and there is not much scope for energy conservation.

Form A is not applicable for software industry.

### b) Technology Absorption

Not Applicable

### c) Foreign Exchange Earnings and Outgo -

Total foreign exchange used and earned by the company

(Rs. in Mn.)

	30.6.2010	30.6.2009
Exchange used	1,733	2,310
Exchange earned	3,831	5,592

## 14. CORPORATE GOVERNANCE

Mastek follows best practices in Corporate Governance by benchmarking them with the best in the world.

The report on corporate governance is included in the latter part of this Annual Report.

## 15. ACKNOWLEDGEMENTS

The Directors would like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance provided by the SEEPZ Authorities, MIDC, Department of Electronics, ICICI Bank, Standard Chartered Bank Ltd and other government departments and authorities.

By the Order of the Board

Place: Mumbai  
Dated: July 21, 2010

Sudhakar Ram  
Chairman and Managing Director

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# AUDITORS' REPORT TO THE MEMBERS OF MASTEK LIMITED

1. We have audited the attached Balance Sheet of Mastek Limited (the "Company") as at June 30, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on June 30, 2010 and taken on record by the Board of Directors, we report that no directors of the Company is disqualified as on June 30, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and Schedules 1 to 16 attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2010;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Price Waterhouse**  
Firm Registration Number:007568S  
Chartered Accountants

**Vasant Gujarathi**  
Partner

Place : Mumbai  
Dated : July 21, 2010

Membership Number 17866

# ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Mastek Limited on the financial statements for the year ended June 30, 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
3. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
4. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
5. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
6. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
8. The Company has no accumulated losses as at June 30, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
9. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
12. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
14. The Company has not obtained any term loans.
15. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
16. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
17. The other clauses (ii), (iii), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Price Waterhouse  
Firm Registration Number:007568S  
Chartered Accountants

Vasant Gujarathi

Partner

Place : Mumbai  
Dated : July 21, 2010

Membership Number 17866

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# BALANCE SHEET AS AT JUNE 30, 2010

		As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>I. Sources of funds</b>			
<b>1. Shareholders' funds</b>			
(a) Capital	1	1,347.20	1,344.97
(b) Reserves and surplus	2	36,460.55	33,624.61
		<u>37,807.75</u>	<u>34,969.58</u>
<b>2. Loan funds</b>			
Secured loans	3	16.27	17.49
		<u>37,824.02</u>	<u>34,987.07</u>
<b>II. Application of funds</b>			
<b>1. Fixed assets</b>	4		
(a) Gross block		25,191.29	23,222.86
(b) Less : Depreciation		17,500.52	15,057.78
(c) Net block		7,690.77	8,165.08
Capital work in progress (including capital advances)		3,538.45	3,671.36
		<u>11,229.22</u>	<u>11,836.44</u>
<b>2. Investments</b>	5	19,177.51	22,130.41
<b>3. Deferred Taxation</b>	6	1,922.84	1,242.35
<b>4. Current assets, loans and advances</b>			
(a) Sundry debtors	7	6,073.22	5,982.62
(b) Cash and bank balances	8	4,163.78	2,213.77
(c) Loans and advances	9	3,795.90	3,133.47
		<u>14,032.90</u>	<u>11,329.86</u>
<b>Less : Current liabilities and provisions</b>			
(a) Liabilities	10	4,095.00	4,548.49
(b) Provisions	11	4,443.45	7,003.50
		<u>8,538.45</u>	<u>11,551.99</u>
<b>Net current assets</b>		<u>5,494.45</u>	<u>(222.13)</u>
		<u>37,824.02</u>	<u>34,987.07</u>
Notes to the accounts	16		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet and should be read in conjunction therewith.

In terms of our report of even date

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

**Vasant Gujarathi**  
Partner  
Membership Number: 17866

Place: Mumbai  
Dated: July 21, 2010

For and on behalf of the Board of Directors

**Sudhakar Ram**  
Chairman & Managing Director

**Ashank Desai**  
Director

**O.Banerjee**  
Company Secretary



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Schedule	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>INCOME</b>			
Information Technology Services and Products		43,563.64	58,816.53
Other income	12	524.85	959.78
		<u>44,088.49</u>	<u>59,776.31</u>
<b>EXPENDITURE</b>			
Operational expenses	13	35,709.96	42,774.76
Other expenses	14	3,493.14	4,981.16
Depreciation		2,475.62	2,539.03
Financial costs	15	10.89	15.41
		<u>41,689.61</u>	<u>50,310.36</u>
<b>Profit before taxation</b>		<u>2,398.88</u>	<u>9,465.95</u>
Provision for taxation (Refer note 8 of Schedule 16)			
For the year			
— Current tax		673.99	1,497.41
Less: MAT credit receivable		(289.38)	(947.08)
		<u>384.61</u>	<u>550.33</u>
— Deferred tax		(680.49)	(405.35)
— Fringe benefits tax		(29.92)	90.50
		<u>(325.80)</u>	<u>235.48</u>
Income tax for earlier years		(975.16)	(334.11)
<b>Profit after taxation</b>		<u>3,699.84</u>	<u>9,564.58</u>
Add: Profit brought forward from previous year		<u>23,952.52</u>	<u>19,913.90</u>
<b>Profit available for appropriation</b>		<u>27,652.36</u>	<u>29,478.48</u>
<b>Appropriations</b>			
Interim dividend		539.50	661.88
Final dividend		336.80	2,017.46
Corporate dividend tax		147.63	455.47
Transferred to General Reserve		1,692.91	2,391.15
Balance carried to Balance Sheet		<u>24,935.52</u>	<u>23,952.52</u>
		<u>27,652.36</u>	<u>29,478.48</u>
<b>Earnings per share (net of taxes) in Rs.</b>			
— Basic		13.74	35.54
— Diluted		13.66	35.53

(Refer note 11 of Schedule 16)  
(Nominal value per share Rs. 5/- each)

Notes to the accounts

16

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account and should be read in conjunction therewith.

In terms of our report of even date

For and on behalf of the Board of Directors

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

**Sudhakar Ram**  
Chairman & Managing Director

**Vasant Gujarathi**  
Partner  
Membership Number: 17866

**Ashank Desai**  
Director

Place: Mumbai  
Dated: July 21, 2010

**O.Banerjee**  
Company Secretary

**Mastek™**

# SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>Schedule 1 - Capital</b>		
<b>Authorised</b>		
40,000,000 equity shares of Rs. 5/- each	2,000.00	2,000.00
2,000,000 preference shares of Rs. 100/- each	2,000.00	2,000.00
	<u>4,000.00</u>	<u>4,000.00</u>
<b>Issued, Subscribed and Paid up :</b>		
<b>Equity Shares</b>		
26,943,937 shares of Rs.5/- each, fully paid up (Previous year 27,643,875 shares of Rs.5/- each, fully paid up) (Refer note 6 of Schedule 16)	1,347.20	1,382.19
Less: Nil (Previous year 744,381) shares of Rs. 5/- each extinguished of which Nil (Previous year 176,863) shares have been bought back during the year in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 of Schedule 16)	—	37.22
26,943,937 (Previous year 26,899,494) shares of Rs.5/- each, fully paid up	<u>1,347.20</u>	<u>1,344.97</u>
<b>Of the above:</b>		
— 14,054,594 and 6,913,280 equity shares of Rs. 5/- each fully paid, have been issued as bonus shares by utilisation of Capital Redemption Reserve and Share Premium Account respectively.		
— 660,000 equity shares of Rs. 5/- each fully paid have been issued as bonus shares by capitalisation of profits transferred from General Reserve.		

# SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>Schedule 2 - Reserves and surplus</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	0.02	0.02
	<u>0.02</u>	<u>0.02</u>
<b>Capital Redemption Reserve Account</b>		
As per last Balance Sheet	1,295.27	1,286.42
Add : Transferred from General Reserve	—	8.85
	<u>1,295.27</u>	<u>1,295.27</u>
<b>Share Premium Account</b>		
As per last Balance Sheet	36.63	—
Add : Addition on account of ESOP	103.03	36.63
	<u>139.66</u>	<u>36.63</u>
<b>Employees stock options outstanding (Refer note 6 of Schedule 16)</b>	57.00	—
<b>General Reserve</b>		
As per last Balance Sheet	8,340.17	6,611.29
Add : Transferred from Profit & Loss Account	1,692.91	2,391.15
Less: Transfer to Capital Redemption Reserve in accordance with Section 77A of the Companies Act, 1956 on buy back of equity shares during the year (Refer note 3 to Schedule 16)	—	8.85
Less: Utilised for buy back of shares in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 to Schedule 16)	—	653.42
	<u>10,033.08</u>	<u>8,340.17</u>
<b>Profit and Loss Account</b>	<u>24,935.52</u>	<u>23,952.52</u>
	<u><u>36,460.55</u></u>	<u><u>33,624.61</u></u>
<b>Schedule 3 - Secured loans</b>		
Obligations on assets under Capital Lease (secured by hypothecation of vehicles taken on lease) (Due within one year Rs.10.01 Lakhs (Previous year Rs. 10.44 Lakhs))	16.27	17.49
	<u>16.27</u>	<u>17.49</u>

# SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

## Schedule 4 - Fixed Assets

(Rs. in Lakhs)

Description	Gross Block (at Cost)					Depreciation					Net Block	
	As at July 01, 2009	Additions	Deletions	Adjustment (Refer Note 3 below)	As at June 30, 2010	As at July 01, 2009	For the year	Deletions	Adjustment (Refer Note 3 below)	As at June 30, 2010	As at June 30, 2010	As at June 30, 2009
Goodwill	—	130.32	—	—	130.32	—	43.44	—	—	43.44	86.88	—
Leasehold Land and Premises	2,637.95	452.49	—	—	3,090.44	599.04	96.53	—	—	695.57	2,394.87	2,038.91
Owned Premises	2,683.06	—	—	—	2,683.06	371.31	117.68	—	—	488.99	2,194.07	2,311.75
Plant and Machinery	7,200.01	256.73	173.13	231.98	7,515.59	5,192.39	943.67	172.88	150.15	6,113.33	1,402.26	2,007.62
Software Designs	5,699.03	950.90	—	62.75	6,712.68	5,290.63	794.11	—	18.87	6,103.61	609.07	408.40
Furniture and Fittings	4,201.65	35.03	8.89	26.51	4,254.30	3,025.40	399.60	8.60	21.55	3,437.95	816.35	1,176.25
Leasehold Improvements	409.24	—	—	—	409.24	381.92	13.23	—	—	395.15	14.09	27.32
Vehicles	391.92	67.40	78.46	14.80	395.66	197.09	67.36	49.51	7.54	222.48	173.18	194.83
<b>Total</b>	<b>23,222.86</b>	<b>1,892.87</b>	<b>260.48</b>	<b>336.04</b>	<b>25,191.29</b>	<b>15,057.78</b>	<b>2,475.62</b>	<b>230.99</b>	<b>198.11</b>	<b>17,500.52</b>	<b>7,690.77</b>	<b>8,165.08</b>
Previous Year	21,562.29	1,994.12	333.55	—	23,222.86	12,833.37	2,539.03	314.62	—	15,057.78	8,165.08	

- Owned premises include subscription towards share capital of Co-operative societies amounting to Rs. 250 (Previous year Rs. 250).
- Net block of vehicles include leased assets amounting to Rs.16.53 Lakhs (Previous year Rs. 17.74 Lakhs)
- Adjustment columns represent value of assets acquired from Keystone Solutions Private Limited on acquisition of business. (Refer note 17 to Schedule 16)

(Rs. in Lakhs)

As at June 30, 2010 As at June 30, 2009

## Schedule 5 - Investments

### I. Investments in equity shares of (Long term, trade, unquoted)

#### Subsidiary companies at cost

##### MajescoMastek, USA

163,700,000 (Previous year - 131,300,000) Equity

Shares of US \$ 0.002 each, fully paid up

14,392.14 11,412.68

##### Mastek Asia Pacific Pte Ltd., Singapore

3,650,000 (Previous year - 3,650,000) Equity

Shares of S \$ 1 each, fully paid up

886.22  
(661.40) 224.82 224.82

Less : Provision for diminution in value

##### Mastek MSC Sdn Bhd., Malaysia

11,262,000 Equity Shares (Previous year - 7,700,000)

of RM 1 each, fully paid up

1,443.42 955.66

##### Mastek UK Ltd., UK

200,000 (Previous year - 200,000) Equity Shares

of £ 1 each, fully paid up

215.81 215.81

##### Mastek GmbH, Germany

1(Previous year - 1) Share fully paid up

274.11 274.11

##### MajescoMastek Canada Ltd

1,500,000 (Previous year - 500,000) Shares of CN \$ 1 each, fully paid up

654.48 207.39

##### Mastek Outsourcing Services Private Limited

Nil shares (Previous year - 19,960) Equity Shares of Rs.10 each, fully paid up

— 1.91

# SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>Schedule 5 - Investments (Contd.)</b>		
<b>II. Investment in others - units (Current, non trade, unquoted)</b>		
4,499,550 (Previous year - Nil) units of TATA Fixed Income Portfolio Fund Scheme A2 - Inst. Purchased during the year Rs. 450.00 Lakhs (4,499,550 units) and sold during the year Rs. Nil (Nil units).	450.00	—
Nil (Previous year - 5,469,603) units of Birla Sun Life Savings Fund -Inst. Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 2.02 Lakhs (20,161 units) and sold during the year Rs. 549.35 Lakhs (5,489,764 units).	—	547.33
Nil (Previous year - 8,547,783) units of IDFC Money Manager Treasury - Plan C - Daily Dividend Reinvestment. Purchased during the year Rs. 4.89 Lakhs (48,940 units) and sold during the year Rs. 859.8 Lakhs (8,596,723 units).	—	854.91
Nil (Previous year - 13,388,495) units of JPMorgan India Treasury Fund - Super Inst. Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 3,602.77 Lakhs (35,995,695 units) and sold during the year Rs. 4,942.81 Lakhs (49,384,190 units).	—	1,340.04
Nil (Previous year - 16,683,820) units of ICICI Prudential - Flexible Income Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 7,567.56 Lakhs (18,989,531 units) and sold during the year Rs. 9,331.62 Lakhs (35,673,351 units).	—	1,764.06
Nil (Previous year - 15,379,777) units of LIC MF Savings Plus Fund - Daily Dividend Reinvestment. Purchased during the year Rs. 1,993.44 Lakhs (19,934,404 units) and sold during the year Rs. 3,531.42 Lakhs (35,314,181 units).	—	1,537.98
225,383 (Previous year - 14,196,323) units of Kotak Floater Long Term Fund - Daily Dividend Reinvestment. Purchased during the year Rs. 4,178.67 Lakhs (41,455,876 units) and sold during the year Rs. 5,586.90 Lakhs (55,426,816 units).	22.73	1,430.96
Nil (Previous year - 13,620,241) units of JM Money Manager Fund - Super Plus Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 2,378.36 Lakhs (23,770,999 units) and sold during the year Rs. 3,741.11 Lakhs (37,391,240 units).	—	1,362.75
<b>III. Investment in deposits</b>		
Deposit with Housing Urban Development Corporation	1,500.00	—
	<b>19,177.51</b>	<b>22,130.41</b>
Aggregate of unquoted investments - at cost	<b>19,177.51</b>	<b>22,130.41</b>
<b>Note : Details of Current Investments (other than trade, quoted) purchased and sold during the year other than those disclosed above</b>		
<b>Scheme</b>	<b>Nos. of Units</b>	<b>Cost in Rs. Lakhs</b>
Baroda Pioneer Liquid Fund - Inst. Plan - Daily Dividend Reinvestment	2,324,159.98	232.56
Canara Robeco Liquid - Super Inst. Plan - Daily Dividend Reinvestment	4,133,214.86	415.02
Canara Robeco Treasury Advantage Fund - Super Inst. Plan - Daily Dividend Reinvestment	3,347,253.28	415.30
DBS Chola FI-STF - Inst. Plan - Daily Dividend Reinvestment	2,121,705.98	215.46
DBS Chola Liquid Fund - Inst. Plan - Daily Dividend Reinvestment	2,128,018.55	215.02
Fidelity Cash Fund - Super Inst. Plan - Daily Dividend Reinvestment	14,133,038.17	1,415.11
Fidelity Ultra Short Term Debt Fund - Super Inst. Plan - Daily Dividend Reinvestment	14,201,404.60	1,420.50

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# SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

(Rs. in Lakhs)

## Schedule 5 - Investments (Contd.)

Scheme	Nos. of Units	Cost in Rs. Lakhs
HDFC Floating Rate Income Fund - STP - Wholesale Option - Daily Dividend Reinvestment	10,256,003.09	1,033.90
HDFC Liquid Fund - Premium Plan - Daily Dividend Reinvestment	7,831,172.90	960.09
HDFC-Cash Management Fund-Saving Plan - Daily Dividend Reinvestment	676,987.23	72.01
ICICI Prudential Liquid - Super Inst. Plan - Daily Dividend Reinvestment	42,155,882.58	10,302.22
IDFC Cash Fund Plan C - Super Inst. Plan - Daily Dividend Reinvestment	10,220,821.92	1,022.24
JM High Liquidity Fund - Super Inst. Plan - Daily Dividend Reinvestment	27,120,929.20	2,716.57
JPMorgan India Liquid Fund - Retail - Daily Dividend Reinvestment	49,928.79	5.00
JPMorgan India Liquid Fund - Super Inst. Plan - Daily Dividend Reinvestment	50,987,105.73	5,102.74
Kotak Mahindra Liquid - Inst. Premium Plan -Daily Dividend Reinvestment	44,685,931.74	5,464.24
LIC MF Liquid Fund - Daily Dividend Reinvestment	20,949,796.76	2,300.31
Sundaram BNP Paribas Money Fund - Super Inst. Plan - Daily Dividend Reinvestment	4,953,133.43	500.03
Sundaram BNP Paribas Ultra Short Term - Super Inst. Plan - Daily Dividend Reinvestment	4,998,406.50	501.69
TATA Liquid Super High Investment Fund - Daily Dividend Reinvestment	91,548.86	1,020.33
UTI Money Market - Inst. Plan - Daily Dividend Reinvestment	15,157,713.51	1,625.28
UTI Treasury Advantage Fund - Inst. Plan - Daily Dividend Reinvestment	151,981.15	1,520.14

(Rs. in Lakhs)

As at June 30, 2010 As at June 30, 2009

## Schedule 6 - Deferred Taxation

### Deferred Tax Asset

Tax effect of timing difference on account of :

— Fixed assets (Excess of written down value as per the provisions of Income Tax Act, 1961 over Net Block)	721.23	609.08
— Provision for Leave encashment	478.20	—
— Provision for Gratuity	723.41	633.27
	<u>1,922.84</u>	<u>1,242.35</u>

## Schedule 7 - Sundry debtors (Unsecured)

### a. Debts outstanding for a period exceeding six months

Considered good	302.94	45.48
Considered doubtful	102.40	46.42
	<u>405.34</u>	<u>91.90</u>
b. Other debts #	5,770.28	5,937.14
Less : Provision for doubtful debts	102.40	46.42
	<u>6,073.22</u>	<u>5,982.62</u>

# Debtors include dues from Subsidiaries Rs. 3,813.74 Lakhs  
(Previous year Rs. 5,267.53 Lakhs)

# SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
<b>Schedule 8 - Cash and Bank balances</b>		
Cash balance on hand	1.51	1.93
Balance with Scheduled banks		
— in Current Accounts *	704.61	574.59
— in Fixed Deposits **	2,104.55	28.92
	<u>2,809.16</u>	<u>603.51</u>
Balance with Unscheduled banks		
— in Fixed Deposits	—	—
— Lloyds TSB Deposit Account, UK	1,353.11	1,608.33
	<u>1,353.11</u>	<u>1,608.33</u>
	<u>4,163.78</u>	<u>2,213.77</u>
Maximum balance held during the year with Unscheduled banks		
— Lloyds TSB Deposit Account, UK	3,772.91	5,435.46
— Lloyds Bank, UK	3.49	3.97
— Volksbank, Germany	—	0.28
* Includes amounts restricted Rs. 53.10 Lakhs (Previous year Rs. 42.27 Lakhs) on account of unpaid dividend		
** Includes Rs. 12.76 Lakhs (Previous year Rs. 28.92 Lakhs) restricted on account of margin money		
<b>Schedule 9 - Loans and advances</b> (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	783.27	877.76
MAT credit entitlement	2,438.90	2,149.52
Advance tax (net of provision)	547.42	—
Advance Fringe benefits tax (net of provision)	26.31	106.19
	<u>3,795.90</u>	<u>3,133.47</u>
<b>Schedule 10 - Liabilities</b>		
Sundry Creditors (Refer note 12 of Schedule 16)	3,374.40	3,712.52
Book overdraft in current account with bank	1.17	28.75
Unclaimed dividends *	53.11	42.27
Unearned revenue	27.37	58.57
Other Liabilities	638.95	706.38
	<u>4,095.00</u>	<u>4,548.49</u>
* Note : There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
<b>Schedule 11 - Provisions</b>		
Proposed dividend	336.80	2,017.46
Provision for Corporate Dividend Tax	55.94	342.87
Provision for taxes (net of advance tax)	—	543.17
Provision for gratuity	2,319.76	1,998.55
Provision for leave encashment	1,730.95	2,101.45
	<u>4,443.45</u>	<u>7,003.50</u>

# SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>Schedule 12 - Other income</b>		
Interest on deposits, etc. (Tax deducted at source Rs. 16.37 Lakhs (Previous year Rs. 1.40 Lakhs)	252.49	133.23
Profit on sale of fixed assets (net)	—	6.22
Profit on sale of investments (current, non trade)	0.03	338.40
Income from investments (current, non trade)	131.90	288.42
Dividend from subsidiary	102.83	—
Miscellaneous income	37.60	193.51
	<u>524.85</u>	<u>959.78</u>
<b>Schedule 13 - Operational expenses</b>		
Salaries, bonus, incentives, etc.*	27,934.28	32,959.68
Gratuity charges	329.79	810.85
Contribution to provident and other funds	1,928.83	2,195.06
Staff Welfare	575.19	607.28
Recruitment and training expenses	187.55	440.17
Travelling and conveyance	1,905.80	2,319.72
Communication charges	328.71	358.21
Electricity	607.52	667.99
Consultancy charges	1,693.75	2,315.03
Purchase of software	218.54	100.77
	<u>35,709.96</u>	<u>42,774.76</u>
* Includes Rs. 57.00 Lakhs (Previous year - Nil) on account of discounting charges on Employee Stock Option		
<b>Schedule 14 - Other expenses</b>		
Rates & Taxes	150.78	217.47
Repairs		
— Building	235.02	228.57
— Machinery	729.11	612.73
Insurance	103.37	72.22
Printing & stationery	61.45	105.88
Professional fees (Refer note 16 of Schedule 16)	939.55	1,507.10
Rent (Refer note 4 of Schedule 16)	259.26	383.44
Advertisement and publicity	164.78	161.19
Exchange loss (net)	372.06	1,326.53
Loss on sale of fixed asset (net)	1.02	—
Donation	37.97	16.80
Provision for doubtful debts	55.98	31.40
Bad debts written off	—	1.16
Loans & advances written off	—	12.47
Hire charges	273.02	226.55
Investments written off	1.91	—
Commission	56.39	—
Miscellaneous expenses	51.47	77.65
	<u>3,493.14</u>	<u>4,981.16</u>
<b>Schedule 15 - Financial costs</b>		
Bank charges	8.57	11.71
Other financial charges	2.32	3.70
	<u>10.89</u>	<u>15.41</u>



# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE

## Schedule 16

### 1. Significant Accounting Policies

#### a. Basis of accounting and preparation of financial statements

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standard notified under sub section (3C) of section 211 of 'The Companies Act, 1956' of India (the 'Act') and other relevant provisions of the Act.

The financial statements are prepared in accordance with the historical cost convention.

#### b. Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalized until the assets are ready for use and include inward freight, duties, taxes and expenses incidental to acquisition and installation.

Depreciation of fixed assets is provided on Straight Line Method over the useful life of assets, as estimated by the management, on a pro-rata basis or as per Schedule XIV of the Act in cases where the rates specified therein are higher. Assets costing less than Rs.5,000/- each are depreciated fully in the year of acquisition. Expenditure incurred on purchase of Design and Software used in operations of the entity is depreciated over its estimated life. The useful lives estimated by the management for amortisation of the assets which are higher than rates specified as per Schedule XIV are as under:

Goodwill on Merger	Amortized over 3 years
Leasehold Land	Over the Lease Term ranging from 95-99 years
Owned/Leasehold Premises	25 - 30 years
Computers	2 years
(Included in Plant & Machinery)	
Other Plant & Machinery	5 years
Software	1 - 5 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years or over the primary period of lease whichever is less
Vehicles	5 years

#### c. Investments

Long term investments are stated at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Investments in subsidiaries are carried at their original rupee cost unless impaired. Current investments are stated at lower of cost and fair value. Any reduction in carrying amount and any reversal of such reductions are charged or credited to the Profit and Loss Account.

#### d. Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet, any exchange loss or gain, on such conversion is accounted for in the Profit and Loss Account. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognized as income or as expense for the period.

In all other cases, the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) and is recognized in the profit and loss account for the period.

# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

In respect of transactions related to foreign branch, all revenue and expense transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the Balance Sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Net gain/loss on foreign currency translation is recognized in the Profit and Loss Account.

### e. Retirement Benefits

#### 1. Defined Contribution Plans

The Company has Defined Contribution Plans for post employment benefits in the form of Provident Fund and Superannuation Fund which are administered through Government of India and/or Life Insurance Corporation of India (LIC). Provident Fund and Superannuation Fund (which constitutes an insured benefit) are classified as Defined Contribution Plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred.

#### 2. Defined Benefit Plans

The Company has Defined Benefit Plans for post employment benefits in the form of Gratuity and Leave Encashment. Liability for Defined Benefit Plans is provided on the basis of actuarial valuations, as at the Balance Sheet date, carried out by independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

### f. Revenue Recognition

The Company derives its revenues primarily from software services.

Revenues from customer support services are recognized ratably over the term of the support period.

Revenues from software related services are primarily related to implementation services performed on a time and materials basis under separate service arrangements. Revenues with respect to time and material contracts are recognized as and when services are rendered.

Revenues from fixed price, fixed time frame contracts are recognized in accordance with the percentage of completion method measured by the percentage of cost incurred over the estimated total cost for each contract. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed, in advance of services performed are recorded as unearned revenue. Unbilled revenue included in debtors represents amounts recognized based on services performed in accordance with contract terms and where billings are pending.

Dividend income from investments is recognized when the right to receive payment is established. Dividend declared by the subsidiary companies after the date of the Balance Sheet is accounted during the year as required by Accounting Standard (AS) 9 - 'Revenue Recognition'.

Interest income is recognized on time proportion basis.

### g. Borrowings Costs

Borrowing costs that are incurred on borrowings made specifically for the acquisition, construction or production of a qualifying asset are capitalized as a part of that asset. The amount of borrowing costs from funds that are borrowed generally and used for the purpose of obtaining a qualifying asset are calculated by applying a weighted average capitalization rate to the expenditure on that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### h. Leases

Assets taken on leases which transfer substantially all the risks and rewards incidental to ownership of the assets i.e. finance leases, in terms of provisions of Accounting Standard (AS) 19 - 'Leases', are capitalized. The assets are capitalized at the lower of the fair value at the inception of the lease and the present value of minimum lease payments. Such assets are disclosed as a part of the class of owned assets to which they belong and are depreciated accordingly.

# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

### i. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by adjusting the number of shares used for basic EPS with the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value i.e. average market value of outstanding shares. The number of shares and potentially dilutive shares are adjusted for share splits and bonus shares, as appropriate.

### j. Income taxes

Provision for tax for the year comprises of current tax and deferred tax. Current tax provision is measured by the amount of tax expected to be paid on the taxable profits after considering tax allowances and exemptions and using applicable tax rates and laws. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Changes in deferred tax assets and liabilities between one Balance Sheet date and the next are recognized in the Profit and Loss Account in the year of change. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Profit and Loss Account in the year of change. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized by way of future taxable income. Deferred tax assets related to unabsorbed depreciation and carry forward losses are recognized only to the extent that there is virtual certainty of realization. Deferred tax assets are reviewed for appropriateness of their carrying amounts at each Balance Sheet date.

### k. Accounting for Employee Stock Options

Stock options granted to the employees of the Company and its subsidiaries under the stock option schemes established after June 19, 1999 are accounted as per the treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 (SEBI guidelines) as amended from time to time, issued by the Securities and Exchange Board of India. According to the above guidelines, the excess of market value of the stock options as on the date of grant over the exercise price of the options, if any is to be recognized as deferred employee compensation and is charged to the Profit and Loss account ratably over the vesting period of the options.

## 2. CONTINGENT LIABILITIES AND COMMITMENTS

	(Rs. in Lakhs)	
	As at June 30, 2010	As at June 30, 2009
(i) Counter guarantees outstanding in respect of guarantees given by banks on behalf of the Company	103.19	157.18
(ii) Corporate guarantees given		
— on behalf of subsidiary, Majesco Mastek	4,180.05	6,946.23
— on behalf of subsidiary, Majesco Mastek Enterprises Solutions Canada Co. Ltd	967.53	—
— on behalf of subsidiary, Mastek MSC Thailand Co Ltd	153.49	—
— on behalf of subsidiary, Mastek (UK) Limited	36,462.26	32,256.67
(iii) Claim against the Company not acknowledged as debts	105.78	105.78
(iv) Estimated amount of contracts remaining to be executed on capital account not provided for	1,813.15	2,153.19

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# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

### 3. BUYBACK OF SHARES

The Board of Directors at their Meeting held on October 11, 2007 had announced buy back of its fully paid equity shares from existing shareholders and beneficial owners in accordance with the relevant provisions of Companies Act, 1956 and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 at a price not exceeding Rs. 750 per share. The Company opted to buy back shares from open market through stock exchange route and the total offer size aggregates to Rs. 65 crores representing 25% of the Company's paid up capital and free reserves as on June 30, 2007.

During current year, the Company had bought back Nil (Previous year 176,863) equity shares of Rs. 5/- each at an average price of Nil (Previous year Rs. 374.45) per share and extinguished Nil (Previous year 744,381) equity shares of Rs. 5/- each. The difference between the nominal value and amount spent for buy back, amounting to Nil (Previous year Rs. 653.42 Lakhs) which has been appropriated from General Reserve to the tune of Nil (Previous year Rs. 653.42 Lakhs).

The Company has transferred Rs. Nil (Previous year Rs. 8.85 Lakhs) from General Reserve to Capital Redemption Reserve which represented the nominal value of shares bought back during the year.

### 4. LEASES

	As at Jun 30, 2010	(Rs. In Lakhs) As at Jun 30, 2009
a) Future minimum non-cancellable capital lease commitments on account of finance leases:		
Due within one year	10.01	10.44
Due later than 1 year but not later than 5 years	9.07	9.21
Due later than 5 years	—	—
Total minimum lease payments	19.08	19.65
Less: Interest portion	(2.81)	(2.16)
Present value of net minimum capital leases payments	16.27	17.49
b) Lease rentals recognized in the profit and loss account	259.26	383.44
c) Future non - cancelable operating lease rental commitments		
Due within one year	41.16	35.50
Due later than 1 year but not later than 5 years	—	—
Due later than 5 years	—	—
Total minimum lease payments	41.16	35.50
d) Description of significant lease agreements:		
— The Company has given refundable interest free security deposit under the lease agreements.		
— All agreements contain provision for renewal at the option of either parties.		
— All agreements provide for restriction on sub lease.		

### 5. FORWARD CONTRACTS

Forward Contracts outstanding as on June 30, 2010 amount to Rs. 7,250.52 Lakhs (Previous year Rs. 958.10 Lakhs). Gain / (loss) of foreign exchange forward contracts are included under the head Exchange loss (net). Forward contracts amounting to Rs. 3,830.93 Lakhs (Previous year Rs. 958.10 Lakhs) are backed by receivables.

### 6. EMPLOYEE STOCK OPTIONS

#### Plan II

The Company established a new scheme in 2002 for granting 700,000 stock options to employees and each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI.

# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

The scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by SEBI. There is a minimum period of twelve months for the first vesting from the date of the grant of options. The options are exercisable within two years of their vesting. As per the SEBI guidelines issued in 1999, and as amended from time to time, the excess of the market price of the underlying equity shares as of the date of the grant of the option over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006, the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

In accordance with the Guidelines, the Company has passed the necessary special resolutions in January 2002 to approve the scheme and to extend the plan to the employees of its subsidiaries.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	91,520	250,579
Granted during the year	—	—
Exercised during the year	(14,458)	(10,629)
Cancelled during the year	(69,312)	(148,430)
Balance unexercised options	7,750	91,520

### Plan III

The Company passed special resolutions at its Annual General Meeting held on September 20, 2004 approving the allocation of 700,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2004 for granting 700,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006 the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	898,624	1,071,038
Granted during the year	—	—
Exercised during the year	(26,938)	(8,664)
Cancelled during the year	(324,892)	(163,750)
Balance unexercised options	546,794	898,624

### Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by

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# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. During the year the Company has extended the vesting period from two years to seven years. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year.

		(No. of options)
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	614,917	248,876
Granted during the year	—	413,484
Exercised during the year	(3,047)	—
Cancelled during the year	(98,156)	(47,443)
Balance unexercised options	513,714	614,917

### Plan V

The Company introduced a new scheme in 2008 for granting 1,500,000 stock options to the employees, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares except for 25,000 options, which have been granted at a price less than the market price. Consequently, compensation cost of Rs 57.00 Lakhs (Previous Year Rs. Nil) has been charged to the Profit and Loss account during the current year.

		(No. of options)
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	61,000	—
Granted during the year	1,116,000	61,000
Exercised during the year	—	—
Cancelled during the year	(2,86,000)	—
Balance unexercised options	8,91,000	61,000

## 7. RETIREMENT BENEFIT PLANS

### a) Defined contribution plans

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident Fund Commissioner and the superannuation fund is maintained by making contribution to Life Insurance Corporation of India. Under the schemes, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.



# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

The Company recognized Rs. 694.53 Lakhs (Previous year Rs. 715.61 Lakhs) for provident fund contribution and Rs. 30.16 Lakhs (Previous year Rs. 29.18 Lakhs) for superannuation contribution in the Profit and Loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

### b) Defined benefit plans

The Company provided for liabilities towards gratuity and leave encashment payable to the employees. Gratuity vests to the employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. Leave encashment vest to the employees at the time of retirement, death while in employment or on termination of employment equivalent to salary payable for number of days of accumulated leave balance.

### c) The following table sets out the status of gratuity (unfunded) and the amounts recognized in the Company's financial statements as at June 30, 2010 and June 30, 2009.

	(Rs. in Lakhs)	
	As at June 30, 2010	As at June 30, 2009
<b>1. Change in defined benefit obligations:</b>		
Projected benefit obligation, beginning of the year (July 1, 2009)	1,998.55	1,284.64
Transfer from Keystone Solutions Private Limited	115.05	—
Service cost	461.62	311.04
Interest cost	186.31	135.56
Actuarial (gain) / loss	(318.14)	364.25
Benefits paid	(123.63)	(96.94)
<b>Projected benefit obligation, closing of the year (June 30, 2010)</b>	<b>2,319.76</b>	<b>1,998.55</b>
<b>2. Change in fair value of assets:</b>		
Fair value of plan assets, beginning of the year (July 1, 2009)	—	—
Expected return on plan assets	—	—
Employer's contribution	123.63	96.94
Acquisitions	—	—
Benefit paid	(123.63)	(96.94)
Actuarial (gain) / loss	—	—
<b>Fair value of plan assets, closing of the year (June 30, 2010)</b>	<b>—</b>	<b>—</b>
<b>3. Amount recognized in the Balance Sheet</b>		
Present value of obligations as at June 30, 2010	2,319.76	1,998.55
Fair value of plan assets as at June 30, 2010	—	—
Amount not recognized as an asset	—	—
<b>Net Liability recognized as at June 30, 2010</b>	<b>2,319.76</b>	<b>1,998.55</b>
<b>4. Net gratuity cost for the year ended June 30, 2010</b>		
Service cost	461.62	311.04
Interest cost	186.31	135.56
Expected return on plan assets	—	—
Net actuarial (gain) / loss recognized in the year	(318.14)	364.25
<b>Net gratuity cost</b>	<b>329.79</b>	<b>810.85</b>
<b>5. Assumptions used in accounting for the gratuity plan:</b>		
Discount rate (p.a.)	8.15%	7.50%
Salary escalation rate (p.a.)	20 % p.a. for 1st year & 10% p.a. thereafter N.A.	15 % p.a. for 1st year & 10% p.a. thereafter N.A.
<b>6. Return on Plan Assets (p.a.)</b>		

### d) Leave encashment charged during the year amount to Rs. 230.29 Lakhs (Previous year Rs. 923.38 Lakhs).

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# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

### 8. INCOME TAXES

The Company follows Accounting Standard 22 'Accounting for taxes on income'.

- The Company's operations are eligible for significant tax incentives under the Indian taxation laws. These incentives presently include an exemption from payment of Indian corporate taxes for a period of ten consecutive years of operations of software development facilities designated as Software Technology Park or in Special Economic Zone. The management estimates the provision for current taxes and deferred taxes after considering such tax benefits and the expected results of the future operations of the Company.
- Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). The MAT liability can be carry forward and set off against future tax liability. Accordingly, a sum of Rs. 289.38 Lakhs (Previous year Rs. 947.08 Lakhs) has been carried forward and shown under 'Loans and Advances'.

### 9. RELATED PARTY DISCLOSURES

The Company has entered into transactions with the following related parties:

Subsidiaries: MajescoMastek USA; Mastek UK Ltd., UK; Mastek GmbH, Germany; Mastek Asia Pacific Pte. Ltd., Singapore; Mastek MSC Sdn. Bhd., Malaysia; Mastek Outsourcing Services Private Limited (closed down w.e.f August 21,2009), Majesco Mastek Canada Ltd, Canada; Keystone Solutions Private Limited, Mastek MSC Thailand Co Ltd, Thailand; System Task Group International Ltd., USA; and Carretek LLC, USA. These companies constitute entities under the control of the Company.

Key Management Personnel: Sudhakar Ram (Chairman & Managing Director) R Sundar (Director)

(Rs. in Lakhs)

	Transactions during the year ended	
	June 30, 2010	June 30,2009
<b>Income from services</b>		
Mastek (UK) Ltd.	28,677.51	46,181.98
MajescoMastek	8,146.83	7,783.10
Others	1,275.74	1,474.51
<b>Purchase of Services</b>		
Keystone Solutions Private Limited	—	0.81
<b>Commission expenses</b>		
Mastek (UK) Ltd.	56.39	—
<b>Purchase of Business operations</b>		
Keystone Solutions Private Limited	2,036.00	—
<b>Investment in Equity Shares</b>		
MajescoMastek	2,979.46	3,944.82
Mastek Msc Sdn Bhd	487.76	599.97
MajescoMastek Enterprise Solutions Canada Co. Ltd.	447.09	207.39

(Rs. in Lakhs)

	Transactions during the year ended	
	Jun 30, 2010	June 30,2009
<b>Remuneration to Key Management Personnel</b>		
— Sudhakar Ram	175.12	66.14
— R Sundar	73.38	68.25

# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

(Rs. in Lakhs)

	Closing Balance as at	
	June 30, 2010	June 30, 2009
<b>Outstanding receivables</b>		
Mastek (UK) Ltd.	2,532.80	4,308.90
MajescoMastek	1,157.76	626.85
Others	123.18	331.78
<b>Corporate guarantees given on behalf of subsidiaries</b>		
Mastek (UK) Ltd.	36,462.26	32,256.67
MajescoMastek	4,180.05	6,946.23
Majesco Mastek Canada Ltd	967.53	—
Mastek MSC Thailand Co Ltd	153.49	—
* Refer note 2 (ii) of Schedule 16		
<b>Investments in Equity shares</b>		
MajescoMastek, USA	14,392.14	11,412.68
Others	3,474.04	2,541.10

(Rs. in Lakhs)

	Closing Balance as at	
	June 30, 2010	June 30, 2009
<b>Remuneration payable to Key Management Personnel</b>	—	48.05

Notes:

- Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice versa has not been included above.
- The disclosures given above have been reckoned on the basis of information available with the Company.
- Remuneration to key management personnel given above includes commission Nil (Previous year Rs. 48.05 Lakhs).

## 10. SEGMENTS

The Company has presented data relating to its segments in its consolidated financial statements which are presented in the same annual report as Mastek Limited. In terms of provisions of Accounting Standard (AS) 17 - 'Segment Reporting', no disclosures related to segments are presented in its stand-alone financial statements.

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# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

### 11. EARNINGS PER SHARE (EPS)

The components of basic and diluted earnings per share are as follows:

	As at June 30, 2010	As at June 30, 2009
— Net income available to equity shareholders (Rs. in Lakhs)	3,699.84	9,564.58
— Weighted average number of outstanding equity shares		
Considered for basic EPS	26,923,796	26,914,521
Add : Effect of dilutive issue of stock options	168,742	1,469
Considered for diluted EPS	27,092,538	26,915,990
— Earnings per share (net of taxes) in Rs.		
Basic	13.74	35.54
Diluted	13.66	35.53

(Nominal value per share Rs.5/- each)

### 12. MICRO, SMALL AND MEDIUM ENTERPRISES

There are no dues to micro and small enterprises which are outstanding at the Balance Sheet date. The information regarding micro and small enterprises has been determined on the basis of the information available with the Company. This has been relied on by the auditors.

### 13. DIRECTORS REMUNERATION

	Year ended Jun 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
<b>Directors' Remuneration</b>		
Salary	211.37	75.03
Contribution to Provident Fund	8.21	4.10
Perquisites	28.92	7.20
Sitting Fees	4.60	6.90
<b>Total</b>	<b>253.10</b>	<b>93.23</b>
Commission to Wholetime Director (see Note no. 14 below)	—	48.05
Commission to Non Wholetime Director (see Note no. 14 below)	26.00	44.00
<b>Total</b>	<b>26.00</b>	<b>92.05</b>
<b>Grand Total</b>	<b>279.10</b>	<b>185.28</b>

Provision for gratuity and leave encashment benefit which is based on actuarial valuation carried out on an overall basis for the Company. Therefore, excluded from the above remuneration.

# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

### 14. COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 349 OF THE COMPANIES ACT, 1956 AND COMMISSION PAYABLE TO DIRECTORS:

	Year ended Jun 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
Profit before tax as per Profit and Loss Account	2,398.88	9,465.95
Add:		
Managerial Remuneration (excludes sitting fees)	274.50	178.38
Depreciation charge as per accounts	2,475.62	2,539.03
Loss on scrapped assets as per accounts	1.02	—
	<u>5,150.02</u>	<u>12,183.36</u>
Less :		
Depreciation under Section 350 of the Companies Act, 1956 *	2,475.62	2,539.03
Profit on sale of assets (net)	—	6.22
Net profit as per Section 349 of the Companies Act, 1956	<u>2,674.40</u>	<u>9,638.11</u>
Maximum commission allowable to Non-Wholetime Directors as per the Companies Act, 1956 at 1%	26.74	96.38
Commission payable to Non-Wholetime Directors, restricted by the Board of Directors to	26.00	44.00
Commission payable to Wholetime Directors, restricted by the Board of Directors to	—	48.05
Total commission payable	<u>26.00</u>	<u>92.05</u>

\* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum rates prescribed by Schedule XIV.

### 15. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

- (i) The Company is engaged in the development of computer software and other software related services. Considering the nature of business, certain details required under Part II of schedule VI are not applicable.

	Year ended Jun 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
(ii) Value of Imports on C.I.F basis		
Capital Goods	296.57	567.68
(iii) Expenditure in Foreign Currency		
(Including expenditure incurred by the Company's overseas branch)		
Travel	1,010.57	1,278.03
Professional fees	1,915.85	2,692.44
Salaries	13,569.92	18,293.99
Other matters	541.19	264.84
	<u>17,037.53</u>	<u>22,529.30</u>
(iv) Earnings in foreign exchange		
Income from services	38,151.65	55,819.30
Others	155.34	98.85

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# NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

## Schedule 16 (Contd.)

16. Professional fees include remuneration to auditors:	(Rs. in Lakhs)	
	Year ended Jun 30, 2010	Year ended June 30, 2009
Audit Fees	66.50	75.00
Out of pocket expenses	1.90	2.10

## 17. ACQUISITION OF KEYSTONE BUSINESS

The Board of Directors of the Company at its meeting held on May 9, 2009 approved the acquisition of business activities pertaining to "Keystone Solutions Private Limited" ('Keystone'). Consequent to this, the Company has entered into a business transfer agreement dated June 8, 2009 and addendum to agreement dated August 1, 2009 with Keystone to purchase the entire business on a slump sale basis as a going concern for a total consideration of Rs. 2,036 Lakhs with effect from August 31, 2009.

On acquisition, the Company has recorded net assets of Rs.1,905.68 Lakhs and the balance of Rs 130.32 Lakhs is shown as Goodwill (to be amortized over a period of 3 years).

Accordingly, figures for the current year are not comparable with figures of the previous year.

## 18. The previous year's figures have been regrouped and reclassified, wherever necessary.

Signatures to Schedules 1 to 16

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

**Sudhakar Ram**  
Chairman & Managing Director

**Vasant Gujarathi**  
Partner  
Membership Number: 17866

**Ashank Desai**  
Director

Place: Mumbai  
Dated: July 21, 2010

**O.Banerjee**  
Company Secretary

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

	(Rs. in Lakhs)	
	Year ended June 30, 2010	Year ended June 30, 2009
<b>Cash flows from operating activities</b>		
Net Profit before tax	2,398.88	9,465.95
Adjustments for :		
Interest on deposits, etc.	(252.49)	(133.23)
Income from investments	(131.90)	(288.42)
Employee stock compensation expense	57.00	—
Financial expenses	2.32	3.70
Loss on Investments written off	1.91	—
Depreciation and amortisation	2,475.62	2,539.03
Provision for doubtful debts	55.98	31.40
Dividend from subsidiary	(102.83)	—
Profit on sale of investments	(0.03)	(338.40)
Loss /(Profit) on sale of fixed assets (net)	1.02	(6.22)
Unrealised Foreign exchange gain	644.43	72.24
Operating profit before working capital changes	5,149.91	11,346.05
Decrease / (Increase) in sundry debtors	(167.63)	2,310.99
Decrease / (Increase) in loans and advances	(528.63)	2,223.55
Decrease in liabilities	(513.82)	(2,175.44)
Cash generated from operations	3,939.83	13,705.15
Income taxes paid (net of refunds received)	(679.62)	(1,713.71)
<i>Net cash from operating activities</i>	<u>3,260.21</u>	<u>11,991.44</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	28.47	25.15
Purchase of fixed assets (including leasehold improvements and capital work in progress)	(1,897.89)	(3,469.61)
Interest received	252.49	130.64
Dividend received from subsidiary	102.83	—
Acquisition of shares in subsidiaries	(3,914.31)	(4,752.18)
Sale proceeds of current investments	67,018.72	91,514.26
Dividend from current investments	131.90	288.42
Purchase of current investments	(60,153.45)	(92,564.00)
<i>Net cash from / (used in) investing activities</i>	<u>1,568.76</u>	<u>(8,827.32)</u>

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010 (Contd.)

		(Rs. in Lakhs)
	Year ended June 30, 2010	Year ended June 30, 2009
<b>Cash flows from financing activities</b>		
Payments for Buyback of share capital	—	(662.27)
Proceeds from Issue of share capital	105.26	37.59
Payment of Lease obligation (net)	(1.22)	(24.93)
Dividends paid (including Corporate dividend tax)	(2,980.68)	(2,822.11)
Interest paid on loans and lease obligations	(2.32)	(3.70)
<i>Net cash used in financing activities</i>	<u>(2,878.96)</u>	<u>(3,475.42)</u>
<b>Total increase/(decrease) in cash and equivalents during the year</b>	<b>1,950.01</b>	<b>(311.30)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,213.77</b>	<b>2,525.07</b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>4,163.78</u></b>	<b><u>2,213.77</u></b>

- 1 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- 2 For reasons, principally the effects of translation differences, certain items in the statement of cash flow do not correspond to the differences between the balance sheet amounts for the respective items.
- 3 Assets acquired on lease - Rs.8.88 lakhs (Previous year Rs. 4.96 Lakhs) being a non-cash transaction has not been considered in the cash flow statement.
- 4 Cash and cash equivalents includes Rs.53.10 Lakhs Lakhs (Previous year Rs.42.27 Lakhs) restricted on account of unpaid dividend.
- 5 Figures in brackets indicate cash outgo.
- 6 Previous year's figures have been regrouped and reclassified wherever necessary.

This is the cash flow referred to in our report of even date

For Price Waterhouse  
Firm Registration Number : 007568S  
Chartered Accountants

**Sudhakar Ram**  
Chairman & Managing Director

**Vasant Gujarathi**  
Partner  
Membership Number: 17866

**Ashank Desai**  
Director

Place : Mumbai  
Dated : July 21, 2010

**O.Banerjee**  
Company Secretary



# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## I Registration Details :

Registration No.	04-5215	State code	04
Balance Sheet Date	30-Jun-10		

## II Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	—	Rights Issue	—
Bonus Issue	—	Private Placement *	10,526.00

### \* Options exercised by employees as per ESOP

## III Position of Mobilisation and Deployment of Funds - (Amount in Rs. Thousands)

Total Liabilities	3,782,402	Total Assets	3,782,402
Source of Funds			
Paid-Up Capital	134,720	Reserves & Surplus	3,646,055
Secured Loans	1,627	Unsecured Loans	—
Application of Funds			
Net Fixed Assets	1,122,922	Investments	1,917,751
Deferred Tax Assets	192,284	Net Current Assets	5,49,445
Accumulated Losses			

## IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	4,408,849
Total Expenditure	4,168,962
Profit/Loss Before Tax	239,887
Profit/Loss after Tax	369,983
Earning Per Share in Rs.	13.74
Dividend rate %	65%

## V Generic Names of Three Principal Products / Services of Company

(as per monetary terms)

Item Code No 85249113

(ITC Code)

Product Description Computer software and consulting services

**Sudhakar Ram**  
Chairman & Managing Director

**Ashank Desai**  
Director

Place : Mumbai  
Dated : July 21, 2010

**O.Banerjee**  
Company Secretary

**Mastek™**

## STATEMENT OF HOLDING COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

1	Name of the Subsidiary	Mastek (UK) Ltd.	MajescoMastek USA	Mastek, GmbH	Mastek Asia Pacific Pte Ltd.	Mastek MSC Software Sdn Bhd.	Mastek MSC (Thailand) Co. Ltd.*	Majesco Mastek Canada Ltd (Previously known as Majesco Mastek Enterprise Solutions Canada Co. Ltd.	Vector Insurance LLC** Group International Ltd.**	System Task Group International Ltd.**	Keystone Solutions Pvt Ltd.***
2	Financial year of the Subsidiary Company ended on	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010
3	i) Number of equity shares held by Mastek Limited/its subsidiaries in the Subsidiary Company on the above date.	200,000	163,700,000	1	3,650,000	11,262,000	70,000	1,500,000	2,700	27,218,500	1,060,512
	ii) Holding Company's interest %	100	100	100	100	100	100	100	90	100	100
4	The net aggregate profit/ (loss) of Subsidiary Company so far as it concerns the Holding Company										
I	Not dealt with in the accounts of Mastek Limited										
a)	For the Subsidiary's financial year ended as above	GBP 1,967,947	(US \$1,232,931)	(Euro 25,579)	(Sing \$ 80,427)	RM 1,718,648	(Bath 874,881)	(CAD 878,623)	US \$289,751	US \$2,493,861	Rs.25,876,790
		Rs 1,448.44 Lakhs	(Rs 574.55 Lakhs)	(Rs 16.52 Lakhs)	(Rs 26.67 Lakhs)	Rs 237.28 Lakhs	(Rs.12.30 Lakhs)	(Rs.387.34 Lakhs)	Rs 135.02 Lakhs	Rs.1,162.14 Lakhs	Rs.258.77 Lakhs
b)	For the previous financial years of the Subsidiary since it became a subsidiary of Mastek Limited										
		GBP 16,784,872	(US \$ 3,784,606)	Euro 217,947	(Sing \$ 2,482,680)	(RM 88,398)	(Bath 3,644,664)	(CAD 245,429)	(US \$ 1,340,540)	US \$ 2,894,091	Rs.172,322,282
		Rs 13,579.10 Lakhs	(Rs 1,584.38 Lakhs)	Rs 150.55 Lakhs	(Rs 660.62 Lakhs)	(Rs 0.63 Lakhs)	(Rs. 47.68 Lakhs)	(Rs.100.90 Lakhs)	(Rs 628.64 Lakhs)	Rs. 159.31 Lakhs	Rs.1,723.22 Lakhs
II	Dealt with in the accounts of Mastek Limited										
a)	For the Subsidiary's financial year ended as above	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b)	For the previous financial years of the Subsidiary since it became a subsidiary of Mastek Limited	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Note:

\* Fellow Subsidiary of Mastek MSC Sdn Bhd

\*\* Fellow subsidiary of MajescoMastek. MajescoMastek acquired Vector Insurance Services LLC w.e.f July 1st, 2007 and System Task Group International Ltd w.e.f January 1st, 2008

\*\*\* Fellow subsidiary of System Task Group International Limited(STG). MajescoMastek acquired STG and Keystone Solutions Pvt. Ltd (subsidiary of STG) w.e.f January 1st, 2008

Place: Mumbai,

Dated: July 21, 2010

**Sudhakar Ram**  
Chairman & Managing Director

**Ashank Desai**  
Director

**O. Banerjee**  
Company Secretary

## DETAILS OF SUBSIDIARIES AS AT JUNE 30, 2010

(Value in thousand)

Subsidiaries	Mastek (UK) Limited		MajescoMastek USA		Mastek, GmbH		Mastek Asia Pacific Pte Ltd.		Mastek MSC Sdn Bhd		Mastek MSC (Thailand) Co. Ltd*		Majesco Mastek Canada Ltd (Previously known as Majesco Mastek Enterprises Solutions Canada Co. Ltd)		Vector Insurance Services LLC **		System Task Group International Ltd **		Keystone Solution Pvt Ltd.***
	GBP	Rs. Equivalent	USD	Rs. Equivalent	Euro	Rs. Equivalent	SGD	Rs. Equivalent	RM	Rs. Equivalent	Baht	Rs. Equivalent	CAD	Rs. Equivalent	USD	Rs. Equivalent	USD	Rs. Equivalent	
Particulars																			
Share Capital	200.00	13,974.00	327.40	15,206.09	540.00	30,838.05	3,650.00	121,590.63	11,262.00	161,552.42	7,000.00	10,027.50	1,500.00	66,461.25	932.52	43,310.98	2.72	126.28	10,605.12
Reserves	18,752.82	1,310,259.41	28,474.14	1,322,481.49	45.37	2,591.19	(2,563.11)	(85,383.50)	1,655.93	23,754.34	(4,519.55)	(6,474.25)	(1,124.05)	(49,803.85)	(1,990.71)	(92,458.53)	3,572.48	165,923.83	199,198.64
Total Assets	25,449.25	1,778,139.10	44,178.21	2,051,856.97	596.96	34,090.88	1,201.40	40,021.76	14,570.94	209,020.13	10,977.81	15,725.71	1,216.36	53,893.87	554.00	25,730.53	9,213.63	427,927.05	211,895.00
Total Liabilities	6,496.43	453,905.69	15,376.67	714,169.38	11.59	661.63	114.51	3,814.63	1,653.01	23,712.37	8,497.35	12,172.46	840.41	37,236.47	1,612.19	74,878.07	5,638.43	261,876.93	2,091.24
Details of Investment (except in case of subsidiaries)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Investment in subsidiary	—	—	31,585.79	1,467,001.82	—	—	—	—	701.11	10,057.42	—	—	—	—	—	—	413.97	10,226.60	—
Income	47,145.50	3,469,975.02	35,401.84	1,649,725.52	4.28	276.46	619.16	20,536.76	13,232.50	182,687.89	10,978.96	15,441.91	2,739.83	127,676.08	2,739.83	127,676.08	22,271.99	1,037,874.66	81,350.00
Profit before taxation	2,746.71	202,161.65	(1,176.85)	(54,841.16)	(18.30)	(1,181.56)	(80.43)	(2,667.65)	1,720.83	23,757.72	(874.88)	(1,230.52)	(1,255.18)	(56,238.62)	290.28	13,527.05	4,011.73	186,946.48	32,665.68
Provision for taxation	778.76	57,318.12	56.08	2,613.44	7.28	470.40	—	—	2.18	29.73	—	—	(376.55)	(16,871.47)	0.53	24.70	1,517.87	70,732.55	6,788.31
Profit after taxation	1,967.95	144,843.53	(1,232.93)	(57,454.60)	(25.58)	(1,651.96)	(80.43)	(2,667.65)	1,718.65	23,727.99	(874.88)	(1,230.52)	(878.63)	(39,367.14)	289.75	13,502.35	2,493.86	116,213.93	25,877.37
Proposed Dividend	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note :-

\* Fellow Subsidiary of Mastek MSC Sdn Bhd

\*\* Fellow subsidiary of Majesco Mastek, MajescoMastek acquired Vector Insurance LLC w.e.f. July 1st, 2007 and System Task Group International Ltd w.e.f. January 1st, 2008

\*\*\* Fellow subsidiary of System Task Group International Ltd(STG), MajescoMastek acquired STG and Keystone solutions Pvt. Ltd. (subsidiary of STG) w.e.f. January 1, 2008.

**Mastek™**



# *CORPORATE GOVERNANCE REPORT*

# CORPORATE GOVERNANCE REPORT

## PART - I CLAUSE 49 OF LISTING GUIDELINES

Mastek has always strived to go beyond the statutory and regulatory requirements of corporate governance. Our endeavor is to follow good governance in spirit than mere compliance with the codes on corporate governance.

### A. Company's Philosophy

The Company's philosophy of corporate governance is that timely disclosures, transparent accounting policies and a strong and independent Board go a long way in preserving shareholders' interest, while maximizing long-term shareholder value.

### B. Board of Directors

#### (i) Composition of the Board

The composition of the Board is evenly placed, that is, of the eight members, four are promoter-directors and the other four are Independent Directors.

#### (ii) Number of Board Meetings

During the year ended June 30, 2010, there were seven Board Meetings, which were held on July 22, 2009, October 8, 2009, January 11 & 12, 2010, February 5, 2010 and April 12 & 13, 2010.

#### (iii) Directors' Attendance and Directorships Held

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM on October 1, 2009	No. of other Directorships in other Co's	No. of Committees Memberships Chairmanship in other Co's	No. of Board Committees of Mastek on which member
Mr. Sudhakar Ram	Chairman and Managing Director (Promoter)	6	Yes	10	Nil	1
Mr. Ashank Desai	Non-Executive Director (Promoter)	7	Yes	4	Nil	2
Mr. Ketan Mehta	Non-Executive Director (Promoter)	6	No	7	Nil	Nil
Mr. R. Sundar	Executive Director (with effect from January 1, 2009) (Promoter)	7	No	2	Nil	1
Mr. Raj Nair (Resigned with effect from July 20, 2010)	Non- Executive Director (Independent)	7	Yes	6	Nil	2
Mr. Diwan Arun Nanda	Non- Executive Director (Independent)	6	No	12	3	2
Mr. Amit Shah	Non- Executive Director (Independent)	1	No	Nil	Nil	1
Mr. Rajesh Mashruwala (Resigned with effect from April 13, 2010)	Non- Executive Director (Independent)	6	No	Nil	Nil	Nil
Mr. Anil Singhvi (Joined with effect from April 23, 2010)	Non- Executive Director (Independent)	-	No	9	4	2
Dr. Rajendra Sisodia (Joined with effect from July 20, 2010)	Non- Executive Director (Independent)	-	No	Nil	Nil	Nil

#### Notes:

- None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.
- Particulars of Directors retiring by rotation and seeking reappointment have been given in the Notice convening the 28<sup>th</sup> Annual General Meeting and explanatory statement, attached hereto.
- The committees considered for the above purpose are those as specified in existing Clause 49 of the Standard Listing Agreement(s) i.e. Audit Committee and Shareholders / Investors Grievance Committee.

**Mastek**<sup>TM</sup>

## **Pecuniary Relationship or Transactions with Non-executive Directors**

Mr. Ashank Desai, Mr. Ketan Mehta, Non-Executive Directors, who are the co-promoters, receive dividend on their investment in the Company. Mr. Ashank Desai, Non- Executive Director was paid Rs 11,25,335 towards perquisites as per the approval of the Ministry of Corporate Affairs, New Delhi.

## **(iv) Code of Conduct for Directors and Senior Management**

The Company is having a code of conduct for Directors and Senior Management of the Company respectively. The said codes have been posted on the Company's website.

## **C. Profile of Independent Directors**

- 1. Mr. Raj Nair :** Mr. Raj Nair is the Chairman of Avalon Consulting Group and has several years of experience spanning consumer durables, marketing, investment banking, marketing research and management consultancy for companies in India, UK and South-East Asia.

On July 20, 2010, Mr. Raj Nair resigned from the Directorship of the Company

On the date of resignation he was holding 6,666 shares in the Company.

- 2. Mr. Diwan Arun Nanda :** Mr. Diwan Arun Nanda is the Chairman and Managing Director of Rediffusion -Y&R, India has over 40 years of experience in the Advertising and Marketing industry. A Gold medalist from the first batch of Indian Institute of Management, Ahmedabad.

In July 1973, he founded Rediffusion, an agency that went on to script history by rewriting the rules of advertising in the country. He had been an advisor to the late prime minister Mr. Rajiv Gandhi from 1984-1991. He had also been a member of the Jawaharlal Nehru Centenary Committee (a part of the cabinet secretariat of the Government of India); and President of the Advertising Agencies Association of India (1993-95 and 1999-2000).

He holds 9436 shares in the Company.

- 3. Mr. Amit Shah :** Mr. Amit Shah focuses on early stage technology investments as a Partner of Artiman Ventures. He is currently on the boards of Aurn, Guavus, InvenSense, Lightwire (formerly SiOptical), MYNDnet and Zyme.

Prior to founding Artiman Ventures, Mr. Shah gained technology investment experience as a General Partner of Anthelion I & II, a seed stage venture

fund. He also worked as VP of New Markets and Technologies for Cisco Systems' Business Development and Alliances Group. Prior to this he founded and was CEO of PipeLinks, Inc., acquired by Cisco (1998). Preceding PipeLinks, he founded ZeitNet, a networking systems Company which was then acquired by Cabletron (1996).

Mr. Shah has taught numerous courses and seminars in networking at UC Berkeley, InterOp, and other forums in the United States and abroad. He also authored *FDDI: A High Speed Network*, published by Prentice-Hall.

He holds a B.S.E.E. from M.S University Baroda, India and has done graduate work at UC Irvine.

He holds 8,000 shares in the Company .

- 4. Mr. Rajesh Mashruwala :** Mr. Rajesh Mashruwala was the Executive Vice President and Chief Operating Officer at TIBCO Software Inc, based in Palo Alto, California, USA. Since the founding of TIBCO, Mr. Mashruwala has been responsible for sales and marketing. As Chief Operating Officer, Mr. Mashruwala was also responsible for engineering and professional services.

Mr. Mashruwala resigned from the Board with effect from April 13, 2010.

On the date of resignation he was holding 2,155 shares in the Company.

- 5. Mr. Anil Singhvi :** Mr. Singhvi is currently an advisor to Reliance ADA Group to setup cement and shipping business.

Prior to joining Reliance ADA Group, Mr. Singhvi was the Managing Director of Ambuja Cements Ltd. A Chartered Accountant by profession, Mr. Singhvi played a key role in the making of Ambuja Cements. His contribution to the company was tremendous in terms of its rise in the cement industry and becoming the leader.

Mr. Anil Singhvi is on the Boards of various companies, which includes Reliance Natural Resources Limited, Camlin Ltd., Hindustan Construction Co. Ltd, IDFC Securities Ltd. He is currently the Chairman of I-Can Investment Advisors, an Indian financial advisory firm.

He does not hold any shares in the Company.

- 6. Dr. Rajendra S. Sisodia :**

Dr. Sisodia is Professor of Marketing at Bentley University and was previously Trustee Professor of Marketing and the Founding Director of the Center for Marketing Technology. He is also the Founder

and Chairman of the Conscious Capitalism Institute. Dr. Sisodia is an electrical engineer from BITS, Pilani, India. Dr Sisodia has an MBA in Marketing from the Bajaj Institute of Management Studies in Mumbai and a Ph.D. in Marketing & Business Policy from Columbia University, where he was the Booz Allen Hamilton Fellow.

He does not hold any shares in the Company.

Note: None of the above mentioned directors is in any other capacity related to or connected with the Company or its promoters

## D. Audit Committee

### (i) Terms of Reference

The terms of reference of the Audit Committee are as follows:

- (a) Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (b) Recommend the appointment and removal of the statutory auditor, fix audit fee and also grant approval for payments for any other services.
- (c) Review with the management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on the exercise of judgment by management.
  - Qualifications in the draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions, i.e., transactions of the Company of a material nature, with promoters and the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.

- (d) Review with the management, external and internal auditors the adequacy of internal control systems.
- (e) Review the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (f) Discuss with internal auditors any significant findings and follow-up action.
- (g) Review with the management the quarterly financial statements before submission to the Board for approval.
- (h) Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud, irregularity, or failure of internal control systems of a material nature and report the matter to the Board.
- (i) Discuss with external auditors before the audit commences about the nature and scope of audit and have post-audit discussion to ascertain any area of concern.
- (j) Review the Company's financial and risk management policies.
- (k) Look into the reasons for substantial defaults in payment to depositors, debenture holders, shareholders (in the case of non-payment of declared dividends) and creditors.
- (l) Review the functioning of the whistle-blower mechanism.

The minutes of the Audit Committee are circulated to the Board of Directors. The Chairman of the Audit Committee apprises the Board on the recommendations made by the committee. Further, at the beginning of the financial year, the Committee prepares fresh plans for the internal audit. It discusses the areas covered by the internal audit and recommends the scope of audit for the current year. The Committee reviews the performance of the internal and external auditors and advises the Board on the re-appointment of internal and statutory auditors.

The Audit Committee Charter is reviewed at the beginning of every year. The Board of Directors approved the Audit Committee Charter for the year 2010-11 at its meeting held in July 20, 2010.



# CORPORATE GOVERNANCE REPORT (Contd.)

## (ii) Composition

Mastek has an Audit Committee that currently comprises three Independent directors and a promoter director. The Independent Directors are accomplished professionals from the corporate fields. The Group Chief Financial Officer and Finance Director and the Chief Financial Officer of the Company attend the meetings on invitation. The Company Secretary is the Secretary of the Committee.

The Committee met four times during the year. The attendance of the members at the meetings is stated below:

Name of Member	Status	No. of Meetings attended
Mr. Diwan Arun Nanda	Chairman	4
Mr. Raj Nair	Member	4
Mr. Amit Shah	Member	1
Mr. Ashank Desai	Member	4

Pursuant to resignation of Mr. Raj Nair as Board Member w.e.f. July 20, 2010, he ceased to be a member of Audit Committee. On his resignation Mr. Anil Singhvi was appointed as a Board Member w.e.f. April 23, 2010 and also inducted in the Audit Committee w.e.f. July 20, 2010.

The meetings are attended by internal auditors and statutory auditors. The Committee's observations are followed up with the respective departments and the follow-up actions are reported to the Committee at the subsequent Committee meetings. Internal auditors attend the Committee meetings on invitation. The Committee, along with the statutory auditors, review the quarterly, half-yearly and annual results at the Audit Committee meetings before submitting to the Board of Directors.

## E. Remuneration of Directors

The Board of Directors decides and approves the remuneration of Non-Executive Directors.

**Details of Remuneration of Directors for the year ended June 30, 2010: (In Rupees) -**

Name	Perquisites	Sitting Fees	Commission (Rs)	Total (Rs)
Ashank Desai	11,25,335	-	631,000	17,56,335
Raj Nair	-	180,000	631,000	811,000
Diwan Arun Nanda	-	160,000	599,000	759,000
Amit Shah	-	-	339,000	339,000
Rajesh Mashruwala	-	1,20,000	400,000	520,000

Subject to the Approval of the shareholders and Ministry of Corporate Affairs, the Board has decided to appoint Mr. Ashank Desai, Non-Executive Director, as an advisor to the Company for a period of two years at a fee of Rs 24 lacs per annum plus applicable Taxes with effect from July1, 2010.

## Criteria of payment of remuneration to Non-Executive Directors:

Non-Executive Directors will have the following remuneration structure:

1. 50% - fixed
2. 50% - variable, based on the number of Board meetings attended.

The total remuneration paid to all Independent Non-Executive Directors will have an upper limit of 1% of net profit of the Company.

## Number of options/equity shares held by Independent Directors as on June 30, 2010:

Name of the Director	Number of options held	Number of shares
Raj Nair	28,307	6,666
Diwan Arun Nanda	28,307	9,436
Amit Shah	58,307	8,000

## Number of equity shares held by other Non-Executive Directors as on June 30, 2010

Serial no	Name of the Director	Number of shares
1	Ashank Desai	3,099,552
2	Ketan Mehta	2,519,100

## F. Share Transfer cum Investor Grievance Committee

### (i) Terms of Reference

To redress the grievances of shareholders and investors, such as transfer of shares, non-receipt of annual reports, dividends etc.

### (ii) Composition

The Chairman of the Committee is Mr. Ashank Desai. Other members are Mr. Sudhakar Ram and Mr. R. Sundar. The Company Secretary is the Secretary of the Committee.

Pursuant to resignation of Mr. Raj Nair as Board Member w.e.f. July 20, 2010 he ceased to be a member of Share Transfer cum Investor Grievance Committee. On his resignation Mr. Anil Singhvi was appointed as a Board Member w.e.f. April 23, 2010 and also inducted in the said Committee w.e.f. July 20, 2010.

The Committee meets periodically to review grievances and to consider requests for share transfer/ transmission etc.

# CORPORATE GOVERNANCE REPORT (Contd.)

The section on investor information elsewhere in this report deal on the correspondence and grievances received from investors.

## OTHER COMMITTEES

### G. Compensation Committee

#### (i) Terms of reference

The Compensation Committee decides and formulates detailed terms and conditions of the Employees' Stock Option Plan, which is governed by the guidelines issued by SEBI in June 1999 and as amended from time to time. The Committee finalizes the stock options to be granted to the employees and directors of the Company under the scheme. The Committee also recommends the compensation structure of the Directors to the Board.

#### (ii) Composition

The Compensation Committee currently comprises of Mr. Amit Shah, Mr. Diwan Arun Nanda, Mr. Ketan Mehta and Dr. Rajendra Sisodia. The Chairman of the Committee is Mr. Ketan Mehta. The Committee met 4 times during the year under review for considering the issues related to Employee stock options and the finalisation of incentive plan. The minutes of the Committee, including the circular resolutions, are circulated to Board of Directors.

Mr. Rajesh Mashruwala resigned as the member of the Committee on April 13, 2010 and Dr. Rajendra Sisodia joined the Committee on July 20, 2010.

### H. Governance Committee

#### (i) Terms of reference

- To develop and recommend to the Board of Directors a set of corporate governance principles applicable to the Company, to review these principles periodically and to monitor compliance with those principles.
- To review and approve new policies relating to corporate governance and to review current policies and practices and recommend improvements.
- To develop norms for evaluation of the Board of Directors.
- To recommend the areas of training needed for Board members.

#### (ii) Composition

The Governance Committee comprises Mr. Ashank Desai, Mr. Ketan Mehta and Mr. R. Sundar. The Chairman of the Committee is Mr. Ashank Desai. The Company Secretary is the Secretary of the Committee.

Pursuant to resignation of Mr. Rajesh Mashruwala as Board Member w.e.f. April 13, 2010, he ceased to be a member of Governance Committee. In his place Mr. Anil Singhvi was inducted in the Governance Committee w.e.f. July 20, 2010. The Committee met 4 times during the year under review.

### I. Nomination Committee

#### (i) Terms of Reference

The Committee oversees the Company's nomination process for the Senior management and the non executive directors. The committee will review all documents pertaining to candidates and will conduct evaluation of candidates in accordance with a process that it deems fit and appropriate, passing on the recommendations for the nomination to the Board.

#### (ii) Composition

The Committee comprises of Mr. Sudhakar Ram, Mr. Amit Shah, Mr. Ketan Mehta and Mr. Ashank Desai. The Chairman of the Committee is Mr. Sudhakar Ram. The Company Secretary is the Secretary of the Committee.

Mr. Rajesh Mashruwala resigned as the member of the Committee on April 13, 2010 and Mr. Ashank Desai joined the committee on July 20, 2010.

### J. Corporate Directions Committee

#### (i) Terms of Reference

The Committee concerns with establishing Vision, Mission, Values and 5 year direction and goals of the Company.

#### (ii) Composition

The Committee comprises of Mr. Sudhakar Ram, Dr. Rajendra Sisodia, Mr. Diwan Arun Nanda, Mr. R. Sundar and Mr. Amit Shah. Mr. Raj Nair resigned from the Committee on July 20, 2010 and Dr. Rajendra Sisodia joined the Committee on the same date.

### K. General Body Meetings

Particulars of Annual General Meetings held during the last three years

Financial Year	Date	Time	Location
2008-09	October 1, 2009	3 p.m	Gajjar Hall Ahmedabad
2007-08	October 6, 2008	3 p.m.	Gajjar Hall Ahmedabad
2006-07	October 5, 2007	3 p.m	Gajjar Hall Ahmedabad

# CORPORATE GOVERNANCE REPORT (Contd.)

## K. Notes on Directors seeking re-appointment

Name of Director	Mr. Ashank Desai
Resume of the Director	Mr. Ashank Desai, 59, is a B.E. from Mumbai and in the graduating year, held the second rank in the University. He holds a M.Tech Degree from the Indian Institute of Technology, Mumbai. He also holds a management diploma granted by the IIM Ahmedabad, from where he graduated in 1979. He worked with Godrej and Boyce before founding the Company. He is a founder member and ex-chairman of NASSCOM and is also actively associated with several government bodies and trade associations.
Year of Joining the Board	1982
Expertise in specific functional area	Mr. Desai has significant experience due to his status as a prominent figure in both India and global IT arena. Mr. Desai, a founding member of NASSCOM, was also the President of Asian - Oceanic Computing Industry Organisation (ASOCIO). He has expertise in all key functions relevant to the company's operations.
Other Directorships	On the Board of MajescoMastek, USA; Mastek (UK) Ltd, UK; Mastek GMBH, Germany; Keystone Solutions Private Limited, India.
Chairman/member of committees of the Board of the Company	Chairman - Governance Committee Chairman - Share Transfer and Investor Grievance Committee Chairman - Finance and Administrative Committee Member - Audit Committee Member - Nomination Committee
No of Board Meetings attended during the year	7
No of shares	3,099,552

Name of Director	Mr. Ketan Mehta
Resume of the Director	Mr. Ketan Mehta, 50, is a Commerce Graduate from the Gujarat University. He holds a Management Diploma granted by the Indian Institute of Management, Ahmedabad. He worked for two years with NOCIL, after which he co-founded the Company.
Year of Joining the Board	1982
Expertise in specific functional area	Mr. Mehta plays a key role in the Company's inorganic growth endeavours. He is responsible for and has strong capabilities in activities relating to acquisitions, alliances and joint ventures.
Other Directorships	On the Board of MajescoMastek, USA; Mastek(UK) Ltd, UK; Mastek Asia Pacific Pte Ltd, Singapore; Mastek GMBH, Germany; Keystone Solutions Private Ltd, India; System Task Group International Limited, USA; Vector Insurance Services LLC., USA.
Chairman/member of committees of the Board of the Company	Chairman - Compensation Committee Member - Finance & Administrative Committee Member - Governance Committee Member - Nominations Committee
No of Board Meetings attended during the year	6
No of shares	2,519,100

# CORPORATE GOVERNANCE REPORT (Contd.)

Name of Director	Mr. Anil Singhvi
Resume of the Director	<p>Mr. Anil Singhvi is currently Advisor to Reliance ADA Group and the Vice Chairman of Reliance Natural Resources Ltd.</p> <p>Prior to joining Reliance ADA Group, Mr. Singhvi was the Managing Director of Ambuja Cements Ltd. A Chartered Accountant by profession, Mr. Singhvi played a key role in the making of Ambuja Cements. His contribution to the company was tremendous both in terms of its meteoric rise in the cement industry and also becoming the undisputed leader.</p> <p>Mr. Anil Singhvi is on various Boards of companies, some of which are Camlin, Hindustan Construction Co. Ltd. He is the chairman of I-Can Investments Advisors, an Indian financial advisory firm.</p> <p>He is also closely associated with SAMPARC- a non government organization (founded in 1990) that helps to empower the needy children and provides them shelter. SAMPARC shelters over 700 such children by running 7 homes in the different part of the country.</p> <p>He has been involved with FLAME, an institution, which was founded to impart Liberal Arts education for Undergraduate students.</p>
Year of Joining the Board	2010
Expertise in specific functional area	Mr. Singhvi has over 28 years of experience in Finance and Corporate Strategies.
Other Directorships	On the Board of Reliance Natural Resources Ltd, Camlin Limited, Hindustan Construction Co. Ltd., IDFC Securities Ltd. He is Chairman of I-Can Investment Advisors, an Indian financial advisory firm.
Chairman/member of committees of the Company	<p>Member - Audit Committee</p> <p>Member - Governance Committee</p> <p>Member - Share Transfer cum Investor Grievance Committee</p>
No of Board Meetings attended during the year	Nil
No of shares	Nil

Name of Director	Dr. Rajendra S. Sisodia
Resume of the Director	<p>Dr. Sisodia is Professor of Marketing at Bentley University and was previously Trustee Professor of Marketing and the Founding Director of the Center for Marketing Technology. He is also the Founder and Chairman of the Conscious Capitalism Institute. Dr. Sisodia is an electrical engineer from BITS, Pilani, India. Dr. Sisodia has an MBA in Marketing from the Bajaj Institute of Management Studies in Mumbai and a Ph.D. in Marketing &amp; Business Policy from Columbia University, where he was the Booz Allen Hamilton Fellow.</p>
Year of Joining the Board	2010
Expertise in specific functional area	Corporate Strategy and Leadership, Marketing Strategy, Stakeholder Management.
Other Directorships	NIL
Chairman/member of committees of the Company	<p>Member - Compensation Committee</p> <p>Member - Corporate Directions Committee</p>
No of Board Meetings attended during the year	Nil
No of shares	Nil

## L. Disclosures

1. Your Company has entered into agreements with its overseas and domestic subsidiaries to provide software development and IT-related services. These agreements are regularly reviewed for amendments.

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# CORPORATE GOVERNANCE REPORT (Contd.)

## RELATED PARTIES

The Company has entered into transactions with the following related parties:

Key Management Personnel: Sudhakar Ram (Chairman & Managing Director)  
R Sundar (Executive Director)

(Rs. in Lakhs)

Remuneration to Key Management Personnel	Transactions during the year ended	
	June 30, 2010	June 30, 2009
Sudhakar Ram	175.12	161.23
R Sundar	73.38	66.56

(Rs. in Lakhs)

	Closing Balance as at	
	June 30, 2010	June 30, 2009
Remuneration payable to Key Management Personnel	-	48.05

Notes:

- Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice versa has not been included above.
- The disclosures given above have been reckoned on the basis of information available with the Company.
- Remuneration to key management personnel given above includes commission Nil (Previous year Rs. 48.05 Lakhs).

- Generally, there were no instances of non-compliance on any matter related to the capital markets.

**M. Management's Discussion & Analysis** forms part of the Annual Report. Investor information details are also provided in the latter part of this report.

## **N. Means of Communication**

- Quarterly unaudited results are generally published in the *Free Press Journal*, *Navshakti* and *Aajkal*. The quarterly unaudited results along with the press releases are made available on the website of the Company ([www.mastek.com](http://www.mastek.com)) and on EDIFAR on the day of the declaration of results. Other information relating to shareholding patterns, compliance with the requirements of corporate governance etc are posted on BSE/NSE website and on Mastek's website in the investors section.
- Official news releases and transcripts of conference calls with the analysts/investors after the quarterly results are displayed on the Company's website.
- Shareholding pattern is displayed on the Company's website; the information is updated on a monthly basis.

## **O. Compliance with certain non-mandatory requirements**

- Half-yearly unaudited results, including a summary of the significant events, for the six months ended December 31, 2009 were sent to the shareholders of the Company.
- The Code of Business Conduct and Ethics which includes the Whistle Blower Policy and Conflict of Interest is in place. No employee of the Company was denied access to the Audit Committee.

The Company periodically reviews its corporate governance practices to match internationally accepted codes, which are briefly dealt in Part II.

## **PART - II**

### **COMPLIANCE WITH OTHER CODES OF CORPORATE GOVERNANCE**

#### **Codes of best practice recommended by the Cadbury Committee for effective Corporate Governance**

In December 1992, the Cadbury Committee published its Code of Best Practice. The recommendations, which largely reflected perceived best practices at the time, included separating the roles of CEO and chairman, having a minimum

# CORPORATE GOVERNANCE REPORT (Contd.)

of three non-executive directors on the Board and the formation of audit committees. The code also advocated that institutional investors play a more active role in the promotion of good practice in corporate governance.

*The Company substantially complies with the Cadbury Committee recommendations.*

## THE OECD principles of Corporate Governance

OECD is the Organization for Economic Co-operation and Development. The OECD principles of corporate governance were endorsed by OECD ministers in 1999 and have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. The principles have been thoroughly reviewed in 2004 to take account of recent developments and experiences in OECD member and non-member countries. The principles are a living instrument, offering non-binding standards and good practices as well as guidance on implementation, which can be adapted to the specific circumstances of individual countries and regions.

*The Company complies with the relevant OECD principles.*

## Euroshareholders Corporate Governance guidelines, 2000

The European Shareholders Group, "Euroshareholders", is the confederation of European shareholders associations. It was founded in 1990 and is based in Brussels. At present, eight national shareholders associations are members of Euroshareholders. The Organization's overall task is to represent the interests of individual shareholders in the European Union.

The main objectives of Euroshareholders are:

- To support harmonization at the EU level on issues such as minority shareholder protection, transparency of the capital markets and cross-border proxy voting.
- To enhance shareholder value in European companies.
- To support corporate governance issues at the European level.

In April 1999, the Organization for Economic Co-operation and Development (OECD) published its general principles on corporate governance. Euroshareholders guidelines are based upon the same principles, but are more specific and detailed.

The Company substantially complies with the guidelines, except the following:

*"Companies should clearly state (in writing) their financial objectives as well as their strategy, and should include these in the Annual Report."*

## Combined Code of Corporate Governance

The Combined Code was derived from the Ron Hampel Committee's Final Report and from the Cadbury and Greenbury reports. The Combined Code is appended to the listing rules of the London Stock Exchange.

The stipulations contained in the Combined Code require, among other things, that the Boards should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. They also required that the directors should, at least annually, conduct a review of the effectiveness of the group's system of internal control and should report to shareholders that they have done so. The review should cover all controls, including financial, operational and compliance controls and risk management.

*The Company substantially fulfils the requirements under the code, excepting that the chairman is a working director and evaluation of performance of the Board is done on yearly basis. The last evaluation was done in January, 2009. The Governance committee of the Board will take it forward.*

## PART - III UNIQUE FEATURES OF MASTEK'S POLICIES

Some of the unique policies which Mastek has been following:

- Mastek's Board spends considerable time discussing corporate governance matters, including business ethics and best practices. On a quarterly basis, there is a corporate governance report comprising of internal reports and certifications on business risk management, financial planning & budgeting, financial risk mitigation & management, shareholder relationship, customer relationship, employee relationship, other stakeholder relationship and asset & IPR protection. The Board discusses the report at length at its meetings. In addition, the customer survey analysis, the employee survey analysis and the Investor survey analysis are placed at the Board meetings.
- Mastek informally conducts satisfaction surveys with analysts from leading domestic and foreign brokerage houses from time to time. The findings are used to stream line the company's investor relations program and processes.
- Four of Mastek's non-executive Directors are independent and are not in any way related to the Company.

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# CORPORATE GOVERNANCE REPORT (Contd.)

## PART - IV REPORT OF THE COMMITTEES OF THE BOARD

### 1. AUDIT COMMITTEE

The Audit Committee of the Board consists of the following directors:

Mr. Diwan Arun Nanda - Chairman

Mr. Amit Shah

Mr. Ashank Desai

The committee has, *inter alia*, the mandate to oversee the Company's financial reporting process and the disclosure of financial information in order to ensure that the financial statements are correct, sufficient and credible. The committee reviewed the independence of both the internal and the statutory auditors and expressed its satisfaction with the same. The Committee discussed the quality of the accounting principles as applied, and significant judgements affecting the financial statements, with the management as well as the internal and the statutory auditors of the Company. The committee also discussed with the statutory auditors, without the presence of the management, the Company's financial disclosures and the quality of the Company's accounting principles as applied, underlying judgements affecting the financial statements, and other significant decisions made by the management in preparing the financial disclosures. The committee, relying on the review and discussions conducted with the management and the independent auditors, believes that the Company's financial statements are fairly presented in conformity with Indian Generally Accepted Accounting Principles in all material aspects. The committee is satisfied that it adequately meets with its responsibilities as recommended in the SEBI Code.

The committee had discussed with the internal and statutory auditors the internal controls to ensure that the accounts of the Company are properly maintained and that accounting transactions are in accordance with prevailing laws and regulations. The committee reviewed the annual audit program and discussed with the auditors their findings and with the management, the follow-up actions. Nothing of a material nature was reported by the auditors.

The Committee has recommended to the Board, the audited stand alone and consolidated financial statements prepared as per Indian GAAP of Mastek Limited and its subsidiaries for the year ended be

accepted by the Board as a true and fair view statement of the financial status of the group.

The Committee, reviewed the Foreign Exchange Exposure Status and Legal Compliance Status on quarterly basis and expressed its satisfaction with the same.

The committee reviewed and approved the Internal Audit Plan for the financial year 2010-11.

The committee recommended to the Board the appointment of Price Waterhouse, Chartered Accountants, as statutory auditors of the Company for the financial year ending June 30, 2011 and that the necessary resolutions for appointing them as auditors be placed before the shareholders.

The committee recommended to the Board the appointment of Price Waterhouse as auditors of the Company for the US GAAP financial statements for the financial year ending June 30, 2011.

Mr Raj Nair resigned from the committee on July 20, 2010. The committee expressed its sincere appreciation for the valuable services rendered by Mr. Nair during his association with the committee

Mr. Anil Singhvi was inducted into the committee on July 20, 2010.

Place: Mumbai  
Date: July 20, 2010

Diwan Arun Nanda  
Chairman, Audit Committee

### 2. SHARE TRANSFER CUM INVESTOR GRIEVANCE COMMITTEE

The Investor Grievance Committee consists of the following directors:

Mr. Ashank Desai - Chairman

Mr. Sudhakar Ram

Mr. R. Sundar

The committee is headed by Mr. Ashank Desai, Non Executive director. The committee has the mandate to review and redress shareholder grievances and to attend to share transfers. The committee reviewed shareholder grievances, redressal of shareholder grievances and share transfers for the year and expressed satisfaction with the same. The committee also noted that the shareholding in dematerialized mode as on June 30, 2010 was 98.57%.



# CORPORATE GOVERNANCE REPORT (Contd.)

The Details of complaints resolved during the financial year ended June 30, 2010 are as follows :

Nature of Complaints	Received	Resolved	Closing
Dividend related	11	11	0

Mr Raj Nair resigned from the committee on July 20, 2010 and Mr. Anil Singhvi was inducted into the committee on July 20, 2010.

To the Members of Mastek Limited

**Declaration regarding compliance with the code of conduct of the Company by Board members and senior management personnel**

This is to confirm that the Company has adopted Code of Conduct for the Board of Directors and senior management personnel of the Company, which is available at [www.mastek.com](http://www.mastek.com).

I declare that the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct of the Company.

**Ashank Desai**

Chairman,

Place: Mumbai  
Date: July 21, 2010

Share Transfer cum Investor  
Grievance Committee

Place: Mumbai  
Date July 21, 2010

**Sudhakar Ram**  
Chairman and Managing Director

## CERTIFICATE FROM PRACTICING COMPANY SECRETARY

### ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT (S)

I have examined the compliance of conditions of Corporate Governance by Mastek Limited for the year ended June 30, 2010 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedure and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion of the financial statements of the Company.

In my opinion and to the best of my information and according to the explanation given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement. I state generally that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Transfer cum Investor Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For V. Sundaram & Co.**

Place: Mumbai  
Dated: July 21, 2010

**V. Sundaram**  
Practicing Company Secretary  
C.P. No. 3373

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# CORPORATE GOVERNANCE REPORT (Contd.)

## SECRETARIAL COMPLIANCE REPORT

The Board of Directors

Mastek Limited

We have examined the registers, records, books and papers of Mastek Limited. ("the Company") as required to be maintained under the Companies Act, 1956 ("the Act"), the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company ("the requirements") for the year ended 30<sup>th</sup> June 2010. Based on our examination as well as information and explanation furnished by the Company to us and the records made available to us, we hereby report that:

1. The requisite statutory registers and other records as required under the Act and the Rules made there under have been maintained in accordance with the Act in physical and electronic mode as applicable.
2. The requisite forms, returns and documents required under the Act and the Rules made there under to be filed with the Registrar of Companies and other authorities have been duly filed.
3. The requirements relating to the meetings of Directors and its Committees thereof and of the shareholders, the minutes of the proceedings thereat have been duly complied with by the Company. The Company has a Board consisting of 8 members and the board had met 7 times and the minutes have been recorded properly in the minutes book maintained for the purpose. As required under the Listing Agreement and Companies Act the Company has the following Committees:
  - Audit Committee: The committee has met 4 times during the year under review. The minutes are recorded.
  - Share Transfer Committee cum Investor Grievance Committee: The committee had held 12 meetings and the minutes are properly recorded.
  - Compensation/Remuneration Committee: The committee had held 4 meetings and the minutes are properly recorded.
  - There are other non-mandatory committees like Governance Committee, Nominations Committee, Corporate Directors Committee and Buyback Committee.

The Company has not passed any resolutions through the postal ballot route under the provisions of Section 192A and the rules made there under.

4. The re-appointments of Directors who retired by rotation during the period under review at the Annual General Meeting have been made in accordance with the requirements of the Act. Mr. Rajesh Mashruwala resigned from the board on 13<sup>th</sup> April, 2010 and Mr. Anil Singhvi was appointed as an additional director on 23<sup>rd</sup> April, 2010. Mr. Ashank Desai, Non-Executive Director, was paid certain perquisites/facilities, the monetary value of the same did not exceed Rs. 15,00,000/- (Rupees Fifteen Lakhs only) as specified in the consent letter issued by the Government of India on an application made by the Company.
5. Due disclosures under the requirements of the statutes have been made by the Company. The Company had allotted 44,443 Equity Shares under ESOP schemes for its executives and employees, after complying with the provisions of the Companies Act and the Listing Agreements. The shares so allotted have been listed as required under the Listing Agreement. The Company has also complied with all the requirements of the Listing Agreements with the Stock Exchanges. The Company has complied with the provisions of SEBI (Disclosure & Investor Protection) Guidelines 2000.
6. The Company has complied with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 as amended from time to time. The Company has received the information as required from the promoters & others and had filed statements with the stock exchanges under the regulation 8 (3) of the said Regulations within the stipulated period.
7. The Company has complied with the requirements of the Depositories Act 1996 pertaining to dematerialization of shares. As per information received from Sharepro Services (I) Pvt. Ltd, who were appointed by the Company as Registrars and Transfer Agents (R T A), no requests for rematerialization has come. The Company has not received any requests from any members holding physical shares for transfer/transmission/transposition.
8. The Company had declared Interim Dividend and the Final Dividend for the previous financial year at the Annual General Meeting held during the year and the same have been paid after duly complying with the requirements of the Act within the stipulated time as prescribed under the Act. The Company has transferred the monies lying in unclaimed dividend account to the Investors' Education and Protection Fund.
9. The Company has obtained credit facilities from Banks and the necessary compliances of the provisions of section 293(1) (a) and 293 (1) (d) of the Act are made.

# CORPORATE GOVERNANCE REPORT (Contd.)

The company has not created any charge during the year under review.

10. The Company has complied with the provisions of section 372A and other provision of the Act in respect of guarantees given, loans granted and investment made by way of Equity Shares in subsidiaries and other companies during the financial year ending 30<sup>th</sup> June, 2010. The Company has, wherever required, obtained the necessary approvals of the Board or Committee thereof, shareholders, the Central Government or other authorities as per the requirements of the Act.
11. The Company has neither accepted any Fixed Deposits nor borrowed by way of debentures. The dividends declared have been paid during the year. The Annual Return and the Annual Reports were duly filed as required under the Act. The Company has, therefore not defaulted in any of the provisions of Section 274 (1) (g) of the Act, which would otherwise disqualify the Directors of the Company from acting as Directors of any other Company.
12. The Company has complied with the relevant clauses of the listing agreement with the Stock Exchanges

pertaining to submissions of the statements, documents, disclosure requirements, publication in newspapers, press releases, Corporate Governance Standards as prescribed in clause 49 of the Listing Agreement. The Company has complied with the relevant provisions of SEBI (Prohibition of Insider Trading) Regulations 1992 as amended from time to time. The Company noted the Code of Conduct for Directors and other Senior Executives as required under the Clause 49 of the Listing Agreement.

13. The Company has made proper entries in the register and relevant disclosures of the Contracts in which directors are interested as required under the Section 301 of the Companies Act.
14. The Company has not during the period under review bought back any shares of the Company.

**For V. Sundaram & Co.**

Place: Mumbai  
Dated: July 21, 2010

**V. Sundaram**  
Practicing Company Secretary

# CORPORATE GOVERNANCE REPORT (Contd.)

## INVESTOR INFORMATION

### 1. COMPANY OVERVIEW:

Incorporated in 1982, Mastek is a leading IT player with global operations providing enterprise solutions to businesses and governments worldwide. The company architects, designs, develops, integrates and maintains strategic applications that create a tangible business impact at customers' end. The company is currently focused on two verticals - Insurance and Government. Mastek has substantial experience and intellectual property in these verticals.

Mastek operates across the North America, Europe, and Asia Pacific regions. The Company was promoted by Mr. Ashank Desai, Mr. Ketan Mehta and Mr. R.Sundar. Mr. Sudhakar Ram joined the Company as Promoter Director in the year 1984.

Mastek had its IPO (Initial Public Offering) in December 1992 and raised Rs. 422.1 lacs in gross aggregate proceeds. There was an additional public offering in March 1996 when the company raised Rs. 720 lacs in gross aggregate proceeds.

2. EQUITY HISTORY:	Number of shares
Prior to Initial Public Offer	23,97,000 of Rs. 10/- each
Initial Public Offer in December, 1992	6,03,000 of Rs. 10/- each
Issued under Employees' Stock Option Plan till 1996	56,640 of Rs. 10/- each
Second Public Offer in March, 1996	4,00,000 of Rs. 10/- each
Bonus Shares in January, 2000	34,56,640 of Rs. 10/- each
Adjusted the above in view of sub-division of shares of Rs. 10/- into two shares of Rs. 5/- each	1,38,26,560 of Rs 5/- each
Buy-back of shares in 2003-04 & 2004-05	3,99,848 of Rs. 5/ each
Bonus Shares in April, 2006	1,40,54,594 of Rs. 5/- each
Issued under Employees' Stock Option Plans from 2000-01 till 2008-09	10,78,283 of Rs. 5/ each
Shares Bought back from May, 2008 to June 30, 2008	14,83,232 of Rs 5/ each
Shares Extinguished till June 30, 2008	9,15,714 of Rs 5 each
Issued under Employees' Stock Option Plans in 2009-10	44,443 of Rs. 5/- each

### 3. THE COMPANY'S EQUITY SHARES ARE LISTED ON THE FOLLOWING STOCK EXCHANGES:

National Stock Exchange of India Limited

Bombay Stock Exchange limited

- (i) All inquiries relating to the shareholder records, share transfers, transmission of shares, change of address, non-receipt of dividend, loss of share certificates, etc. should be addressed to:

The Share Transfer Agent:

Sharepro Services (I) Pvt. Ltd.

Samhita Warehousing Complex,

13AB, Gala No. 52,

Nr. Sakinaka Telephone Exchange,

Off. Andheri-Kurla Road,

Andheri (East),

Mumbai - 400 072

Phone: 6772 0300 / Fax : 2837 5646

e-mail: indira@shareproservices.com

saritam@shareproservices.com

Contact Person: Ms. Indira Karkera/Ms. Sarita

- (ii) **Share Transfer System:** The Company processes shares sent for transfer, transmission etc. every month. Transfers/transmissions which are complete in all respects are registered and returned within 30 days of lodgement.

The Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities as per the requirement of Clause 47 (c) of the Listing Agreements of the Stock Exchanges. The Company has obtained quarterly certificates for the timely dematerialization of shares of the Company as per the requirement of the SEBI (Depositories & Participants) Regulations, 1996. These certificates have been submitted to the Stock Exchanges and the National Securities Depository Limited/Central Depository Services (India) Limited. The Company has also carried out Secretarial Audits for the Reconciliation of Share Capital as required under the Listing Guidelines every quarter and the quarterly secretarial audit reports issued by an independent Practising Company Secretary have been regularly filed with the Stock Exchanges.

- (iii) **Bank Details for Electronic Shareholdings:**

While opening accounts with Depository Participants (DP), you may have given your Bank Account details, which will be used by the Company for printing on dividend warrants for remittance of dividend. SEBI vide its circular no. DCC/FITTCIR-3/2001 dated October 15, 2001, has

# CORPORATE GOVERNANCE REPORT (Contd.)

advised that all companies should mandatorily use ECS facility wherever available. In the absence of availability of ECS facility, companies may use warrants for distributing the dividends. Vide its circular no. D&CC/FITTC/CIR-04/2001 dated November 13, 2001, SEBI has advised companies to mandatorily print the Bank Account details furnished by the Depositories on the dividend warrants. This ensures that dividend warrants, even if lost or stolen cannot be used for any purpose other than for depositing the money in the Account specified on the dividend warrants and ensures safety for the investors. Members are requested to furnish their Bank Account details to their DPs, if not already informed.

## 4. ANNUAL GENERAL MEETING:

- Date and Time : October 1, 2010 at 3 p.m.
- Venue : Gajjar Hall, Nirman Bhavan, Law Garden, Law College Road, Ellis Bridge, Ahmedabad 380 006 Gujarat, India

## 5. FINANCIAL CALENDAR:

- Financial reporting for the quarters ending –  
September 30, 2010: around October 12, 2010  
December 31, 2010: around January 12, 2011  
March 31, 2011 : around April 12, 2011  
June 30, 2011 : around July 22, 2011

## 11. DISTRIBUTION OF SHAREHOLDING AS ON JUNE 30, 2010

Range No. of shares	Number of Shareholders	Percentage	Value Rs.	Percentage
1 - 500	14,483	91.97	60,46,645	4.49
501 - 1000	707	4.49	27,21,905	2.02
1001 - 5000	448	2.85	45,68,950	3.39
5001 - 10000	34	0.22	12,29,130	0.91
10001 and above	75	0.47	12,01,53,055	89.19
<b>TOTAL</b>	<b>15,747</b>	<b>100</b>	<b>13,47,19,685</b>	<b>100</b>

## DISTRIBUTION OF SHAREHOLDING AS ON JUNE 30, 2009

Range No. of shares	Number of Shareholders	Percentage	Value Rs.	Percentage
1 - 500	13,289	90.22	57,74,880	4.29
501 - 1000	804	5.46	30,54,580	2.27
1001 - 5000	501	3.40	50,55,610	3.76
5001 - 10000	55	0.37	20,06,210	1.49
10001 and above	80	0.54	11,86,06,190	88.19
<b>TOTAL</b>	<b>14,729</b>	<b>100</b>	<b>13,44,97,470</b>	<b>100</b>

- Annual General Meeting for the year ending June 30, 2011 : around October 1, 2011

## 6. BOOK CLOSURE DATE:

September 23, 2010 to October 1, 2010.  
(Both days inclusive)

## 7. DIVIDEND PAYMENT:

on or after October 6, 2010 but within the statutory limit.

## 8. STOCK CODE :

Name of the Exchange	Scrip Code	Reuters	Bloomberg
Bombay Stock Exchange	523704	MAST.BO	MAST@IN
National Stock Exchange	MASTEK	MAST.NS	MMAST@IN

## 9. LISTING FEES PAID:

The Company has paid annual listing fees of the Stock Exchanges where the Company's shares are listed.

## 10. CAPITAL STRUCTURE:

Authorised Capital

Equity Rs. 20,00,00,000/-

Preference Rs. 20,00,00,000/-

Issued, Subscribed and Paid-up Capital

Equity Rs. 134,719,685

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# CORPORATE GOVERNANCE REPORT (Contd.)

## 12. ANNUAL HIGH-LOW PRICE HISTORY FOR PREVIOUS THREE YEARS

Fiscal Year	BOMBAY STOCK EXCHANGE		NATIONAL STOCK EXCHANGE	
	Price Per Equity share (Rs.)		Price Per Equity share (Rs.)	
	High	Low	High	Low
2010	462	192	466	195
2009	390	97	400	97
2008	419	220	418	224

## 13. QUARTERLY HIGH-LOW PRICE HISTORY FOR PREVIOUS TWO YEARS

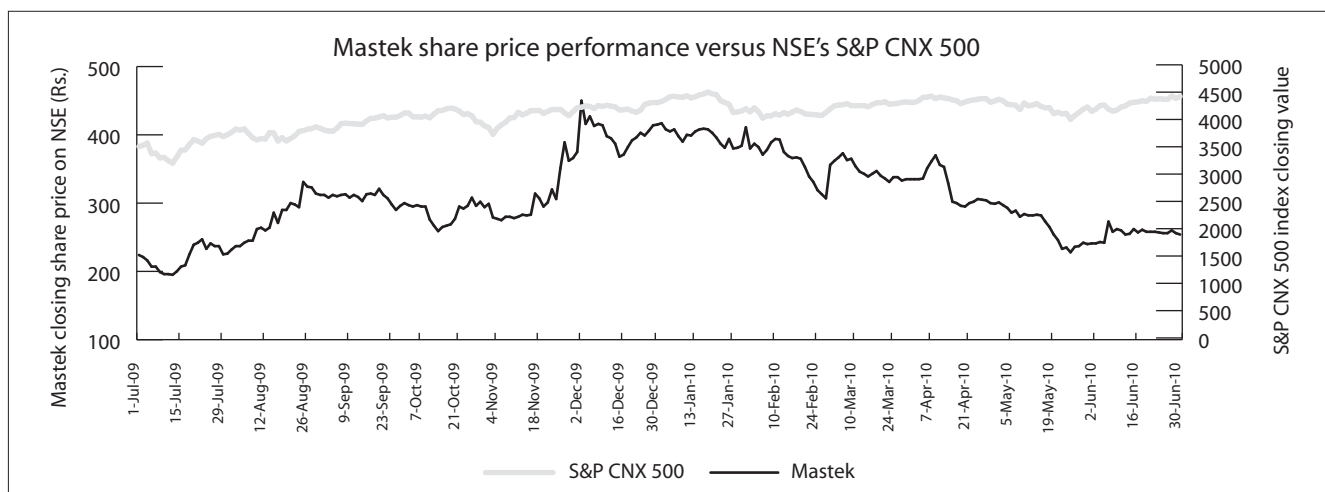
Fiscal Year	BOMBAY STOCK EXCHANGE		NATIONAL STOCK EXCHANGE	
	Price Per Equity share (Rs.)		Price Per Equity share (Rs.)	
	High	Low	High	Low
<b>2010</b>				
1st quarter	343	192	345	195
2 <sup>nd</sup> quarter	462	254	466	255
3 <sup>rd</sup> quarter	423	291	423	283
4 <sup>th</sup> quarter	379	225	376	227
<b>2009</b>				
1st quarter	390	265	400	265
2 <sup>nd</sup> quarter	339	150	315	150
3 <sup>rd</sup> quarter	179	97	179	97
4 <sup>th</sup> quarter	266	117	265	117

## 14. MONTHLY VOLUMES AND PRICES: FISCAL 2009-10

Month and year	BOMBAY STOCK EXCHANGE			NATIONAL STOCK EXCHANGE		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Jul-09	255.00	192.10	407,451	255	195	963,236
Aug-09	343.00	231.00	569,155	345	230	1,666,023
Sep-09	329.90	288.00	266,645	328	289	950,265
Oct-09	318.50	254.20	468,004	318	255	1,233,354
Nov-09	394.00	270.10	2,180,439	396	271	5,169,662
Dec-09	462.00	363.00	4,509,451	466	362	10,470,150
Jan-10	423.00	361.00	872,407	423	365	2,224,624
Feb-10	417.90	306.20	613,948	418	305	1,548,956
Mar-10	377.90	290.70	711,909	379	283	2,124,168
Apr-10	379.00	282.00	810,219	376	289	2,297,598
May-10	303.00	225.00	110,162	303	227	297,148
June-10	289.00	238.00	1,616,217	290	232	4,397,985

# CORPORATE GOVERNANCE REPORT (Contd.)

## MASTEK SHARE PRICE PERFORMANCE VERSUS NSE's S&P CNX 500



Note: Daily closing prices on the NSE have been considered for the comparison in above chart.

Source: [www.nseindia.com](http://www.nseindia.com)

### 15. SHAREHOLDING PATTERN - AS ON JUNE 30, 2010

Category	No of Shares	% of Shareholding
Indian Promoters	11,506,660	42.71
Mutual Funds And UTI	21,371	0.08
Financial Institutions/Banks	70	0.01
Insurance Companies	3,408,854	12.65
Foreign Institutional Investors	8,530,181	31.66
Directors	24,102	0.09
Bodies Corporate	374,830	1.39
Individuals Holding Nominal Capital Upto Rs. 1 Lakh	2,593,267	9.62
Individuals Holding Nominal Capital More Than Rs. 1 Lakh	197,684	0.73
Non-resident Indians	286,918	1.06
<b>Grand Total</b>	<b>26,943,937</b>	<b>100</b>

### SHAREHOLDING PATTERN - AS ON JUNE 30, 2009

Category	No of Shares	% of Shareholding
Indian Promoters	11,542,260	42.91
Mutual Funds And Uti	225,741	0.84
Financial Institutions/Banks	2,412	0.01
Insurance Companies	3,753,982	13.96
Foreign Institutional Investors	7,579,886	28.18
Directors	16,821	0.06
Bodies Corporate	252,411	0.94
Individuals Holding Nominal Capital Upto Rs. 1 Lakh	2,864,614	10.65
Individuals Holding Nominal Capital More Than Rs. 1 Lakh	413,121	1.54
Non-resident Indians	248,246	0.91
<b>Grand Total</b>	<b>26,899,494</b>	<b>100.00</b>

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# CORPORATE GOVERNANCE REPORT (Contd.)

## 16. DETAILS ON PHYSICAL & ELECTRONIC MODE

Date	Status of Shares - Physical versus Electronic mode		
	Physical	Electronic	Total
June 30, 2010	3,85,011	2,65,58,926	2,69,43,937
June 30, 2009	4,31,216	2,64,68,278	2,68,99,494

## 17. OVERVIEW OF THE VOLUME OF CORRESPONDENCE HANDLED DURING THE YEAR ENDED JUNE 30, 2010:

	No of Letters
Investors' correspondence handled	
* Classification of correspondence handled	
1. General letters seeking information and advice	—
2. Cases of non-receipt despite proper dispatch of dividend Warrants and Share Certificates.(Complaints not amounting to grievance)	11
3. Complaints	—
<b>Total</b>	<b>11</b>

There were no pending transfers as on June 30, 2010.

## 18. INSTITUTIONAL SHAREHOLDERS WITH MORE THAN 1% HOLDING AS AT JUNE 30, 2010-

Sr No	Name of the Shareholder	Number of shares	%
1	Nalanda India Fund Ltd	2,688,020	9.98
2	Fidelity	1,850,000	6.87
3	Bajaj Allianz Life Insurance Co Ltd	1,825,134	6.77
4	Life Insurance Corporation of India	1,375,623	5.11
5	Dynamic Global Value Fund	1,338,141	4.97
6	Goldman Sachs Investments (Mauritius) Ltd	1,206,533	4.48
7	Dynamic Global Value Class	274,569	1.02
8	Dynamic Far East Value Fund	269,722	1.00

## 19. Transfer to the Investor Education & Protection Fund

Pursuant to the provisions of Section 205A(5) and Section 205C of the Companies Act, 1956, (the Act) the amount of dividend of Rs. 205,338/- which has remained unclaimed and unpaid for a period of seven years from the date of transfer of such amount to Unpaid Dividend Account, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Accordingly, the amount of dividend for the financial year ended June 30, 2003 which has remained unclaimed and unpaid for the stipulated period is due to be credited to the IEPF on October 29, 2010 and no claims shall lie against the IEPF or the Company in respect of such amounts after this date.

Members who have so far not encashed their dividend warrants or have not received the dividend warrants are requested to lodge their claim, if not already lodged with Sharepro Services (i) Pvt. Ltd., the RTA for revalidating the warrants or obtaining duplicate warrants/ or payment in lieu of such warrants in the form of demand draft for payment of the unclaimed dividend amount.

## **20. Information for shareholders on the Internet**

The Company actively communicates its strategy and the developments of its business to the financial markets. Quarterly results and related disclosures are put up on its website. The senior executives of the Company regularly interact with analysts and investors. Press releases and analyst/investor conference calls are organized by the Company, with releases or transcripts thereof made available on the website. Shareholders can access the homepage at <http://www.mastek.com> for more information and may register for regular updates.

## **21. Outstanding GDRs/ADRs/warrants or any convertible instruments:**

There are no outstanding GDRs/ADRs/warrants except for the stock options granted to the employees of the Company and its subsidiaries which shall be eligible for conversion over the vesting period. The options, when exercised, shall increase the equity share capital.

## **22. Off-shore Development Centers:**

The Company has Off-Shore Software Development Centers at SEEPZ, Mumbai, Mastek Millennium Center, Millennium Business Park, Mahape, Pune and Chennai.

## **23. Compliance Officer of the Company:**

Name: O Banerjee, Company Secretary  
Address: **Mastek Limited,**  
#106, SDF-4, SEEPZ,  
Andheri( East), Mumbai-400 096  
Phone No: + 91-22-66952222  
Fax: +91-22-66951331



# *CORPORATE SOCIAL RESPONSIBILITY*

Since inception, Mastek has always been a company focused on building long-term relationships with customers. And to a great extent we have been successful. This success is not by chance but by design. At an organization level, we have laid out 3 areas to ensure customer engagement and intimacy.

## **Organization structure**

At Mastek we are structured to serve our customers.

This year we are realigning our various teams, including the sales & marketing, solutions and delivery teams, to give one view of the organization and create solutions that deliver business value to our customers.

We encourage our account managers and program managers to build strong interpersonal relations with our customers, understand their business domain, vision and challenges. Our senior business managers and delivery heads meet with customer representatives on a regular basis to assess their satisfaction and needs.

## **Customer Intimacy Programs**

At Mastek we organize various customer intimacy programs that gives our customers an opportunity to network and get-to-know a broader Mastek, its people and its capabilities. Such programs are frequently organized and are led by the relevant Business Unit heads.

Mastek's leadership team also takes active participation in networking with our customers. This year we launched 'Executive Connections Program', a forum where the

Mastek leadership team gets a chance to network with our C-level customers and partners. This program also helps our customers to understand Mastek's capabilities and focus areas.

## **Customer Satisfaction Survey**

We at Mastek are always keen to understand our customers' views and elicit their suggestions on our performance and on the services we offer. To build a holistic picture of Mastek's engagement, last year we enhanced our Customer Satisfaction Survey to cover Relationship & Engagement Satisfaction and Delivery Satisfaction.

This survey allows us to monitor our performance against a number of key performance metrics and provides our customers with an opportunity to make their opinions, good or bad, known to us. Not just once a year, but twice a year. Yes, Customer Satisfaction Survey is a bi-yearly affair at Mastek.

Responses to this survey are taken with utmost priority. They are well analyzed and presented to a core team comprising of unit heads and business heads. This team is chaired by Mastek's Chairman and Managing Director. Follow-up action points are discussed, finalized and monitored.

At Mastek, we are committed to deliver exceptional solutions to customer and customer satisfaction surveys are critical in helping us do so. It also helps us in understanding the client's business and vision, and how best IT can drive their business and give them sustainable competitive advantage in the marketplace.

# CORPORATE SOCIAL RESPONSIBILITY (CONTD.)

## PEOPLE PRACTICES

At Mastek, the focus for the year has been on strengthening through consolidation - consolidation of our processes and systems and leveraging them to retain, engage and develop our people.

Some of the key programs undertaken during the year are highlighted below.

### Prism Club - A Top Talent Engagement and Development Program

A large focus for us this year has been the retention and development of our people. Towards this end, we conceptualized and implemented an innovative program for the engagement, development and retention of our Top Talent called 'Prism Club'.

Our Top Talent is a group of vibrant outstanding performers from across the organisation throughout the globe. The 'Prism Club' program was launched this year and covers all Mastekeepers who were rated in the top bracket through the performance assessment process. These Mastekeepers are personally invited by the CEO to be part of the distinctive Prism Club. They are awarded a certificate of membership and the same is valid for a year. The objectives of the Club are as below

- Strengthen organisational capability through focus on top talent development and retention
- Offer programs that support growth & development of Members
- Provide focused opportunities for training, developmental exposures and experiences
- Provide platforms for interaction with and garner learnings from Senior Global Leaders
- Strengthen engagement levels and provide opportunities to contribute to organisational success

The programs of the club were designed around the below four areas

Personal Growth & Development Programs			
Interaction with and learning from Global Leaders	Contribution to Organisational Initiatives	Training, Learning & Development	Focus on Career Planning

To meet the objective of 'Interaction with and learning from Global Leaders' and Learning & Development' we designed and executed special sessions called the 'Book Review' sessions. For these, we identified books with a focus on development, management and leadership and copies of these books were sent to each Prism Club Member. A global same time call was held to dialogue on the key messages and takeaways of the book.

The overall feedback on the Prism Club has been positive. Members appreciated the efforts to recognize their distinctive contributions and provide them development inputs. The objective of retention in tough times was also met, with over 86% retention rate of members.

### A fully automated Performance Management System

One of the key HR processes is the Performance Management System. While last year we had worked on strengthening the overall process through feedback from key stakeholders, this year we have focused on streamlining the process through a fully automated online system.

The new fully automated Performance Management System has been designed and developed internally. It is a comprehensive yet easy to use application that will ensure setting of high quality KRAs, enable multiple assessments during the year to track individual performances, create learning plans linked to learning & development resources among other things.

### Rewards & Recognition

In order to strengthen engagement and provide opportunities for timely recognition of outstanding performances & behaviors that give us the winning edge, a new comprehensive rewards & recognition framework was designed.

The framework was aimed at identifying key outcomes and behaviors that Mastek values and designing awards or means of recognition for each of them. This framework has been designed with input from employees across the organisation and incorporates a wide variety of ideas for recognizing and motivating our employees.

### Continuous Communication

This past year, we continued our best practices in employee communication like Quarterly Meetings, Senior Leadership Buzz & Chats, Senior Managers Global Monthly Con-calls and Town Hall for Managers. To ensure that all important leadership communication is regularly shared with all our employees, we also introduced a Leadership Monthly Newsletter called 'Insight'. This newsletter, which is

# CORPORATE SOCIAL RESPONSIBILITY (CONTD.)

available on our Intranet, enables all employees to hear directly from our Global Leaders and become aware of the happenings within the company.

This year we also had 'All Hands Call' wherein all employees globally connected to a same time conference call to listen to leadership updates directly from our Managing Director and CEO.

We host a quarterly poll on internal communication to garner feedback from employees on our practices of internal communication and their satisfaction with them. We are happy to share that the scores from these polls have been positive.

## **Employee Engagement through involvement**

Employee engagement was a key focus for the year and a team was set up to identify key areas of action at the beginning of the year. A Fun and Joy committee also was set up to design and implement initiatives which encourage fun at work and get Mastekeers involved and engaged.

Employees across functions, locations and grades became part of this committee and were deeply involved in creating and executing an exciting Fun & Joy calendar for the year. The committee organized events around festivals, health & wellness, social awareness and sporting activities which were highly appreciated by all Mastekeers.

## **Creating more avenues for Learning & Development**

Learning & Development at Mastek plays a crucial role in the overall development of our employees. We have an induction program to align all Mastekeers coming on board - align with systems, procedures and processes and help them identify with what Mastek stands for; appreciate Mastek values and culture. Besides the general induction, every Mastekeer undergoes a project induction which aligns him/her to the project.

Fresh trainee recruits joining Mastek are enabled to transition to the work environment by a rigorous three month orientation programme focusing on technical, softskills, and processes along with projects which simulate the real life work environment.

To cater to the training needs of the organization, we have an online training calendar and registration system which groups together all trainings like Technology, Soft Skills and Processes under one umbrella.

### *Technology Training Programs:*

We have been focusing on gearing up Mastekeers with the latest technology trends in areas like JEE; Microsoft & Oracle to ensure the rights skill sets are in place to meet

future requirements. This year the focus was more on data warehousing and testing trainings. Domains like EAI/ B2B, portal technologies like SharePoint along with designs & performance aspects have also been looked at for Mastekeers. We also delivered sessions on best practices, effective tool usage with the objective of increasing developer productivity and to address the growing needs of application security. Through security workshops we are aiming to ensure that all project teams are security-aware and the applications we build are secure by design, development and deployment.

Based on latest market trends, we announced new technology adoption programs which helped Mastekeers to keep themselves updated with latest technologies. This year, some of the programs we introduced were - JSE 6.0, .NET 3.5, SQL server 2005, BizTalk 2006 R2, UML 2.1 among others.

### *Insurance Training Programs:*

A range of approaches including formal training, in-house seminars, knowledge sharing, on the job learning, conferences and workshops are organized towards building insurance and domain related competencies in Mastekeers

### *Certifications:*

As part of our policy we facilitate certifications for our employees in the areas on Project and Programme Management; Insurance Domain, Testing (ISTQB, CSTE, Load Runner QTP) and Development (Technologies like Microsoft, Oracle, Sun, IBM, UML, CISCO, QAI for SQA).

Mastek has been honored with **Excellence in Education Award** consecutively in the second year by LOMA. The Excellence in Education Award recognizes companies doing an outstanding job of developing their human resources through the use of LOMA's professional education and learning programs

### *Process Training Programs:*

We believe in enhancing the process knowledge of the Mastekeers apart from catering to their behavioral and technical development. The organizational process group offers various role-based and generic training programs which are based on the processes as defined in organization's QMS

### *E - Learning:*

In 2009, we introduced the concept of e- learning and made both technology and business skills available to Mastekeers with the aim of building and facilitating a continuous learning culture. With the economic downturn,

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this year a considerable emphasis has been on training being provided by internal subject experts and e-learning which enabled Mastekers across the globe to undergo self paced online training programmes and brain-bench certifications.

### *Soft Skill Trainings:*

On the soft skills front, we strengthened the designs with customised solutions relevant for projects, and also leveraged on building managerial and leadership capabilities through the launch of e-learning programmes in this area. We also strengthened managerial and leadership development programs by offering “One skill a month” programs to enable managers to adapt to skills like delegation, coaching, giving and receiving feedback. Besides this, to enhance workplace productivity of Mastekers, we offered various sessions like email etiquette, note taking and problem solving. A special program, titled “Rising in Adversity” was offered to enable Mastekers to cope with turbulent times.

### **Strengthening HR Operations and Policies**

On the HR Operations front, various employee related policies were reviewed and revamped. A significant rollout, in line with Board directions, was a global Code of Business Conduct & Ethics Policy which spelt out operative guidelines for business conduct by all stakeholders of Mastek. It carried detailed guidelines on dealing with any case of ethics violation, sexual harassment at work place and conflict of interests.

Various other policies also underwent a review, in line current business requirements - viz. Travel, Holiday

working, India Leave, etc. Some other policy reviews are work-in-progress, like Shift Allowance policy and Job Rotation policy.

On the Compensation & Benefits front, the 2009 appraisal letters were released globally; Incentives were released to the Delivery & Support groups and OTB for MAP & India Sales teams. A mid-term salary revision was implemented in February 2010 and new compensation structures were rolled out for new countries like Thailand and Hong Kong. Interim salary hiring band adjustments were made to help the Recruitment team to attract candidates, in line with market movements, while maintaining internal parity. Project specific Incentive schemes were also introduced in some of the key/critical Projects.

A major achievement in the area was the successful grade mapping of the P&C resources, and integrating them into the Mastek structure. Their compensation integration is being taken up as part of this year’s salary revision.

Important activities currently underway are the annual revision exercise to be rolled out in Jul’10, plans to consolidate the global compensation and benefits activities in India for a central tracking and monitoring, offshoring some of the operational tasks related to onsite deputations, travel briefings, visa status tracking, an integrated operations control mechanism to bring in all employee related touch points under a single tracking system, etc. Automation initiatives are being taken up with internal technical partners in the areas of C&B and HR Operations to maximize the overall HR service delivery to all stakeholders.



# CORPORATE SOCIAL RESPONSIBILITY (CONTD.)

## MASTEK FOUNDATION

*"The 21st century calls for more socially conscious corporations. These new companies must be adept at generating solutions that can provide a win for every stakeholder."*

*Sudhakar Ram*

*Chairman and Managing Director Mastek*

### Philosophy of the Mastek Corporate Brand and CSR

The Corporate brand of Mastek is symbolized by its logo 'The Prism'. A prism, unlike the mirror that reflects or the glass that lets light pass through, transforms the white ray of light that passes through it to a spectrum of colours. At Mastek we 'live our brand values' by making a difference for our customers, for our employees and for the community. The Mastek Foundation aims to inspire Mastekeers to contribute to the less privileged sections of our communities by informed giving and also encourage responsible receiving by organizations focused on community issues. As a socially responsible organization, we also do our bit to minimize our carbon footprint and energy consumption. The leadership at Mastek plays an active role in creating awareness and providing platforms for dialogue for The New Constructs for living in a connected age.

Mastek Foundation organises a variety of programmes to inspire Mastekeers to contribute - either in terms of money, time or skills. Our volunteering and payroll giving programmes allow Mastekeers to become 'informed givers' and develop as holistic human beings. We encourage our employees to be a part of Mastek Foundation activities to sensitise them to the various social issues and motivate them to become change agents.

During 2009-10, Mastek Foundation conducted various programmes and received an encouraging response from employees. Some of these programmes are ongoing while the others are one-time events.

### Akanksha Mentorship Programme

We launched the Akanksha Mentorship programme, in collaboration with the Mastek Foundation, in Mastek on 20 June 2009 to provide adolescent children from less privileged backgrounds the opportunity to interact with and seek guidance from corporate executives or professionals.

A group of young Mastekeers came forward to mentor some children from a chawl in Mankhurd. The programme has been successfully running for a year now. There are weekly activities like orientation at the Mastek office premises, celebration of festivals like Diwali and Children's Day, movie screening etc, besides regular grooming sessions. As a result, the mentors and the children now share a special bond.



*Mentoring Session at Mahape office*

### Joy of Giving Week

India celebrated the 'Joy of Giving' week from 27 September to 3 October 2009. As always, Mastekeers led the way, with the Capita (Non-Insurance) team setting up their fourth library for Prerana at Kharghar. The centre houses about 45 minor girls rescued from red light areas. The children selected the books in the library and purchased with the funds raised by Capita NI team.



*The girls at Prerana give thanks to employees*

### Basic Computer Training for Underprivileged Children

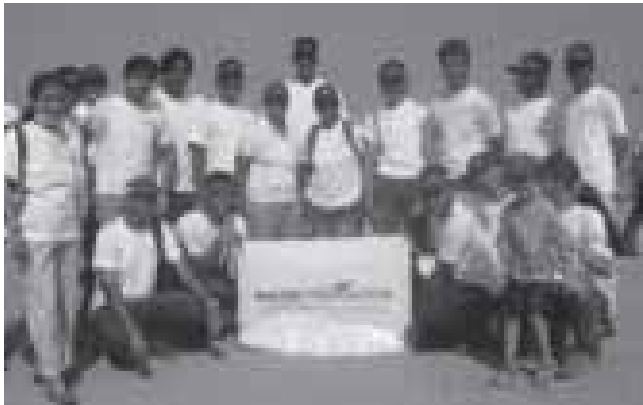
Mastekeers conducted a basic computer operation programme for underprivileged children as part of the ongoing Magic Bus activity. The eight-week course culminated on 10 October 2009. Programmes like these allow Mastekeers to use their skills to provide these children a basic understanding of computers.

### International Coastal Clean-up Day

The third Saturday of September every year is celebrated as International Coastal Clean-up Day. Thirty Mastekeers

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armed with gloves and garbage bags set off to clean up Juhu Beach on 19<sup>th</sup> September to demonstrate their commitment to a clean Mumbai.



*Employees on a clean-up drive at Juhu Beach*

## **Spreading Diwali Cheer, Foundation Style!**

Every year, we do things to augment the feeling of novelty, freshness and cheerfulness that a festival brings, like decorating our homes, buying new things and even painting our houses.

This Diwali, Mastekeers did a pioneering effort of painting the premises of 'Sangopita', a home for mentally and physically challenged children at Badlapur. The painting of the premises done by Mastekeers will be an eternal source of joy for them and was a pleasant team building exercise for us.



*Employees at Sangopita centre (Badlapur)*

Meanwhile, the Capita team raised money to purchase new clothes for 45 girls at Vatsalya Trust's Balikashram for orphaned and destitute girls. The girls were thrilled by the gift of brand-new clothes on their favourite festival.

## **The Art of Responsible Receiving**

Mastek Foundation, in association with PMI Educational Foundation (PMIEF), the philanthropic arm of Project Management Institute (PMI), held two-day project management workshops for NGOs on 'responsible receiving'.

Personnel from 20 NGOs took part in the workshop on 22 and 29 August 2009. The same module was conducted for the next set of NGOs on 23 and 30 January 2010.

## **Celebration of World Kindness Day and Children's Day**

Mastek Foundation held a combined World Kindness Day and Children's Day celebration on 13 November for children from Aarambh, which works in the slum communities of Navi Mumbai. Cheques to support mid-day meals for four months were handed over. Seventy-five children are fed everyday through this programme.

## **Pune Mastekeers Help Set Up Library**

Mastekeers at Pune set up a library of around 500 books at Maher, an organization for mentally disturbed women and destitute children, on 21 November 2009. A lot of inmates make good use of the library.

## **Solar Power Initiative**

In March 2009, Mastek adopted a village for solar lighting under the Lighting a Billion Lives (LaBL) campaign in association with The Energy & Resources Institute (TERI).

Employees raised Rs 3 lakh to light up Dhawalpuri, a small hamlet in Ahmednagar district of Maharashtra. A Mastek employee executed the project, from delivery of the lamps and charging stations, to distribution of the solar lanterns. The entire village was finally lit up by solar power in



*Solar power - a ray of hope (LaBL)*

# CORPORATE SOCIAL RESPONSIBILITY (CONTD.)

November 2009.

## Cataract Detection Camp at Village Bhara

A cataract detection camp was organized in association with Bhaktivedanta Hospital at Bhara, a remote village in Thane district. Around 240 patients were examined and 25 were detected with cataracts. Mastek Foundation sponsored the camp as well as the surgeries at Rs 1,200 per patient.

## Blood Donation Drives

Mastek organized blood donation drives in July 2009 and February and March 2010 in association with Think Foundation, a non-profit working towards thalassemia awareness, detection and provision of blood during emergencies.

## Visit to Indian Navy Warship

We took the children of Prerana to visit the largest Indian Navy warships INS Viraat and INS Delhi on 18 April 2010. The children of Magic Bus and Akanksha Foundation were taken to INS Delhi and Submarine INS Shalakra on 13 June 2010.



*NGO children with Captain of INS Delhi*

The children as well as the volunteers were thrilled with the informative tour of the warships.

## Launching Mastek Foundation Volunteers' World

Mastek Foundation launched a virtual community – Volunteers' World – for Mastekers. This interactive portal on the intranet has generated a tremendous response and helped spread the word about interesting volunteering opportunities.

## Spirit of Mastek Awards

Like every year we continued our tradition of recognizing

individuals who have gone beyond their call to make a difference in the community. These individuals are role models and an inspiration to others. The awards are distributed at the Mastek Quarterly meeting. This year's award winners include:

1. Naseema Hurzuk, a wheelchair-bound paraplegic woman who devoted her life to the service of handicapped and founded Helpers of The Handicapped.
2. Vinayak Lohani, who after completing his IIT and IIM, devoted his life to ensuring the overall development of children, including orphans, girl children highly vulnerable to exploitation, victimization, and trafficking, street children, abandoned children and extremely impoverished children from tribal areas at Parivaar Ashram, Village Barkalikapur. District 24 Parganas (South), West Bengal.
3. Sweta Mangal, who at the age of 26 after witnessing unfortunate personal incidents where ambulance services were not available, co-founded the ambulance project 1298.
4. Nithya Shanti, who after completing his XLRI and a stint in the corporate world, chose to become a Buddhist monk in the forest tradition and after 6 years of being a monk hung up his robes to spread happiness in the world.

## Leading from the Front - The New Constructs

Leading the mission of Mastek Foundation to sensitize individuals with community issues and provide a platform



# Mastek™

## CORPORATE SOCIAL RESPONSIBILITY (CONTD.)

for dialogue, Sudhakar Ram, CMD and Co-founder of Mastek, launched a unique initiative, a blog called The New Constructs ([www.TheNewConstructs.com](http://www.TheNewConstructs.com)).

The basic premise of The New Constructs is that though the Industrial Age led to immense wealth and prosperity for a billion people, the quality of life of the rest of the six billion people on earth is no better - and perhaps even worse. Moreover, industrialization has left the world a poorer place in terms of natural resources, fresh air, and potable water.

Our lives are now ruled by a set of beliefs and assumptions - the “constructs” - that drive our attitudes and actions. These seven constructs are success, learning, work, consumption, wellness, governance, and globalization. We have been acclimated to accept what the Industrial Age tells us is normal for each of those constructs. But these deeply rooted constructs have become constraints. We need new constructs to help us take the next leap forward in history.

The New Constructs is a dialogue that would lead to a collaborative book. The community around The New Constructs has been growing by the day and already has a large following on social media. The website hosts over one dozen case studies and films of individuals who are living The New Constructs ideas.

### Mastek's Commitment to the Environment

Global climate change is a big environmental threat. We believe that organizations of the future would ensure that the environment is protected. As an environmentally responsible company, Mastek has initiated the process of assessing its carbon footprint.

Over the past year, we have been working with Green Karma (consultant agency) to audit our carbon emissions so that we can identify opportunities to reduce our carbon footprint. The Carbon Management Plan identifies major emission sources of Mastek's two facilities – SEEPZ and Mahape – and sets out in detail the strategy to reduce them over the next five years.

Findings of the audit report on Mastek's current carbon footprint

Scope	EMISSION HEAD	Emissions
1.	Gensets	9.43
	Owned Transport	29.80
2.	Electricity Usage	7697.68
	Hired Transport	16.53
	Buses	477.40
3.	T&D Losses-Grid Electricity	3338.42
	Air-Travel	5309.93
	Waste Emissions	13.15
	<b>Total Emissions</b>	<b>16892.35*</b>

Our goal is to reduce our carbon emissions. We have drawn up plans which include immediate low-investment initiatives and long-term projects to minimize our carbon footprint and energy consumption over the next five years.

\* Carbon Footprint is measured in tonnes

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

[illegible]

# MASTEK LIMITED

Regd. Office: 804/405 President House, Opp. C.N. Vidyalyaya, Near Ambawadi Circle, Ahmedabad-380 006.

REG.FOLIO NO.
DP ID – Client ID No.

## PROXY FORM

NO. OF SHARES

I/We ..... of .....  
.....being member/members of Mastek Limited hereby appoint  
..... of ..... or failing him  
..... of ..... or failing him ..... of  
..... as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of  
the Company to be held on October 1, 2010 at any adjournment(s) thereof.

As witness my/our hand(s) this ..... day of ..... 2010

Signed by the said.....

Affix  
One Rupee  
Revenue  
Stamp

Note : The Proxy form must be deposited at the Registered Office of the Company not less 48 hours before the time of holding the Meeting.

## ATTENDANCE SLIP ANNUAL GENERAL MEETING

Name of the attending Member/Proxy (in block letters) .....

Member's Folio No. / DP ID –Client ID No.: .....

No. of Shares held : .....

I hereby record my presence at Annual General Meeting held on October 1, 2010.

\_\_\_\_\_  
Member's / Proxy's Signature

1. PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING AND HAND OVER AT THE ENTRANCE DULY FILLED IN.
2. Share holders who come to attend the meeting are requested to bring their copies of the Annual Report with them.



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### MUMBAI

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Asia Pacific



India