- **Overview of the industry and business environment**
- **Mastek's differentiated business model: Verticals focused, IP led**
- **Review of financial and operating performance**
- **Business outlook**
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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)

OVERVIEW OF THE INDUSTRY AND BUSINESS ENVIRONMENT

FY 2011 saw an improved performance by the Indian IT services sector as a result of the major customer markets witnessing an improvement in their respective economies.. NASSCOM has forecast an export revenue of $68 billion to $70 billion, a growth of 16-18% for the Indian IT services sector in fiscal 2012, as demand for outsourcing services by clients in the developed markets is expected to remain strong. The latest quarterly spending outlook by research major, Gartner, says that worldwide IT spending is on a fast track to grow quicker than previously expected, at 7.1% in 2011. The earlier projected growth was to the tune of 5.6%. Gartner says the IT services segment will see growth doubling from last year, up 6.6% to USD 846 billion in 2011. According to the report, enterprise software will pick up 9.5% in spending, which bodes well for IT. Cloud services, however, walks away with the cake, growing four times faster than overall spending. In addition to the pent-up demand for IT-BPO services, the prominent growth drivers are the return of discretionary spend and the emergence of new business models that is encouraging for first time clients and holds a new value-proposition for existing customers.

An important development has been the recognition of India's domestic IT services as a large emerging market in high growth mode. As per Gartner, the India IT services market is on pace to reach USD 9.5 billion in 2011, an 18% increase from the previous calendar year's revenue of USD 7.6 billion. India's domestic IT services market ranks third in Asia/Pacific and is expected to grow to USD 15 billion by the end of 2014. India's IT services market is quite small as compared with large markets such as the US or the UK, but it does offer a growth opportunity to the service providers because of the buoyant market conditions.

While business remains good for the Indian IT services industry, there are concerns and roadblocks, which may result in a potential slowdown going ahead. These can be categorized into macro issues, socio-political worries, supply-side constraints, wage inflation and increasing customer expectations. Foremost amongst the macro issues is the threat of double-dip recession in the US coupled with the fallout of Europe's debt crisis. There is a concern that these factors along with the high unemployment rate in the US could potentially lead to slower decision making by top outsourcing customers. The requirement of skilled manpower in the face of an increase in demand along with rising domestic inflation may lead to expectations of significant wage hikes, which will dent profitability. Visa problems, hitherto an irritant, has suddenly attained a greater dimension and could lead to higher costs and challenges in the near term. However, it is too early to assume that it could be a disruptive phenomenon in the context of the existing business model. Also, the rising scale of business coupled with customer expectations has increased the urgency for developing non-linear initiatives and investing in new technologies, which may nudge some of the Indian IT services companies out of their comfort zone.

Indian IT services companies have experienced appreciable increase in revenue in the previous fiscal which is expected to continue in the current year driven by strong volume growth. Importantly, there has been a strong growth in discretionary services, an indication of the strength in the demand momentum. The industry remains cautious but has not seen any weakening of demand as clients continue to fund new projects and ramp-ups are proceeding smoothly. Though macro issues continue to weigh on the minds and prospects of customers, there has not been any notable deferral or cancellation of projects. While the cost of labor and infrastructure in Tier 1 cities has been rising, it still is one of the lowest in the world, thus offering the opportunity for Indian companies to retain the competitive edge. The incremental increase in hiring and wage hikes given by the industry is an outcome of positive demand scenario and an attempt to address supply side constraints. The worry of a crisis in European markets is not an incremental negative. Moreover, every part of Europe is not going thru difficulties. Pricing environment continues to be stable with an upward bias in the backdrop of improving demand environment. It must be remembered that the industry has grappled with crisis in the background of economic woes and customer concerns and has emerged stronger from each of these difficulties.

The potential insurance outsourcing market is enormous, with nearly 3,000 insurance companies in the US alone. Globally, the banking, financial services and insurance (BFSI) verticals are the fastest growing segments in outsourcing. A leading research agency states that Insurance companies have traditionally been among the slowest adopters of outsourcing/off-shoring due to the alienation of different cultures and fear of loss of Executive Control. Also outsourcing insurance services comes with its own concerns, including ensuring the security of the highly sensitive process. However shrinking margins, higher claims disbursement and increasing competition in recent years have forced insurance companies to look at outsourcing/off-shoring to improve efficiencies and channelize resources towards the core functions of product development and innovation.

One of the interesting results of Gartner's 2011 CIO survey was that almost two-thirds of the insurance CIOs don't see their organizations pursuing unique or differentiated business strategies in their industry. In such a case, a potential threat for the insurance industry would be the challenge from new market entrants or disruptive business models. Moreover, life insurers are under considerable pressure to reduce operational costs, retain customers and improve operations effectiveness through strategies such as straight-through processing (STP). It is imperative that insurers balance operational efficiency initiatives with those targeted at protecting brand image, strengthening distribution and improving product development processes. Using a combination of new technologies, process improvements and organizational transformation, insurers can reinvent themselves, shift business models and align with emerging customer demands. Several niche providers with relevant domain expertise are emerging, encouraging insurance companies to outsource more value-added services.

The Government sector continues to be amongst the top 4 verticals in terms of IT services spends. There are two visible trends in this market. Some of the governments in developed markets have had to adopt a freeze on spending, either voluntarily or otherwise, which has led to shrinking budgets for IT services for e.g. The United Kingdom. However, the presence of budgets in some areas has led to opening up of demand. The second trend is the increasing use of IT services in the emerging markets, especially Asia-Pacific, which is encouraging. The domestic market has witnessed both central and state governments roll out a number of e-governance initiatives. Importantly, the earlier uncertainty in the context of Government spend has given way to some clarity on the direction of future potential transactions.

In conclusion, there is uncertainty on the macro front, the degree of which varies across geographies. While there is a possibility of this turbulence disturbing the demand scenario, the Indian IT industry has not witnessed this element in the business environment, both in terms of growth and demand.

MASTEK'S DIFFERENTIATED BUSINESS MODEL

Mastek is a management and technology services solutions provider. Mastek's core expertise lies in building, deploying and maintaining technology solutions for businesses and governments worldwide. Mastek operates at the higher end of the IT value chain creating technology-related solutions for customers that enable them to run their businesses more innovatively, compete more effectively, operate more efficiently, and become more profitable. Mastek's techno-solutions are highly scalable and create a high business impact for its clients.

What differentiates Mastek from the crowd is the ability to partner with its clients and provide personalized solutions. The years of experience have provided Mastek with a substantial base of Intellectual Property and Intellectual Capital. This in turn enables it to speed up and de-risks the solutions design and delivery.

Mastek focuses and specializes in delivering transformational programs for the Public Sector and the Insurance industry (Life and Non Life) and on Strategic Programs for the Health, Financial Services and IT industry. The understanding of the industry and market along with the understanding of its own business means that it can deliver high value-assured solutions to its clients.

The Company's 90%+ on time delivery record, in an industry where hardly 30% of the 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 Mastek remains a partner of choice for several Systems Integrators (SI's).

Insurance

Mastek's solutions for the insurance industry address both the life and non-life segments. The Insurance vertical delivered revenues of ₹ 245.7 crore during FY2011, comprising 41.4% of operating revenues.

Over the years, Mastek has made huge investments towards building the Life & Annuity (L&A) platform namely the Elixir platform, and its variations such as the new Elixir4 and ElixirAsia, as well as modules like EDM, and NB+U that are designed to serve the L&A segment in insurance. The acquisition of SEG software during the year under review has also strengthened its strategy for an end to end insurance platform in North America.

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. During the year under review, Mastek has made investments in enhancing its billing module in the P&C platform to make it more robust and in line with customer expectations.

Public Sector (Government)

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, 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. These include the ability to work along with multiple other vendors on the project and manage large programs.

The Company has created a database of metrics that enable it to better price and manage such programs. The partnership model of operating in the Public Sector within UK has worked extremely well for the Company. While the Company continues to build its relationship with existing partners, it has during the year under review, built newer relationships with other players to expand its footprint within the UK. This is expected to benefit the Company in the long term. In India, the Company has chosen to operate directly and has been successful in delivering niche projects in the area of sales, tax, public distribution, social justice, e-municipal etc.

During the year under review, this vertical contributed ₹ 140.9 crore comprising 23.8% of the operating revenues.

Others - Strategic Programs

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, health and IT industry. 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 financial year ended June 30, 2011 under review (FY 2011) was affected by a number of factors. Key among those was the marked decrease in clients engaging in transformational deals due to the global economic crisis and particularly in UK where Mastek has a substantial presence. The long sales cycles of our projects as well as reduction in insurance revenues from Capita, UK added to the head winds that the Company faced this year. The above mentioned reasons along with our continued product development spends in the insurance vertical in North America and wage hikes to retain the best talent had a substantial impact on our financial performance.

On a consolidated basis, the Company registered a total income of ₹ 614.2 crore in FY2011. This represents a 14.9% decline compared to ₹ 721.9 crore in the preceding year. As a consequence, the Company incurred a loss of ₹ 55.9 crore in FY 2011 compared to the profit of ₹ 67.7 crore in FY 2010. The loss is after considering an exceptional item of ₹ 27.2 crore in relation to impairment of goodwill of Vector Insurance services.

Break up of the Operating Revenue by regions

Region	FY 2011		FY 2010	
	₹ Crore	% of revenue	₹ Crore	% of revenue
North America	**258.0**	**43.5**	292.8	41.0
Europe	**290.9**	**49.0**	373.9	52.4
Others (India/ Asia Pacific)	**44.3**	**7.5**	47.1	6.6
Total Operating Revenue	**593.2**	**100.0**	713.8	100.0

The North American operations, which now includes both the US and Canada businesses, registered a de-growth of 11.9% to ₹ 258.0 crore from ₹ 292.8 crore last year primarily due to lack of new account wins in the first half of the year.

The European operations (namely UK) contributed ₹ 290.9 crore in revenues, as compared to ₹ 373.9 crore during the corresponding period last year. The de-growth of 22.2% was due to the general sluggishness in the UK market for transformational deals along with a ramp down of the insurance business with its key client, Capita UK.

The drop of 6% in the India Asia Pacific region was largely due to the drop in Insurance revenue from India on the back of IRDA regulations impacting insurance players in India.

Break up of the Operating Revenue by verticals

Vertical	FY 2011		FY 2010	
	₹ Crore	% of revenue	₹ Crore	% of revenue
Insurance	**245.7**	**41.4**	258.5	36.2
Government	**140.9**	**23.8**	196.7	27.6
Financial Services	**101.1**	**17.0**	133.2	18.7
IT & Other Services	**105.5**	**17.8**	125.4	17.5
Total Operating Revenue	**593.2**	**100.0**	713.8	100.0

The Insurance vertical delivered revenues of ₹ 245.7 crore during FY2011, comprising more than 41.4% of overall revenues. This was however 4.9% lesser than the ₹ 258.5 crore which we had registered in the last fiscal. Reduction in revenue from Capita Insurance as well as poor demand from transformational initiatives in insurance projects in India due to stringent IRDA regulations were the main reasons for the decline.

There was a drop of over 28% in revenues in the Government vertical in FY 2011 compared to FY 2010. This was primarily due to several projects in the public and private sector being impacted by the budgetary constraints from the UK government, ramp-down of project development in the BT/NHS program and a weaker pound sterling.

The drop in the other two verticals, namely Financial services and the IT/Other services was largely due to the lack of new named accounts.

Profitability

The Company ended the year with a loss of ₹ 55.9 crore in FY 2011 compared to a net profit of ₹ 67.7 crore in FY 2010. The loss which is unprecedented in the history of the Company was the result of a combination of the following factors:

- Decrease in revenue growth due to sluggish demand for transformational initiatives and ramp down of Capita, one of our key clients.
- Increase in wages for employees to retain the best talent despite the drop in revenue.
- Project specific delivery issues in some of the smaller accounts.
- Impairment of goodwill to the extent of ₹ 27.2 crore on account of Vector Insurance Services.
- Additional depreciation charge of ₹ 5.46 Cr on the assets lying at its Chennai SEZ facility, although the facility has not yet been put to use.

Balance Sheet

Fixed Assets

The Gross fixed assets (including Capital work-in-progress) for FY 2011 closed at ₹ 479.3 crore, as compared to ₹ 486.1 crore of the corresponding period last year. During the year, Mastek incurred ₹ 28.2 crore towards Normal Capital Expenditure and the acquisition of all the assets of SEG Software LLC, and adjusted its Gross fixed assets by considering an impairment charge of ₹ 27.2 crore on account of Goodwill of Vector Insurance Service LLC.

Current Assets

Receivables for the year stood at ₹ 163 crore as compared to ₹ 195.1 crore in FY 2010. This translates to a DSO of 97 days which is lower than the 4 days of last year. Better collection management contributed substantially to the improved DSO days.

Cash and cash equivalent (including investments in mutual funds) at the end of the year was ₹ 159 crore as compared to ₹ 197.5 crore in FY 2010. The cash and cash equivalent continue to be at a good levels despite the subdued financial performance in this year.

Loans and advances at the end of the year was ₹ 149.4 crore as compared to ₹ 151.9 crore in FY 2010.

Current liabilities and provisions at the end of the year was lower at ₹ 227.9 crore as compared to ₹ 255 crore in FY 2010.

Secured loans stood at ₹ 18.4 crore at the end of the year as opposed to ₹ 42 crore at the end of FY 2010. The decrease is primarily on account of repayment of a US Dollar denominated Term loan from a Bank.

In FY 2011, the Company generated ₹ 9.4 crore of Net Cash from operating activities as compared to ₹ 31.4 cr in FY 10. During the year, the Company incurred Capital Expenditure of ₹ 28.2 crore and repaid Loan of ₹ 27.7 crore. This was financed from the cash and cash equivalent (including investment in mutual funds) available with the Company at the beginning of FY 11.

Operations review

Mastek in the current year has aligned it's business units into 8 distinct verticals or value corridors across 3 geographies. Value Corridors operate as a business unit that is responsible for a set of value propositions that are taken to a target market in a consistent, scalable fashion – enabling delivery of superior differentiated value to our clients and partners by aligning all aspects of value delivery namely – marketing, sales, engagement/solutioning, delivery and our platforms, products and productized services.

Despite strain on the revenue, the Company continued to make substantial investments in the insurance product portfolio. These investments are necessary to consolidate Mastek's position as an IP-led solutions provider. The Company reinforced the sales and marketing teams within the UK and North America with a clear focus to increase the order book position and ensure that the Company is ready to address any opportunity pipeline as and when they arise. The Company has also identified cost improvement areas and is addressing the same by taking the necessary steps to improve the overall margins for the Company.

While all the above initiatives and efforts made during the year have not really translated to the build up of the revenues and profitability in FY 2011, they are expected to give the necessary fillip to financial performance in the coming year. However, there were some noticeable achievements in the year gone past and some of the successes have been highlighted below.

- **Tie-up with Foresters:** Mastek is working with Foresters, a life insurance provider, as a technology partner in their major transformational initiative to modernize Foresters infrastructure. The Foresters partnership will leverage our insurance technology solutions in three major areas of business transformation – New Business and Underwriting, Policy Administration, and Producer Portal. This is a clear example of a business impact solution where Foresters will be able to derive dramatic cost savings in both policy acquisition and inforce maintenance.
- **Partnership with Social Justice Department:** Mastek was selected as partner of choice by the Social Justice department of the State of

Maharashtra to implement the e-scholarship programme which will benefit over 32 lakh students in the state. Apart from enabling granting procedures, the solution caters to processes of scholarship suspension, renewal and cancellation. The system also provides the department with MIS to monitor and analyze the scholarship distribution and disbursement. This is another example of a solution that benefits the end customer by ensuring complete transparency and thereby eliminating fraud in the system. These are but just a few examples of instances where Mastek has delivered business impact to customers.

- **Launch of Electronic Registration and returns filing with Orissa Commercial Tax Department:** Mastek collaborated with the Department of Commercial Tax of Orissa and launched Electronic Filing of Commercial Tax Returns and Electronic application of Registration for Tax Identification Number (TIN)/Small Registered Dealers Identification Number (SRIN) through their website www.orissatax.gov.in. This has resulted in Orissa Commercial Taxes Department emerging as one of the most IT-enabled Government Department in Orissa, and also an IT mature Department amongst its peers in other States. The solution brings about manifold benefits to the department as well as dealers and merchants. It helps do away the long queues and time spent at the Department office thereby increasing the convenience of the dealers/merchants in their interaction with the Department.
- **Acquisition of SEG Software:** Mastek acquired all the assets of Glastonbury, CT based SEG Software, LLC, a leading provider of policy administration systems covering individual and group life, health & annuity insurance products. This acquisition reinforces the Company's commitment to the North American insurance market and will expand their presence and capabilities in the life and annuity policy administration arena.
- **Successful Implementation of Insurance Platform in UK:** Mastek was successful in implementing the end to end Elixir Platform for Group Protection for its client Legal and General (L&G) in the UK. The Elixir technology will help position L&G at the forefront of the Group Protection market in the UK and reap the benefits of their competitive advantage in the years ahead. While the launch of the new technology opens up new channels for growth and diversification, it is also aimed to improve and enhance the service L&G give its customers and the ability to respond quickly to the changes, challenges and opportunities in the market place. For Mastek, it has been a significant landmark of having tasted success in a tough market situation and will help showcase this achievement for building the insurance business in the UK.
- **Strategic tie-up with FSA:** Mastek signed a strategic framework agreement with the FSA to become an application development partner to the regulator for the next 4 years. The strategic deal is the culmination of an exhaustive competitive selection process that saw Mastek being selected in particular for a strong track record in delivering large, complex and innovative projects. Set up by the government in 2001, the FSA is the main statutory regulator for the UK financial services industry regulating some 29,000 financial services firms. Mastek is now one of a handful of approved Service Providers to the FSA, and will focus specifically on the provision of application development services, working to support the FSA's objectives to meet its regulatory and operational goals.
- **Multi-Year agreement with UK Client:** During the last quarter of FY 2011, the Company was successful in closing a major multi year deal with an UK client with an initial revenue commitment of GBP 8 million. This win is a critical one for the UK region after a long dry spell and also reinforces the confidence which the client reposes in Mastek to deliver critical programs

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 June 2011, Mr. Mrinal Sattawala, Group President, resigned from the organization. Mr. Sudhakar Ram, the Company's Chairman & Managing Director has now taken over responsibility of all Operations and the senior leadership team reports to him directly.

People: As on June 30, 2011, the Company had a total of 2,905 employees, of which about 26% were based on-site while the rest were at various offshore locations. The Company continues to recruit fresh talent and intends to add more technical resources at various levels during the new fiscal.

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:

Mastek's Elixir Distribution Management Receives "Positive" Rating from Leading Analyst Firm: Elixir Distribution Management, the channel management system, received a "Positive" rating from Gartner, Inc's MarketScope report. This rating from Gartner is recognition of Elixir's Distribution Management's enhanced capabilities including licensing and appointment processing, compensation calculations, reporting and analytics, workflow management and correspondence.

Apollo Munich Health Insurance wins Celent Model Insurer Asia 2011 Award: Apollo Munich Health Insurance Co. Ltd. (AMHI), was felicitated with the **Celent Model Insurer Asia 2011 award** in the Policy Administration System (PAS) category. The award recognizes excellence in technology best practices at insurers in Asia, in various categories. Apollo Munich implemented Mastek's ElixirAsia Health within a period of 60 days. The workflow-enabled system supports straight through processing (STP) of the whole health product life cycle with integration to all back end systems. The ElixirAsia Health solution standardized insurance activities for different lines of business providing integrated support for distribution management, underwriting and financial receipting. The system's customer-centric framework allowed a single-window view of all insurance functions thereby increasing productivity of the Business Users.

BUSINESS OUTLOOK

FY2012 promises to be a better year with increased traction across our key geographies in UK and North America. Positive signals of our momentum can be witnessed from the deal wins in UK, increasing pipeline of opportunities in the Non-Life (Property & Casualty) space in North America, improved order backlog position and some exciting developments on the Government side in India. The initiatives that have been put in place in FY 2011 are expected to translate into revenue growth while the Company will strive to getting back to profitability.

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 reviews its findings and recommendations at periodic intervals. Mastek's internal control system is adequate considering the nature, size and complexity of its business. Mastek has also put in place a strong enterprise risk management function which oversees the risk management of the Company on an ongoing basis.

Enterprise Risk Management: The primary objective of the Enterprise Risk Management (ERM) function is to:

- Provide a framework that enhances risk response decisions
- Reduce operational surprises and thereby losses
- Identify and manage cross-enterprise risks

The ERM policy, approved by the Board, lays down the risk management process, expected outcomes, governance and reporting structure. The policy also stresses on the importance of having a strong risk culture for ERM to succeed.

Risk Governance Structure: Mastek has put in place a strong risk governance model to ensure risk management principles are followed throughout the organization and a risk culture inculcated. This ERM process and policy is approved by the Governance Committee of the Board and is executed through the Risk Management Committee (RMC), represented by the business and functional heads within Mastek. The RMC is responsible for:

- Being the primary champion of risk management at strategic and operational level
- Setting policy and strategy for enterprise risk management
- Ensuring risk management policies are implemented with the right spirit through a monitoring mechanism
- Building a risk aware culture within the organization including appropriate trainings
- Informing the Board (through the Audit Committee) about the ERM status & top risks of the Company on a timely basis

Risk Champions: The RMC is supported by the risk champions who are responsible for:

- providing oversight to line managers who manage risk on a day-to-day basis

- promoting risk awareness within their operations
- ensuring risk management is incorporated right from the conceptual stage of projects / opportunities
- ensuring compliance to the risk management procedures
- providing periodic reports to the RMC

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. 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.

Dependence on Key Personnel: Mastek has one of the best management teams in the industry and this has been a critical enabler of its operating successes. Any loss of personnel through attrition or other means may have an impact on the Company's performance. Mastek does endeavor to have an effective succession plan in place to mitigate these risks.

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: Well-considered, properly evaluated and strategic acquisitions form part of the Company's growth strategy. There is no guarantee, however that an acquisition will produce the business synergies, revenues and profits anticipated at the time of entering into the transaction although the Company would undertake all due care and diligence in the process of making any acquisition.

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.