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Datamatics Technologies Limited

We Manage Knowledge

Annual Report 2001-2002

Scaled to Success: Datamatics Technologies Limited (DTL) spearheaded the Business Process Outsourcing (BPO) activities in India through our pioneering suite of knowledge management services. A Datamatics Group company, promoted by Dr. Lalit S. Kanodia, the Father of the Indian IT industry, DTL continues to deliver new services to clients, moving up the value chain, proving our ability to adapt to change and adjust to new challenges.



Third largest FileNET Global Service Provider worldwide

Our several FileNET Certified Professionals empower organisations worldwide with Document and Workflow Management solutions.

Contents

Page no.

Datamatics Technologies Limited

Board of Directors	2
Directors' Report	3
Auditors' Report	7
Balance Sheet	12
Profit And Loss Account	
Schedules	12
Balance Sheet Abstract And Company's General Business Profile	24
Statement Relating To Subsidiary Companies	25

Datamatics Infosolutions Limited

Board of Directors	26
Directors' Report	27
Auditors' Report	33
Balance Sheet	36
Profit And Loss Account	37
Schedules	38
Balance Sheet Abstract And Company's General Business Profile	44

Datamatics Technologies Inc.

Board of Directors	45
Independent Auditor's Report	46
Balance Sheet	47
Statement Of Income	48
Statement Of Cash Flow	48
Notes To Financial Statements	50

Datamatics Technologies Limited

Board of Directors

Dr. Lalit S. Kanodia - *Chairman*

M.G. Diwan

R. K. Saraswat

Mrs. Ashu J. Kanodia

Dilip V. Thakore

Manish H. Modi - *Managing Director
& Chief Executive Officer*

Company Secretary

Kumar Gidwani - *VP Corporate Services
& Company Secretary*

Auditors

K. Doshi Associates
Chartered Accountants
Mumbai

Solicitors

Crawford Bayley & Co
Udwadia, Udeshi & Berjis

Bankers

State Bank of India

Registered Office

Unit No. 117- 120
SDF IV, SEEPZ
Andheri (E)
Mumbai - 400 096

Directors' Report

Your Directors take pleasure in presenting the 14th Annual Report together with the Audited Accounts of the Company for the Financial Year ended on March 31, 2002.

FINANCIAL RESULTS

The summarised financial results for the year are as follows:

	2002	2001
	(Rs. in million)	
Gross Income	425.98	297.46
Profit before tax	131.04	85.00
Profit after tax	127.73	83.30
Interim Dividend on - Preference Shares	3.30	2.71
- Equity Shares	30.69	15.27
Transfer to Reserves	15.00	10.00
Balance carried forward	136.09	61.14

During the year under review, your Company has recorded a gross income of Rs. 425.98 million as against Rs. 297.46 million in the previous year, a healthy and encouraging increase of 43%.

The profit before tax at Rs. 131.04 million has registered a growth of 54% as compared to the previous year's figure of Rs. 85 million. The growth was essentially achieved by aggressive marketing initiatives and judicious financial and cost management which resulted in bringing in new business.

OUTLOOK

Your Company is one of the early entrants in the IT Enabled Services (ITES)/Business Process Outsourcing (BPO) industry. It has moved up the value chain by providing a suite of services that include BPO (Business Process Outsourcing), Content Management, GIS (Geospatial Information Systems), and related Software Development Services in the fields of Workflow application/solutions, Data Warehousing, Data Management, Data Migration and Data Consolidation. Your Company has partnerships and alliances with several strategically important companies such as FileNET Corporation, Documentum, Hummingbird, CSC and KPMG Consulting among others.

The Global market for IT Enabled Services (ITES)/Business Process Outsourcing (BPO) is very promising. As per the McKinsey/Nasscom Report released in June 2002, BPO exports are expected to grow to between US \$ 21 billion and US \$ 24 billion by 2008. Your Company has a strong management team, excellent infrastructure and enviable alliances already in place. These investments should contribute to substantial growth in the forthcoming years.

Your Company is entering into new areas of high potential such as Accounting and Tax not offered hitherto, which will operate out of Unit 118, SDF IV, SEEPZ. This will require substantial investment in equipment and manpower. This Unit has been vacated as existing projects, which are lower in the value chain were consciously reduced in the Company. All old equipment including computers in this Unit have been already transferred to Unit 120 in SDF IV.

FINANCE

During the year under review 3,000,000 Redeemable Cumulative Preference Shares of Rs. 10/- each were redeemed at par out of profits of the Company.

INVESTMENTS

During the year under review your Company has made further investment by acquisition of 310,000 common stock of Saztec International Inc., (SAZTEC). In addition, the Company was allotted 839,668 common stock of SAZTEC on conversion of Convertible loan of US\$ 250,000 together with interest of US\$ 52,281. With the aforesaid allotment/conversion now your Company holds 3,367,842 common stock of SAZTEC. Your Company has continued to support SAZTEC by renewing the Unsecured Optional Convertible Loan of US\$ 300,000 and has also given additional Unsecured Optional Convertible Loan of US\$ 300,000 with a conversion rate of US\$ 0.20 per share.

Directors' Report

OVERSEAS SUBSIDIARY

As a strategic business step, your Company has incorporated a wholly owned subsidiary "Datamatics Technologies Inc." (DTI) in the USA to augment the Company's marketing effort. Mr. Pradeep Barthakur, who has over 30 years of experience in the US market, has been appointed as the President of this company. Your Company has initially subscribed to 50 no par value common stock at US\$ 1000 for each such stock aggregating to US\$ 50,000. It has also given an Unsecured Optional Convertible Loan of US\$ 100,000 to DTI which can be converted into common stock at US\$ 1000 per stock.

DIVIDEND

The Company has declared and paid interim dividend at the rate of 11% to the preference shareholders and two interim dividends at the rate of 10% each to the equity shareholders of the Company out of the profits for the year under review. Your Board does not recommend any final dividend for the year.

DIRECTORS

Mr. R. K. Saraswat, a Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

Mr. Dilip Thakore, a Director of the Company retires by rotation and has expressed his desire not to seek re-appointment. The Board places on record its appreciation of the valuable services rendered by Mr. Thakore during his tenure as a Director of the Company.

Mr. Rahul Kanodia resigned as a Director of the Company with effect from August 14, 2002. The Board places on record its appreciation of the valuable services rendered by Mr. Rahul Kanodia during his tenure as a Director of the Company.

Mr. Manish H. Modi who was appointed as an Additional Director of the Company with effect from July 1, 2002 holds office till the date of the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Your Directors have also appointed Mr. Manish H. Modi as the Managing Director of the Company, under the designation of Managing Director & Chief Executive Officer, for a period of five years with effect from July 1, 2002. A resolution seeking your approval for payment of remuneration to Mr. Modi as the Managing Director of the Company has been set out at Item 5 of the Notice convening the Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors would like to inform the members that the audited accounts for the financial year ended March 31, 2002 audited by the Statutory Auditors Kanu Doshi Associates, Chartered Accountants, Mumbai, are in conformity with the requirements of the Companies Act, 1956. Further, as required under the provisions of Section 217(2AA) of the Companies Act, 1956 the Board of Directors of your Company confirms that:

- (a) in preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis.

FOREIGN EXCHANGE EARNINGS

The total foreign exchange earned by the Company from exports during the year was Rs. 405.55 million and the foreign exchange expenditure was at Rs. 97.05 million.

Directors' Report

CONSERVATION OF ENERGY

Since the Company is in the business of information technology, power is utilised for computer equipment, air conditioners and other office equipment. The Company has taken steps to ensure that there is no wastage of energy.

TECHNOLOGY ABSORPTION

Every effort is made by the Company to update the technological skills of its technical staff in order to ensure that they possess adequate skills to enable them to service clients both in India and abroad.

POLLUTION AND ENVIRONMENTAL CONTROL

The business of the Company does not generate any pollution or effluents.

FIXED DEPOSITS

There are no fixed deposits, which are due for payment but not paid by the Company.

AUDITORS

Kanu Doshi Associates, Chartered Accountants, Mumbai hold office until the conclusion of the forthcoming Annual General Meeting of the Company and are recommended for appointment. The Company has received a certificate from them to the effect that their appointment, if made, would be within the limits laid down under Section 224 (1B) of the Companies Act, 1956.

AUDIT COMMITTEE

The Company's Audit Committee as constituted on January 25, 2001 comprised Dr. Lalit S. Kanodia, Mr. R. K. Saraswat and Mr. M. G. Diwan, with Dr. Lalit S. Kanodia as its Chairman. Your Directors have reconstituted the Audit Committee by appointing Mr. Manish H. Modi as a member of the Committee in place of Dr. Lalit S. Kanodia with effect from August 14, 2002. Mr. R. K. Saraswat has been appointed as the Chairman of the Audit Committee. The financial statements of the Company have been reviewed by the Audit Committee.

PARTICULARS OF EMPLOYEES

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the annexure to this report.

ACKNOWLEDGMENTS

Your Directors are grateful to the Company's bankers and financial institutions for their continued support, assistance and unstinted co-operation. Your Directors also commend the sincere and wholehearted efforts put in by the employees of the Company.

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Mumbai,
August 14, 2002

Annexure to the Directors' Report

Information as per section 217 (2a) of the Companies Act, 1956, read with the Companies (particulars of employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2002

Name & Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs)	Previous Employment - Designation
Modi Manish President & CEO	M. Sc. Physics, M.S. Computer Engg- USA	38	01-01-1994	14	3,419,495	Datamatics Limited Asst. General Manager
Panickar Ramchandra Chief Financial Officer	B.Com., L.L.B., A.I.C.W.A., A.C.A.	40	02-01-2001	19	1,243,899	DHL Worldwide Express Head of Finance and Planning
Wg Cdr (Retd.) V. Satyanandam	M.Com	48	01-06-2000	26	1,202,290	Datamatics Limited Asst. General Manager
Zurale Mahesh Sr. Vice President	M.S. Computer Science, MBA (USA)	36	19-11-1996	12	2,142,200	Futuristic Systems Partner

Notes:

- All employment are contractual, other terms and conditions as per Company rules.
- Remuneration includes salary, allowances, commission, incentives, medical reimbursement, leave travel assistance, contribution to provident fund and perquisites evaluated on the basis of Income tax rules.

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Mumbai,
August 14, 2002



Auditors' Report

To the Members of

Datamatics Technologies Limited

We have audited the attached Balance Sheet of DATAMATICS TECHNOLOGIES LIMITED as at March 31, 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. 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.

We conducted our audit in accordance with 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.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) 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.
- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- v) Based on the information and representations received, we report that directors of the Company, do not, prima facie, have any disqualification as referred to in Section 274(1)(g) of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2002 and
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date.

For Kanu Doshi Associates
Chartered Accountants

Jayesh Parmar
Partner

Mumbai
May 11, 2002

Annexure to the Auditors' Report .

(Referred to in the Auditors' Report of even date on the accounts for the year ended March 31, 2002)

As required by Clause 4(A) and (B) of the Manufacturing and other Companies (Auditors' Report) Order, 1988 and in terms of the information and explanations given to us and on the basis of such checks as we considered appropriate and to the extent applicable to the company, we further state that:

1. The Company has generally maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets. A substantial portion of the Fixed Assets has been physically verified by the management during the year which in our opinion is reasonable. No material discrepancies were noticed on such physical verification.
2. None of the Fixed Assets have been revalued during the year.
3. According to information and explanations given to us, the Company did not possess any stock of finished goods, stores, spare parts and raw materials. Hence, the question of commenting on the physical verification and valuation of the same does not arise.
4. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, except a deposit from a shareholder, the rate of interest and the terms and conditions of which is prima facie not prejudicial to the interest of the Company. We are informed that there are no Companies under the same management, as defined under Section 370(1B) of the Companies Act, 1956.
5. The Company has granted unsecured loans to the companies listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the rate of interest and the terms and conditions of such loans, wherever applicable/stipulated are prima facie not prejudicial to the interest of the Company. We are informed that there are no Companies under the same management, as defined under Section 370(1B) of the Companies Act, 1956.
6. In respect of loans or advances in the nature of loans given to employees and other parties, they are generally repaying the principal amounts as stipulated and are also generally regular in payment of interest wherever applicable/stipulated.
7. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature in respect of which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of computer hardware and software, consumables, plant and machinery, equipment and other assets. The activities of the Company do not involve the sale of goods.
8. In our opinion and according to information and explanations given to us, the transaction of purchase/sale of goods made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices as available with the company for such goods.
9. According to the information and explanations given to us, there is no stock of unserviceable or damaged stores, spares and consumables and as such no provision for such loss is necessary in the accounts.
10. According to the information and explanations given to us, in respect of the deposits accepted from a shareholder, the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder have been complied with.
11. The Company does not generate any realisable by-products or scrap.
12. The Company has in general an internal audit system. The scope and coverage of internal audit needs to be extended and strengthened so as to make it commensurate with the size of the Company and nature of its business.