



Datamatics Technologies Limited

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Annual Report 2002-2003 www.reportjunction.com

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Datamatics Technologies Limited

Board of Directors

Dr. Lalit S. Kanodia – *Chairman*
M. G. Diwan
R. K. Saraswat
Mrs. Asha L. Kanodia
Manish H. Modi – *Managing Director
& Chief Executive Officer*

Company Secretary

Kumar Gidwani – *Vice President –
Corporate Services
& Company Secretary*

Auditors

Kanu Doshi Associates
*Chartered Accountants
Mumbai*

Solicitors

Crawford Bayley & Co.
Udwadia & Udeshi

Bankers

State Bank of India

Registered Office

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

Datamatics Technologies Limited

Directors' Report

To the Members

Your Directors take pleasure in presenting the 15th Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2003.

FINANCIAL HIGHLIGHTS

The summarised financial results for the year are as follows:

	(Rupees in million)	
	2002-03	2001-02
Gross Income (including other income)	529.02	425.98
Profit before tax	172.70	131.04
Less: Provision for Taxation	11.26	11.81
Profit after tax	161.36	127.73
Dividend on – Equity Shares	15.34	30.69
Add: Balance brought forward from previous year	136.09	61.14
Surplus carried to Balance Sheet	260.13	136.09

During the year under review, your Company recorded gross total income of Rs. 529.02 million as against Rs. 425.98 million in the previous year, an increase of 24%.

The profit before tax was Rs.172.70 million as compared to the previous year's profit before tax of Rs. 131.04 million, an increase of 32%. The improvement in the profitability was due to judicious financial and cost management.

DIVIDEND

Your Directors recommend a dividend of 10% on the equity shares.

OUTLOOK

Your Company as one of the early entrants in the IT Enabled Services (ITES)/Business Process Outsourcing (BPO) industry has moved up the value chain by providing a suite of services that include BPO (Business Process Outsourcing), Content Management, GIS (Geospatial Information Systems), Accounting and Tax services 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 a number of strategically important companies such as FileNET Corporation, Documentum, Hummingbird, CSC and Bearing Point among others.

Your Company has recently set up a Joint Venture Company (JVC) under the name and style of KnowledgeWorks Global Limited, with Cadmus KnowledgeWorks International Limited, Mauritius, holding 80% and your Company holding 20% of the paid up equity share capital. The JVC is engaged in providing IT Enabled Services and Business Process Outsourcing Services in the scientific, technical and medical space.

According to the National Association of Software and Services Companies (NASSCOM), the IT Software services sector in India, including exports and domestic would grow to around US\$ 77 billion in 2008. This sector includes IT Services and IT Enabled Services/BPO Services. The export of IT Software services from India exceeded US\$ 9.5 billion in the financial year 2002-03. Software exports are expected to have grown by between 25% to 30% in 2002-03 as compared to the financial year 2001-02. The Nasscom Mckinsey report has estimated export of IT Enabled Services/BPO at US\$ 20 billion in 2008.

FINANCE

During the year, the Company re-paid the loans to the extent of Rs. 72.71 million. This included pre-payment of long term working capital loan of Rs. 40 million.

Datamatics Technologies Limited

INVESTMENTS

Your Company made an investment of Rs. 3.71 million in Datamatics Technologies GmbH, an organisation formed under the laws of Germany, by acquiring 100% common stock of that organisation. Your Company increased its investment by Rs. 0.5 million in Datamatics Infosolutions Limited, thereby making it a 100% subsidiary. Your Company also increased its investment in Datamatics Technologies Inc., USA by subscribing to additional 105 no par value fully paid common stock of that company for Rs. 5.04 million. During the year your Company divested its shareholding in Datamatics Consultants Limited at par value of Rs. 0.5 million.

DIRECTORS

Mr. M.G. Diwan retires by rotation and being eligible offers himself for re-appointment.

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. Pradeep Barthakur, the President and a Director of Datamatics Technologies, Inc., a wholly owned subsidiary of your Company, expired on May 3, 2003. Mr. Barthakur was associated with Datamatics Group for many years and was one of its pillars. Your Directors acknowledge the significant contribution made by Mr. Barthakur to the Company during his tenure with the Group.

SHARE TRANSFER COMMITTEE

A Share Transfer Committee of the Board was constituted comprising Dr. Lalit S. Kanodia and Mr. Manish H. Modi. Dr. Kanodia is the Chairman of the Committee.

AUDIT COMMITTEE

The Audit Committee of the Board was reconstituted and it comprises Mr. R. K. Saraswat, Mr. M.G. Diwan and Mr. Manish H. Modi. Mr. Saraswat is the Chairman of the Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2003, audited by the Statutory Auditors are in conformity with the requirements of the Companies Act, 1956. Further, as required by the provisions of Section 217(2AA) of the Companies Act, 1956 the Board 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 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 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; and
- (d) the Directors have prepared the Annual Accounts on a going concern basis.

FIXED DEPOSITS

The Company has refunded deposits of Rs. 500,000 during the year. The Company has not invited or accepted any public deposits during the year. The Company did not have any outstanding fixed deposits as on March 31, 2003.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 requiring disclosure of particulars regarding Conservation of Energy and Technology Absorption has not been furnished as the same is not applicable to the Company. The total foreign exchange earned by the Company during the year was Rs. 525.15 million and the foreign exchange expenditure was Rs. 116.05 million.

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AUDITORS

Messrs. Kanu Doshi Associates, Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting 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 specified under Section 224(1B) of the Companies Act, 1956.

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.

ACKNOWLEDGEMENTS

Your Directors are grateful to the Company's bankers and business associates 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.

Mumbai
July 8, 2003

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman



Datamatics Technologies Limited

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2003

Name & Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs)	Previous Employment Designation
Employed for the whole year:						
Modi Manish H. Managing Director & CEO	M.Sc. Physics, M.S. Computer Engg. (USA)	39	January 1, 1994	15	4,258,289	Datamatics Limited Asst. General Manager
Zurale Mahesh Sr. Vice President & COO	M.S. Computer Science, MBA (USA)	37	November 19, 1996	13	3,146,660	Futuristic Systems Partner
Mahurkar Anand General Manager	B.E. (Mechanical), MBA	34	March 27, 2000	13	2,548,278	Kale Consultants Limited Regional Manager
Employed for part of the year:						
Vaidyanathan K.N. Sr. Vice President	B.Com., MBA (IIM)	40	July 01, 2002	18	1,869,259	Advantage E-Accounting Services Managing Director & CEO

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

Mumbai
July 8, 2003

Dr. Lalit S. Kanodia
Chairman

Datamatics Technologies Limited

Auditors' Report

To the Members of
DATAMATICS TECHNOLOGIES LIMITED

We have audited the attached Balance Sheet of DATAMATICS TECHNOLOGIES LIMITED as at March 31, 2003 and also the Profit and Loss Account and the Cash Flow Statement 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 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.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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.
2. Further to our comments in the annexure referred to in the paragraph 1 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 Companies Act, 1956 to the extent applicable;
 - (e) Based on the information and representations received, we report that the directors of the Company, do not, prima facie, have any disqualification as referred to in Section 274(1)(g) of the Companies Act, 1956.
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
 - (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 Kanu Doshi Associates
Chartered Accountants

Jayesh Parmar
Partner

Mumbai
July 8, 2003

Annexure to the Auditors' Report

(Referred to in paragraph 1 of the Auditors' Report of even date on the accounts for the year ended March 31, 2003)

As required by Clause 4 (A), (B) and (C) 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. The fixed assets are being physically verified under a phased programme of verification, which, in our opinion, is reasonable, and no material discrepancies have been noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification has been conducted by the Management at year-end in respect of trading goods, excluding goods lying with third parties, which have not been confirmed by them. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. According to the information given to us, no material discrepancies were noticed on physical verification of stocks as compared to book records.
6. In our opinion the valuation of stock is fair and proper in accordance with the normally accepted accounting principles. This being the first year of dealing in trading goods, comparison of mode and method of valuation with the preceding year does not arise.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 and from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. 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.
9. 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.
10. In our opinion and according to 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, other assets and for the sale of goods.
11. According to the information and explanations given to us, the transactions of purchase and sale of goods and materials 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 in our opinion, are reasonable having regard to prevailing market prices for such goods and materials except for the purchase of IT products for which alternative sources of supply are not available. The Company has dealt in services of specialized nature for which alternative sources of supply are not available, we are unable to comment on the reasonableness as compared to the prevailing market prices, for such or similar services.
12. According to the information and explanations given to us, there is no significant stock of unserviceable or damaged stores, spares and consumables and as such no provision for such loss is necessary in the accounts.

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13. According to the information and explanations given to us, in respect of the deposit accepted from a shareholder, the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder have been complied with.
14. The Company does not generate any realisable by-products or scrap.
15. 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.
16. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
17. The Company is generally regular in depositing Provident Fund and Employees' State Insurance dues with appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, customs duty and excise duty outstanding as at the last day of financial year, for a period of more than six months from the date they became payable.
19. No personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of Section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of service activities of the Company, it has a reasonable system of recording receipts for services rendered. The matters pertaining to recording issues and consumption of materials and stores and allocating materials consumed to the relative jobs do not arise considering the nature of services rendered.
22. In respect of service activities of the Company, the allocation of man-hours consumed on each job is not practicable considering the nature of services rendered.
23. In respect of allocation of labour to jobs, there is a reasonable system of authorization at proper levels with necessary control and also a system of internal control commensurate with the size of the Company and the nature of its business.
24. In respect of the trading activities of the Company, there are no damaged goods for which provision for loss is required to be made.

For Kanu Doshi Associates
Chartered Accountants

Jayesh Parmar
Partner

Mumbai
July 8, 2003