



Datamatics Technologies Ltd.

*We Manage Knowledge*

# Scaling New Heights



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# Letter to Shareholders



**Dr. Lalit S. Kanodia**  
Chairman



**Manish H. Modi**  
Managing Director & CEO

## " The Past Year has been a Landmark Year in the History of Our Company "

### **Dear Shareholders:**

The year 2003-04, was a very exciting year, in which our Company scaled new heights and achieved several significant landmarks.

Our Company's consolidated total income grew by 78% over last year, and profits after tax by 81%. This was despite the dollar weakening by about 8% during the year.

Our Company is focused on the Business Process Outsourcing (BPO), also known as the I-T Enabled Services (ITES), industry. We are a leader in the Non-Voice BPO/ITES space. BPO/ITES is the fastest growing segment in Information Technology (IT), worldwide. BPO/ITES is a game of SKILL and SCALE. These are the two key objectives relentlessly pursued by our Company.

Our Company is thus operating in a high growth area. This brings with it both opportunities and challenges. The world has taken note of the competitiveness of India's offerings in BPO, which consequently has both an up and a downside.

India's political and business leaders need to deftly steer a winning course, since this can be the country's greatest opportunity in the years to come. NASSCOM and McKinsey in their study have forecast the export revenues of BPO/ITES in 2008 between \$ 21 and \$ 24 billion. In 2003-04, BPO/ITES export revenue was about \$ 3.6 billion. The opportunities are hence visible to all.

Our Company acquired 100% of the equity of two U.S. corporations during the year. In September 2003, we acquired the entire equity of CorPay Solutions Inc., headquartered in Detroit, MI, USA. In November 2003,

# Letter to Shareholders

we acquired the entire equity of Saztec International Inc., a company in which we had earlier made a strategic investment, by buying the balance 53.25 % of the equity from all the other shareholders. They have thus become 100% subsidiaries of our Company. Between them, these two companies have revenues of about US\$16 million and about 250 US based employees.

We will integrate the operations of both CorPay and Saztec into Datamatics, taking full advantage of each other's strengths to provide a formidable front to all our customers.

Our Company entered into a joint venture with a subsidiary of Cadmus Communications Corporation, a company headquartered in Richmond, VA, USA. Cadmus is a market leader in the Scientific, Technical and Medical Publishing space.

This joint venture has been named Knowledgeworks Global Limited (KGL). It commenced operations in July 2003. Our Company owns 20% of the equity of KGL.

Our Company privately placed 4.32% of the total paid up equity share capital with IL&FS Investment Managers Limited in November 2003 at Rs. 101 per share of face value Rs. 5.

Our Company incorporated a subsidiary - Datamatics Technologies UK Limited in the UK, headquartered in London in March 2004 for marketing and customer relationship building.

Our Company continues to focus on quality and related certifications. We have been ISO certified for many years. We are now BS 7799 certified for international security standards and our related software services has been assessed at SEI/CMM Level IV.

Our Company became the first significant Indian BPO/ITES Company to get listed on the Indian stock

exchanges. The issue was done by the book building process and remained open between April 12, 2004 and April 19, 2004 in the price band of Rs. 101 to Rs. 110 per share of face value Rs. 5. The issue was very well received and was subscribed about 27 times. Our Board decided to issue the shares at Rs. 110. Our Company was listed on The Stock Exchange, Mumbai and National Stock Exchange of India Limited on May 7, 2004.

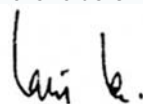
On the day of the listing, our stock debut on the exchanges was at a premium of 77%. On that day, there were 97,107 trades, aggregating 11,414,130 Equity Shares at an average price of Rs. 173.

At this price, our Company now ranks in the Top 15 IT/ITES companies listed in India, as measured by its market capitalization.

Our Board of Directors has been strengthened by Mr. Shahzaad Dalal and Mr. Sudhir Deshpande, having joined our Board. Mr. Dalal is the vice chairman of IL&FS Investment Managers Limited and Mr. Deshpande, educated at Cambridge University, UK, is a leading Civil Engineer.

We are fully seized of the enormous opportunities this industry and our Company has, and will strive to exceed the confidence reposed in our Company by its shareholders.

We believe we shall outperform the industry and have a very bright future ahead of us. We are sure that all our shareholders will share our confidence.



**Dr. Lalit S. Kanodia**  
Chairman



**Manish H. Modi**  
Managing Director & CEO

Mumbai  
May 14, 2004



# Initial Public Offering

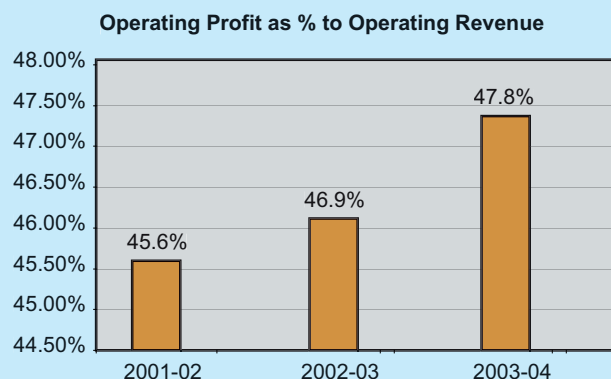
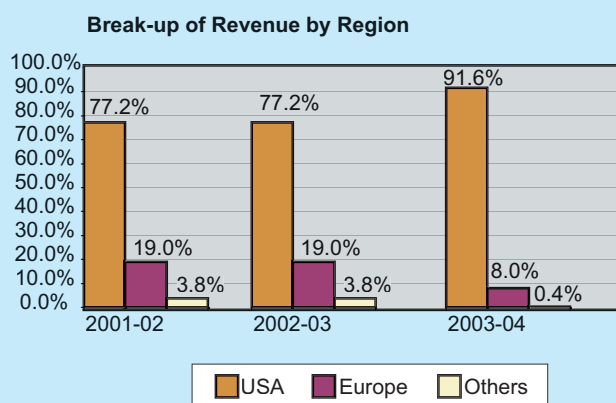
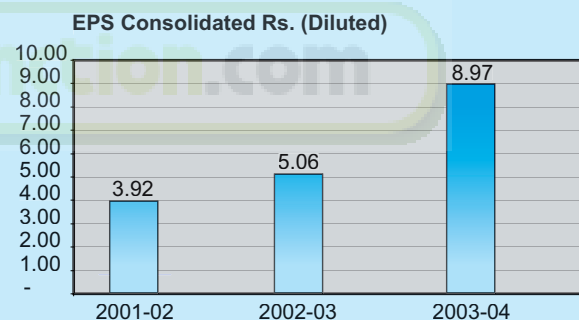
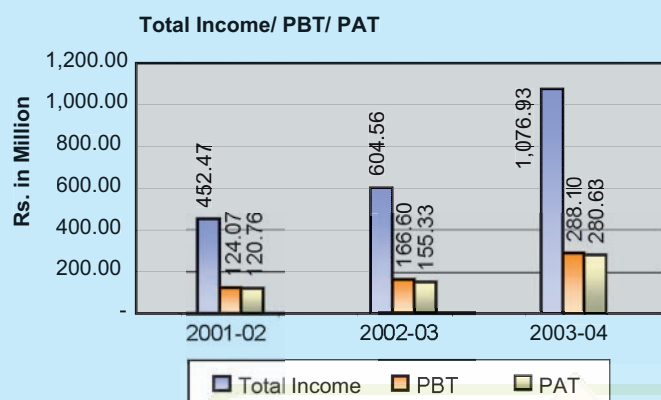


We are pleased to inform you that your Company completed its Initial Public Offering and listed on the Stock Exchange Mumbai and National Stock Exchange of India Limited on Friday, May 7, 2004. Its stock appreciated by 77% on the first day of listing and at this price its market capitalization was around Rs. 6,750 million.

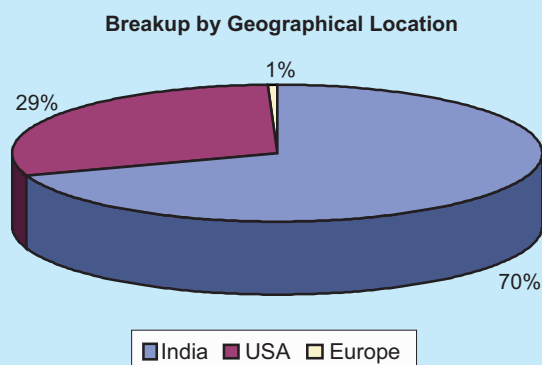
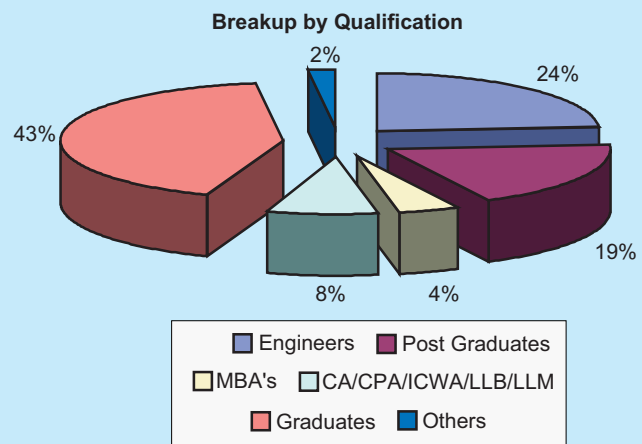
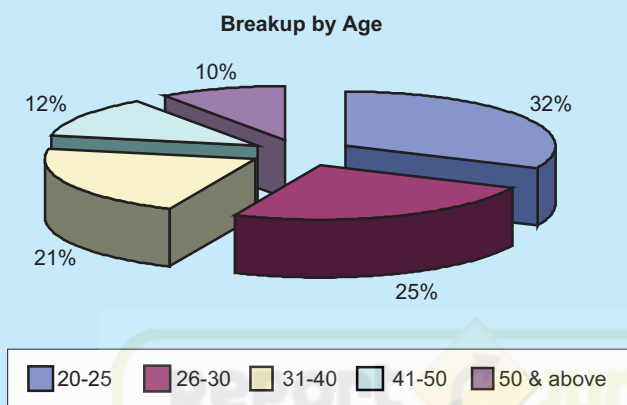
The total Equity Shares issued to the public comprised of 10.3 million Equity Shares at a price of Rs. 110 per Equity Share. The Issue was done through the book building process at a price band of Rs. 101 to Rs. 110. The issue price was Rs. 110. The IPO received excellent investor response and was subscribed about 27 times, received over 160,000 applications and investors applied for shares worth Rs. 19,000 million.

This is a step forward in our continued endeavour to provide added value to all our stakeholders. Datamatics owes this success to all its customers, friends, well wishers and employees. We thank you for your continued support.

# Financial Highlights (Consolidated)



# Intellectual Capital (Consolidated)



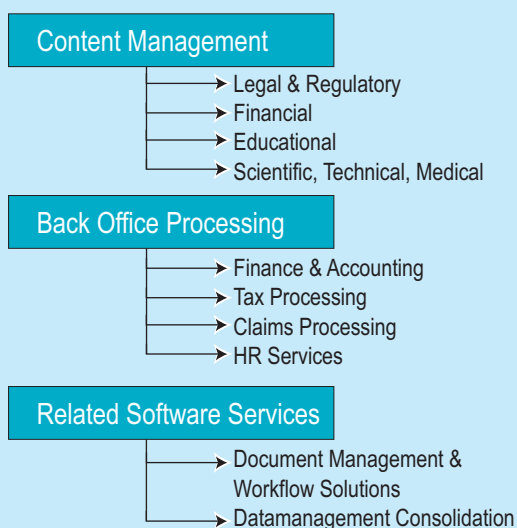


# Present Business

## Overview of the Business

Your Company has been spearheading the Datamatics Group's business activities in the information technology enabled services / business process outsourcing sector for over 10 years. Your Company's approach to the business process outsourcing business is through a dual emphasis on 'Skill' and 'Scale'. Skill denotes the technical and managerial competency in a specific domain. Scale reflects the ability to create a high volume processing capability'. Moreover, your Company believes that though clients initially approach the Company for cost advantages, they continue to provide continuous business due to the quality of work provided to them. Your Company strives to provide quantum operational improvement through ongoing process improvements leading to additional cost advantages for the clients.

The Company is primarily into processing transactions & content and offers the following suite of services:



**Content Management** services encompass managing valuable content and delivering it to a targeted audience. Content management includes data management and data delivery services. The data preparation, context addition and repository services focus on the data management aspect. Thus information that is trapped in various formats, often on paper as well on other forms, such as microfilms, is assigned a context and stored in a repository to enable comparison and retrieval. The data delivery services provide efficient and effective means to make the processed data available in optimum time, minimizing delays and improving the value of service.

**Back Office Processing** involves fulfilling specific transaction processing functions like accounting, claims, payroll, tax forms, resumes etc. in a customized format. Your Company has been leveraging its data management skills along with domain expertise in specific functions and has developed capabilities to effectively deliver this service across various industries.

**Related Software Services** The effectiveness and efficiency in providing the above services are largely dependent on managing the entire process using a well-defined workflow involving all the participants of the value chain, including even the vendors/suppliers as well as customers of the enterprise. The document management and workflow solutions and data migration/consolidation services offered by your Company ensure that the entire flow is controlled to ensure timely movement of duly authorized data. Your Company has gained niche expertise in this area and is also selling these services to its other customers.

# The Year at a Glance

in Rs. Million, except per share data

Particulars	Consolidated		
	Current Year	Previous Year	Growth
For the year			
Revenue	1,031.06	589.09	75%
Total Income	1,076.93	604.56	78%
Operating Profit	492.45	276.61	78%
Operating Profit % to Revenue	47.76%	46.95%	
Profit before Tax	288.10	166.60	73%
PBT as % to Total Income	26.75%	27.56%	
PAT	280.63	155.33	81%
PAT as % to Total Income	26.06%	25.69%	
Earnings per Share			
Basic	8.98	5.06	77%
Diluted	8.97	5.06	77%
Dividend per Share	1.00	0.50	
Divident amount including Tax	45.77	17.31	
Average Net Worth	612.28	503.20	22%
PAT % to Average NW	45.83%	30.87%	
At the end of the year			
Total Assets	770.28	650.91	18%
Fixed Assets (net)	258.64	229.19	13%
Investments	264.35	221.45	19%
Cash and Cash Equivalents	92.98	42.38	119%
Total Debt	92.14	61.24	50%
Net Worth	657.68	566.87	16%
Equity	160.37	153.44	5%