

ANNUAL REPORT



2005 - 2006

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Datamatics Technologies Ltd.

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India Facilities



SDF-4, SEEPZ, Mumbai



Technology Centre, MIDC, Mumbai



Knowledge Centre, MIDC, Mumbai



Knowledge Centre, MIDC, Mumbai



Chennai

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Board of Directors



Dr. Lalit S. Kanodia
Executive Chairman



Manish H. Modi
MD & CEO



Vidur V. Bhogilal
ED & CFO



Shahzaad Dalal
Director



Asha L. Kanodia
Director



Habil F. Khorakiwala
Director



Sudhir Deshpande
Director



Dr. Uday Salunkhe
Director



Radhakrishna Saraswat
Director

**Sr. Manager Legal &
Dy. Company Secretary**
Divya Kumat

Auditors
Kanu Doshi Associates

Bankers
State Bank of India

Solicitors
Crawford Bayley & Co.

**Registrars and Share
Transfer Agents**
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West)
Mumbai 400 078
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Fax: +91 22 2829 1673

Corporate Office
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MIDC Marol, Andheri (East),
Mumbai 400 093. India.
Tel.: +91 22 6753 5555
Fax: +91 22 2834 3669

Letter to Shareholders



Dear Shareholders,

Your Company has had a challenging year. As you are aware, last fiscal year, the Company merged three of its U.S. subsidiaries into one company, viz. Datamatics Technologies Inc., to effect cost rationalization.

Your Company made a Profit (Before Tax) of Rs.29.69 crores in its Indian operations (including its domestic subsidiary, Datamatics Softworld Pvt. Ltd.). However, it made a loss of Rs.8.02 crores in its three overseas subsidiaries located in the USA, UK and Germany, thereby impacting the overall financial performance of the Company. Your Directors are seized with the need to turn-around its overseas operations.

Your company continues to be engaged in the Business Process Outsourcing (BPO) business, in the non-voice segment. I firmly believe that this presents a unique opportunity to India and to your Company. The 2005 Nasscom McKinsey Report, estimated the total exports from India on account of BPO at about US\$ 30 billion, i.e. over Rs.110, 000 crores, by the year 2010.

Your Company is facing several challenges, including simultaneous salary increases and customer pricing pressure. To off-set this, many BPO companies are now setting up delivery centres in Tier 2 / Tier-3 towns. Your company is also actively exploring a similar move.

Your Company sold its 20% equity in its Joint Venture Company, Knowledge Works Global Ltd. for a consideration of USD 1.5 million i.e. Rs. 6,76,35,000/- .

Your Company's revenues from its Indian operations grew by 5.47% and PAT reduced by 5.05%. However, the overseas operations resulted in the consolidated revenues reducing by 3.3%, and PAT by 16%.

During the financial year under review, your Company completed SAS 70 Type II Audit Review on various controls followed at your Company's delivery centers at Mumbai, India and Livonia, Michigan, U.S., besides its earlier certifications of ISO 9001-2000, SEI/CMM Level V, and BS-7799.

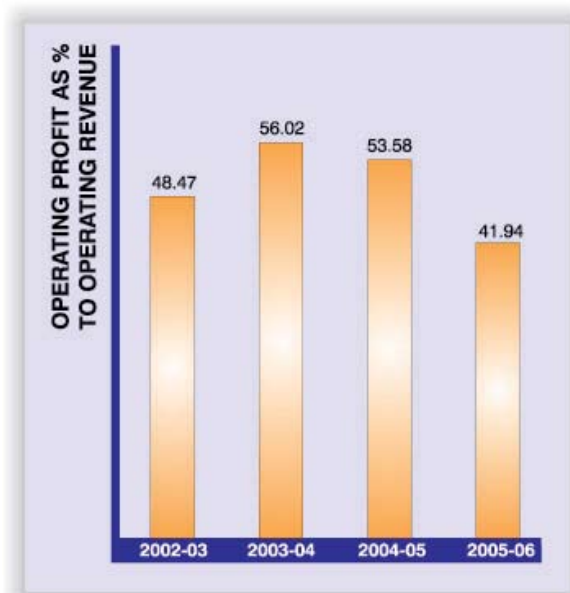
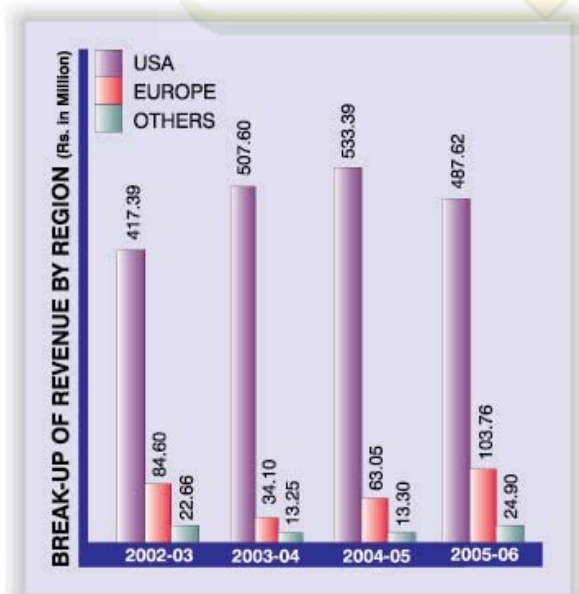
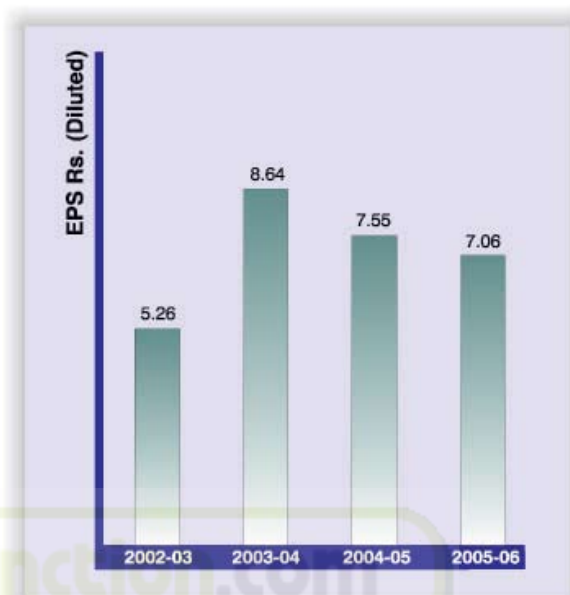
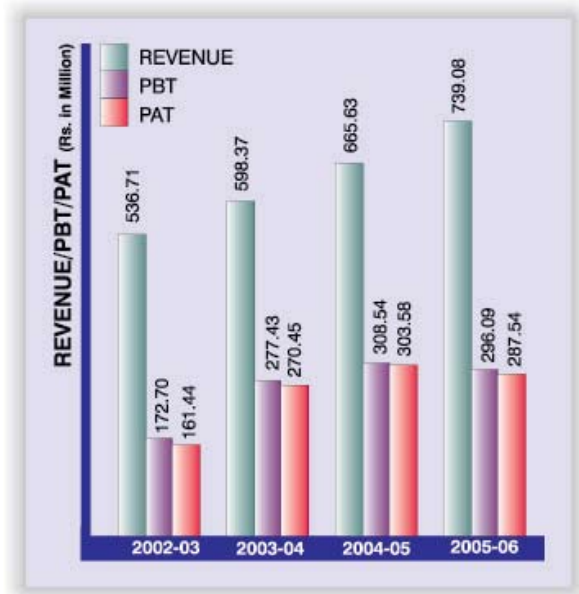
I am pleased to inform you that your Company was listed in the Fortune Magazine (April 3, 2006) as one of the top 100 BPO providers in the Global BPO space.

In view of the shareholders' interest, your Directors have recommended a final dividend of 25%, which will take the total dividend payment for FY 2005-06 to 50%.

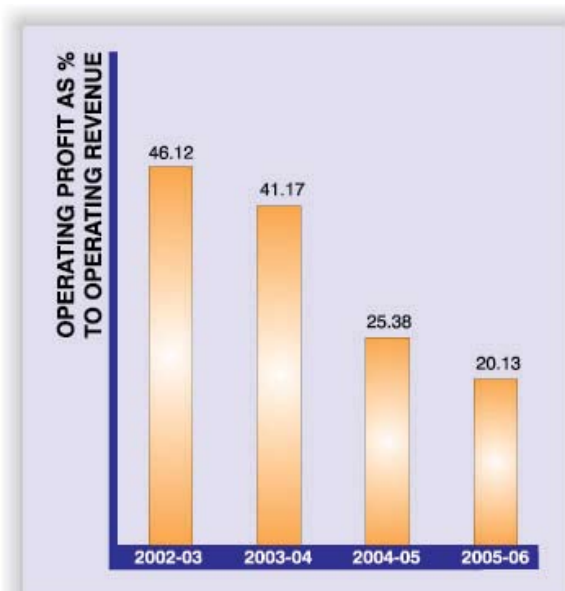
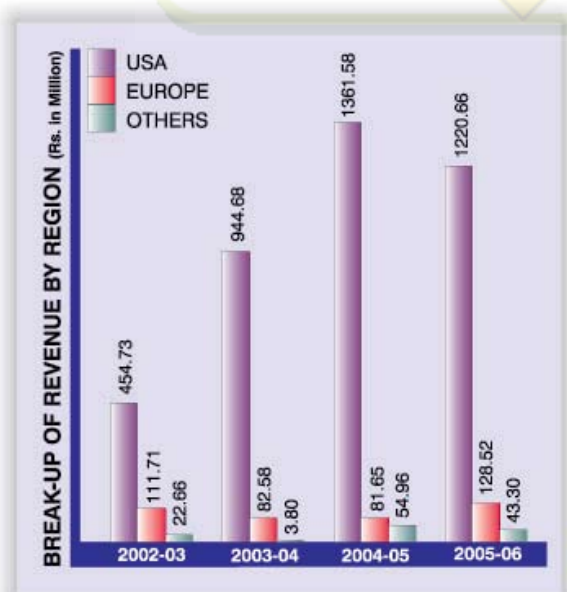
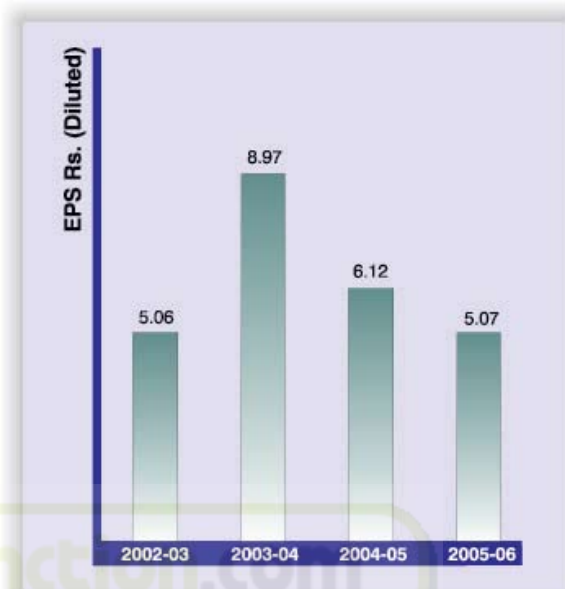
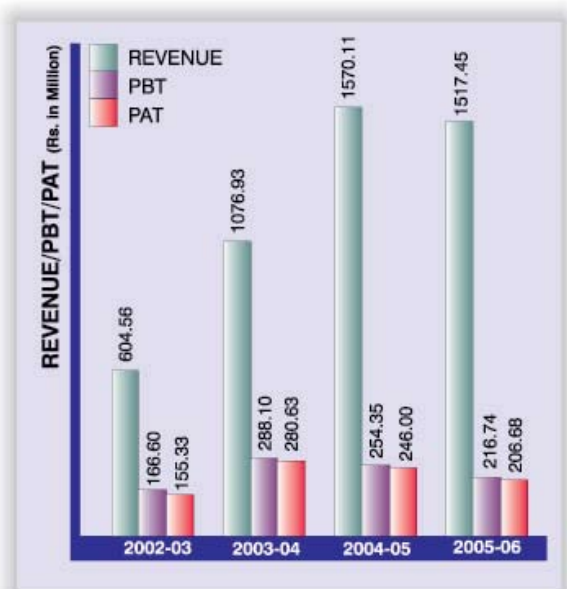
I would like to take this opportunity to thank all our shareholders and convey to them and their family my best wishes.

Dr. Lalit S. Kanodia
Executive Chairman

Financial Highlights (Stand Alone)

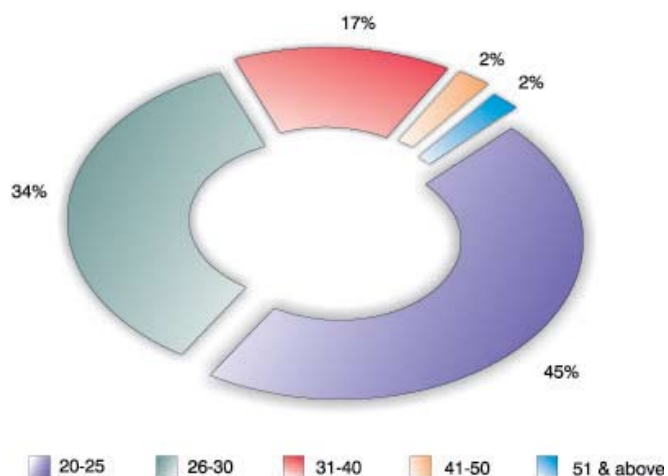


Financial Highlights (Consolidated)

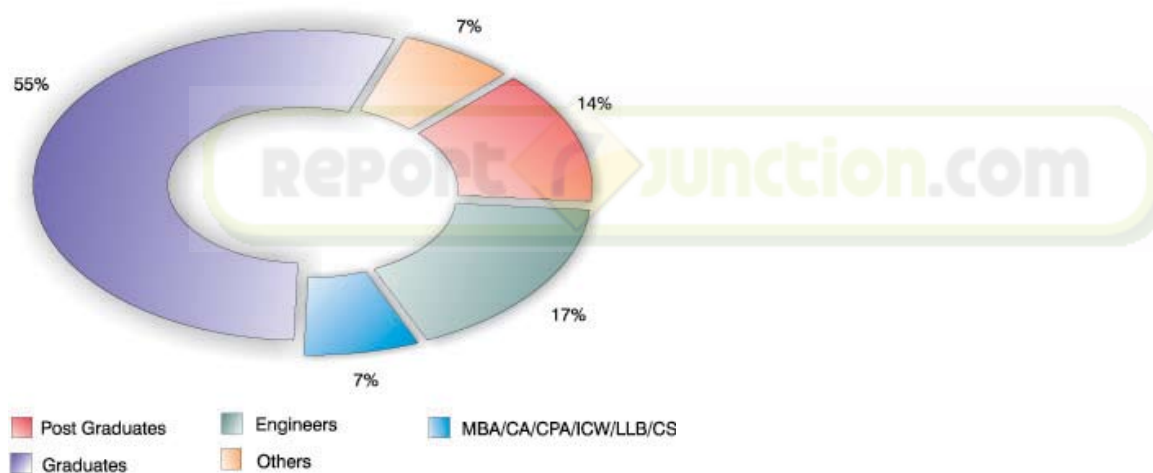


Intellectual Capital

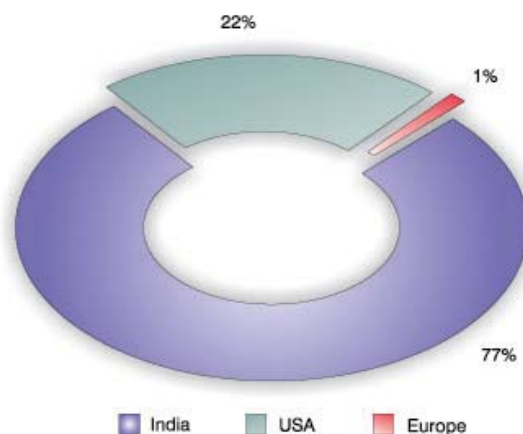
BREAKUP BY AGE



BREAKUP BY QUALIFICATION



BREAKUP BY GEOGRAPHICAL LOCATION (Consolidated)



Present Business

Datamatics Technologies Ltd. is a premier provider of business process outsourcing solutions and specializes in providing services in the areas of Finance & Accounting, Document processing, Content Management and Consulting Services. Founded in 1975, the Datamatics Group is recognized as one of India's leading Information Technology and BPO services organizations. Datamatics Technologies Limited has been consistently delivering efficient and trustworthy solutions for several global leaders including four of the top 25 Fortune 500 companies.

We have extensive and detailed end-to-end services.

Service Offerings

Back Office Services

- Tax and Accounts Preparation
- Procure to Pay
- Order to Cash
- Financial Transaction Processing
- Market Survey Forms
- Medical Claims
- Insurance Claims
- Resume Processing
- Application/Enrollment Forms
- Pledge Cards
- Invoices

Content Management

- Editorial Services
- Context Addition/Markup
- Composition
- Repository Creation
- Abstraction
- Indexing
- eBooks
- Legal BPO / KPO

Consulting Services

- Document Capture & Imaging Solutions
- Document Management Solutions
- Business Process Management Solutions
- Web Content Management Solutions
- Solutions enabling Records Management and Regulatory Compliance
- Data Extraction, Transformation & Loading (ETL) Technologies for Data Integration and Migration
- Data Cleansing and Business Intelligence Reporting for Data Quality Analysis

Back Office Services

Datamatics provides transaction-processing functions for Finance & Accounting and Document Processing services. Key offerings in Finance & Accounting include Accounts Payable, Accounts Receivable, Tax Preparation Services, Bookkeeping Services and Financial Transaction Processing across different geographical locations. A young team of certified accountants post-graduates and graduates with a good blend of accounting and technical skill drive process innovations through excellence in domain knowledge. Our unique model of creating services around our products allows for a high degree of customization for our clients. In Document Processing, Datamatics offers unparalleled breadth, depth and quality in processing documents,

Present Business

forms and text. Datamatics processes single and multi-page documents like accounting statements, invoices, health claims, enrolment forms, student registration forms, pledge cards, legacy documents, fax copies etc. Our unique capability stems from the application of technology, quality processes, and a global supply chain. This yields low error rates and quick turn around time, and high elasticity of supply. With a combination of in-house tools and third party software, our solutions can be customized for a particular client application.

Content Management

Datamatics provides total digital publishing solutions to publishing industry giants and online information providers encompassing online, hand-held and print delivery. We work closely with our clients to build and optimize their content delivery processes. Datamatics has two decades of experience in executing various projects for clients around the globe in HTML, SGML, XML and other proprietary markup. Our web-based solutions include designing the repository, hosting the content and creation of user search interfaces. Our approach to markup involves the use of customized tools to accelerate and increase accuracy of the tagging process. We have extensive experience in Legal, Financial, STM, Automotive & Aerospace, Travel and Regulatory domains. We have developed “Offshore Dedicated Centers” for some of the world’s largest information providers serving their unique business needs.

Our specialized custom built tools, proven workflows, scalability and statistical quality check methods have helped us deliver millions of pages of content and gain customer delight.

Consulting Services

At Datamatics we realize that the true return on investment (ROI) requires integration that aligns technology with corporate goals. Enterprise Information architecture involves the design of organization content and processes such that it allows people to find and manage information more successfully.

Datamatics’ Consulting Practice focuses on providing consulting and turnkey project implementation in the domain of Data Migration & Integration, Data Analysis, Document Management, Business Process Management, Records Management and Enterprise Portal technologies. Datamatics’ Data Integration and Migration professionals have established a specialized methodology and practice a tool-based approach to data migration and integration projects. The business intelligence and data analysis teams help organizations by satisfying their informational needs of the management which in turn requires analyzing the trends hidden in the transactional data and disparate information systems.

Datamatics has technology partnerships with the leading product vendors within the Enterprise Content Management and Data warehousing space, such as FileNet, Documentum, Hummingbird and DocuShare, Cognos, Ascential etc.