

Datamatics

Annual Report

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Datamatics Technologies Limited

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2006-2007

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Committed to Quality

Datamatics Technologies Limited has become the first and the only organization in India to be conferred the prestigious International Asia Pacific Quality Award in the Services category. The Award was won against competition from hundreds of companies from 38 countries spread across the world, including the US, Japan, Australia, New Zealand, Russia, Canada, China, Israel, South Korea, Peru and Mexico. The Award is administered by the Asia Pacific Quality Organization. The APQO is linked with fifteen other quality or standards organizations in the world. Its members include several hundred National Quality Organizations including the American Society of Quality as Core members, as well as Corporate and Individual members.



Datamatics Technologies Limited became the first BPO services company to win the prestigious IMC Ramkrishna Bajaj National Quality Award.

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Board of Directors

Registered Office

Unit 117-120, SDF IV
SEEPZ, Andheri (E)
Mumbai 400 096
Tel : +91 22 6697 5300
Fax : +91 22 2829 1673

Corporate Office

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MIDC, Andheri (E)
Mumbai 400 093
Tel : + 91 22 6753 5555
Fax : + 91 22 2834 3669

Registrars & Share Transfer Agents

Datamatics Financial Services Ltd
Plot No. A 16 & 17, MIDC
Part B Cross Lane, Andheri (E)
Mumbai 400 093
Tel : + 91 22 6671 2001
Fax : + 91 22 2821 3404
Email : depository@dfssl.com

Gen. Manager Legal & Company Secretary

Divya Kumari



Dr. Lalit S. Kanodia
Chairman



Rahul L. Kanodia
Vice Chairman & CEO



Vidur V. Bhogilal
Executive Director & CFO



Asha L. Kanodia
Director



Shahzaad S. Dalaal
Director



Radhakrishna K. Saraswat
Director



Sudhir C. Deshpande
Director



Uday N. Salunkhe
Director



Habil L. Khorakiwala
Director

Auditors

Kanu Doshi Associates

Solicitors

Crawford Bayley & Co.

Bankers

State Bank of India
HDFC Bank Limited
ICICI Bank Limited

Letter to Shareholders

Dear Shareholder,

Year 2006–07 was a challenging year with the appreciating rupee, higher employee costs and increasing worldwide competition.

Your Company's consolidated revenues grew by 6.77% to Rs 1486.74 million. We continued to provide services in our three major lines of business — Back Office Processing, Content Management & Related Software Services. The Back Office Processing business contributed the most to your Company's revenues, a 45.45% on a consolidated basis.

I am proud to inform you that we won the International Asia Pacific Quality Award. This award was achieved against hundreds of companies from countries that include the U.S., Japan, Australia, New Zealand, Russia, Canada, China, Israel, South Korea, Peru and Mexico. We thus became the first, and the only organization in India to win this award in the services category. This award is based on the world famous Malcolm Baldrige National Quality Award of the US, evaluated on criteria that include Leadership, Strategic Planning, Customer and Market Focus, Measurement, Analysis, and Knowledge Management, Human Resource Focus, Process Management & Business Results. Earlier this year, we had also won the prestigious IMC Ramkrishna Bajaj National Quality Award [RBNQA] for the year 2006 in the services category. While we cherish these awards, we understand that "Quality" is not a destination but a journey and your Company has to continue on this journey forever.

Another feather in your Company's cap was being ranked in the top 50 best-managed outsourcing vendors for the second consecutive year by 'The Black Book of Outsourcing' which also ranked your Company as Number 1 among the publishing, editorial & print services vendors globally. We were also ranked Number 3 among document processing vendors by the same publication. This emphasis on quality along with our focus on retaining core customers, rationalizing client concentration, cross-selling and creating newer solutions should see us grow further in the coming year.

I wish to make a point on the state of the industry that your Company is part of, the BPO & IT Services. NASSCOM-McKinsey Report in 2005 estimated that the Indian BPO and IT Services would generate \$60 billion by 2010. The past year has seen new challenges like the emergence of lower-cost destinations for outsourcing like China, Eastern Europe & Latin America. But India has remained a favoured destination due to the value-added services and our lead in services that require knowledge of the English language. I expect this to continue going forward for at least the next five years.

I believe that the only way to succeed in such a scenario is by focusing on value-added solutions. Towards this, we are looking at leveraging the strengths of your Company's associate in the software development & consulting space, namely Datamatics Limited. This proposed move is sure to lead to benefits in both the strategic and operational aspects. We would be leveraging each others' core strengths & position the company as a one-stop-shop for end-to-end solutions spanning consulting, technology architecture and business process management, including both IT and ITeS services. The amalgamation being considered will also give us a stronger go-to-market strategy & will facilitate our entry into new markets with platform-based Knowledge Process Outsourcing solutions.

Both companies will gain advantage from the fact that both target customers in the same verticals. Currently, these verticals include Banking, Financial Services and Insurance, Telecom, Publishing, Manufacturing & Semi-Government Organizations. Both companies have an extremely talented pool of resources and a "Who's Who" set of customers. I am confident that our customers themselves will be positive about engaging with a single value-added partner offering end-to-end solutions in their business.

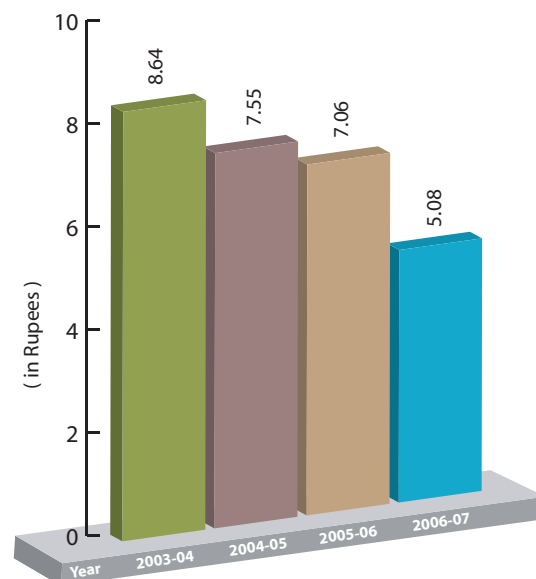
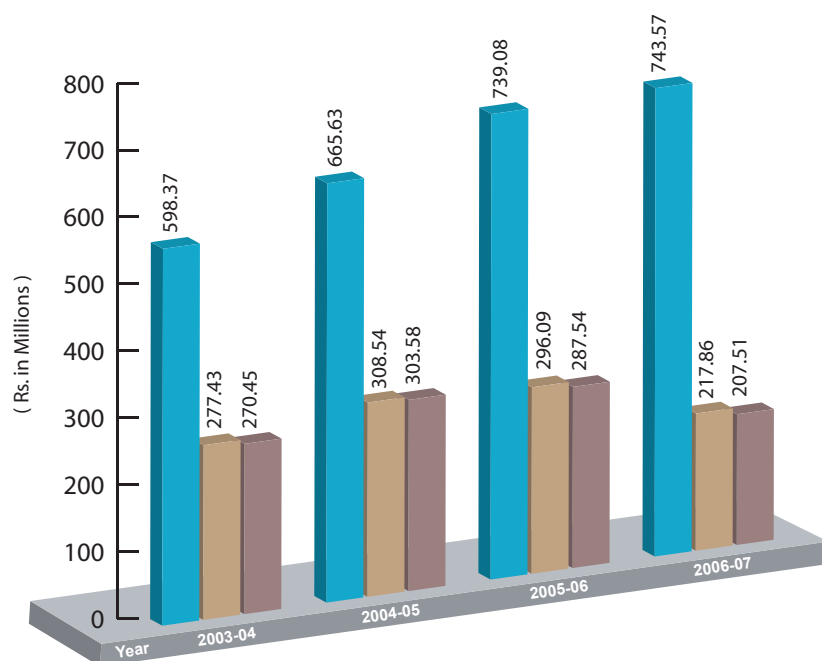
One area of continuing concern is the strengthening Rupee and the weakening Dollar which impacted our net profits in FY 2006-2007 and will further impact our profits in 2007-2008. Your Company is taking steps to mitigate this by increasing revenue from Europe and setting up low cost delivery centers outside the metros. Other measures in this direction include our Six Sigma initiatives and greater stress on automation to increase productivity and efficiency.

Dr. Lalit S. Kanodia

Ph.D. MIT, USA | Chairman

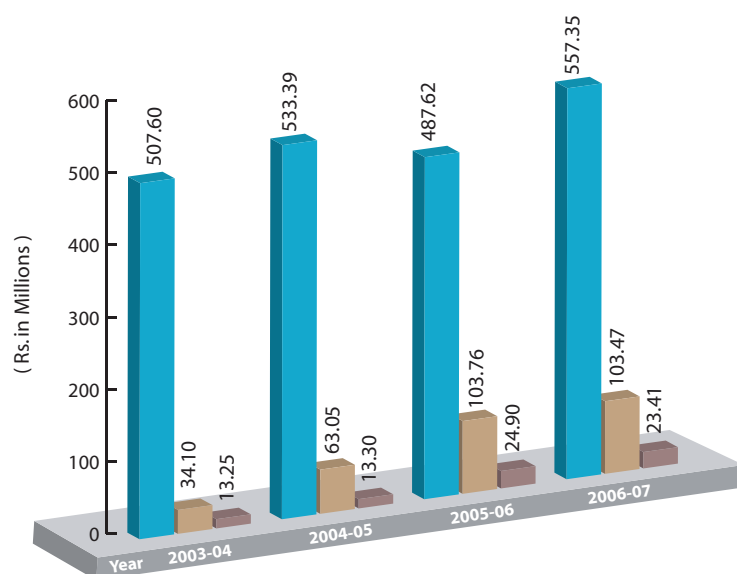


Financial Highlights (Standalone)



Revenue / PBT / PAT

■ Revenue ■ PBT ■ PAT

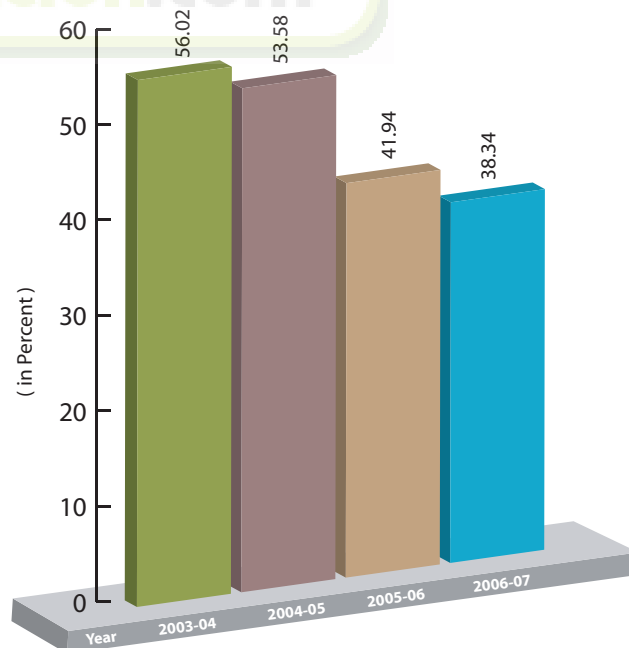


Breakup of Revenue by Region

■ USA ■ Europe ■ Others

EPS (diluted)

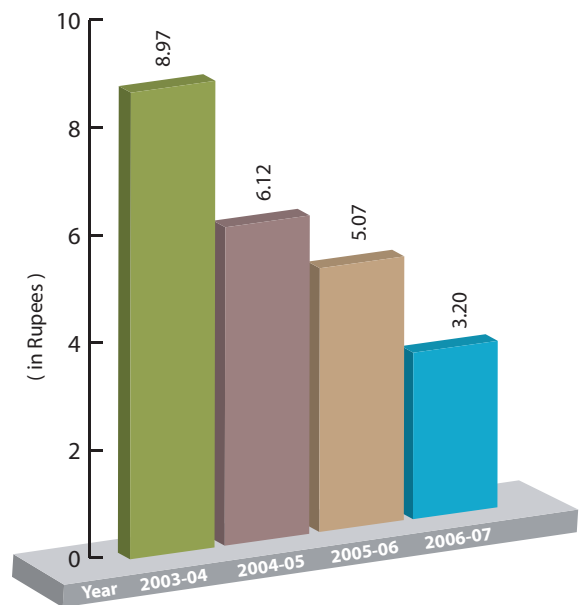
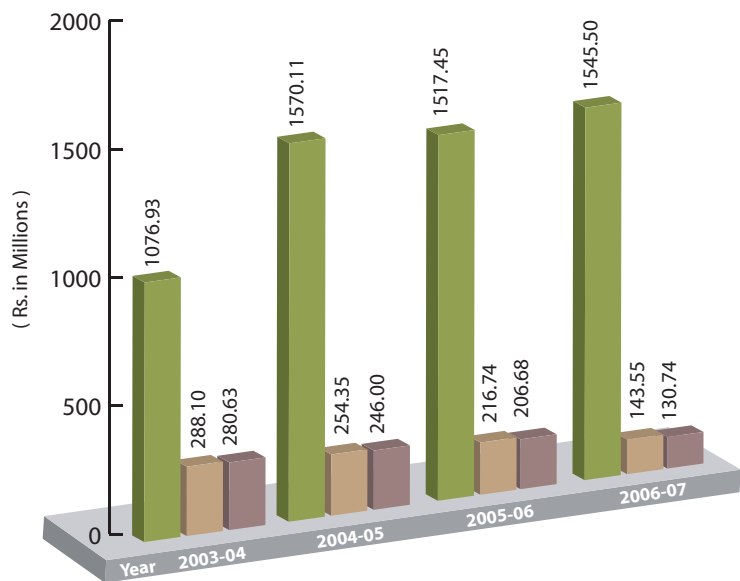
■ 2003-04 ■ 2004-05 ■ 2005-06 ■ 2006-07



Operating Profit as % to Operating Revenue

■ 2003-04 ■ 2004-05 ■ 2005-06 ■ 2006-07

Financial Highlights (Consolidated)

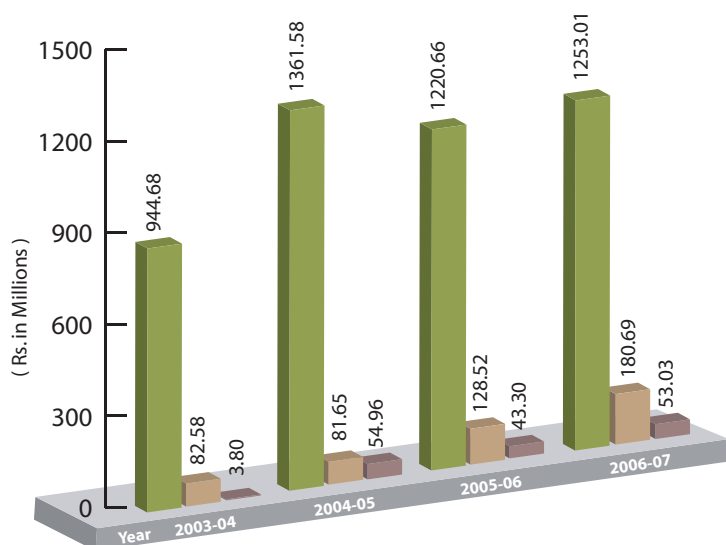


Revenue / PBT / PAT

■ Revenue ■ PBT ■ PAT

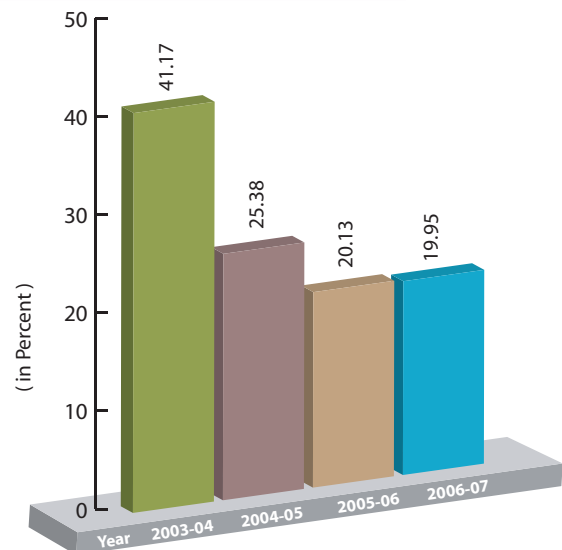
EPS (diluted)

■ 2003-04 ■ 2004-05 ■ 2005-06 ■ 2006-07



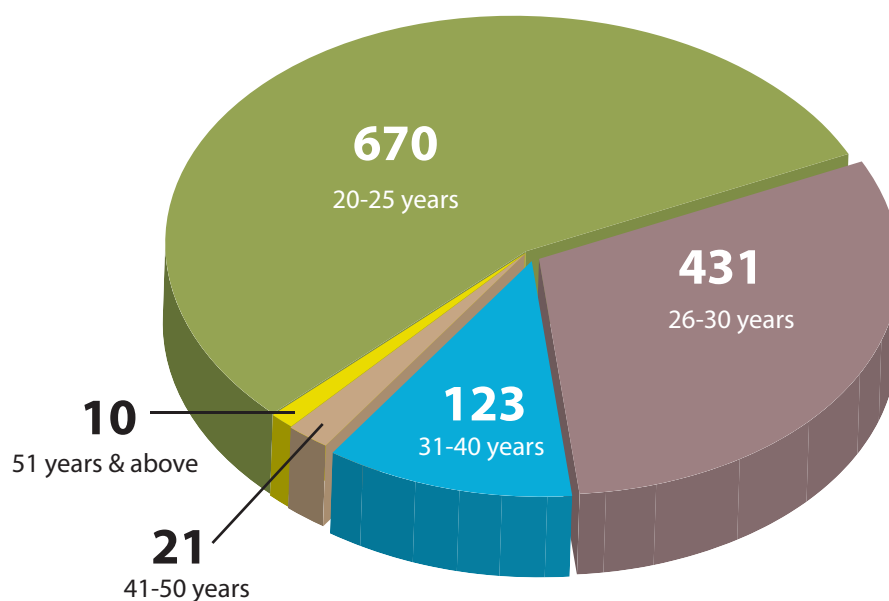
Breakup of Revenue by Region

■ USA ■ Europe ■ Others



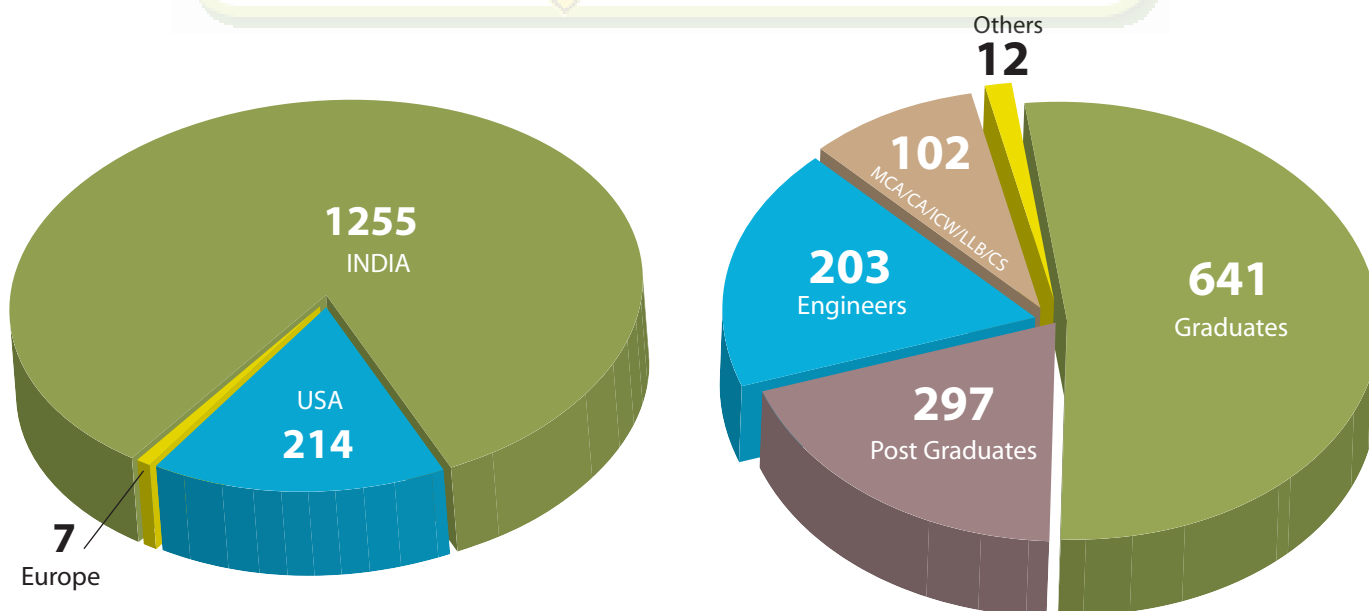
Operating Profit as % to Operating Revenue

■ 2003-04 ■ 2004-05 ■ 2005-06 ■ 2006-07



Breakup by Age

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Location-wise Headcount

Breakup by Qualification

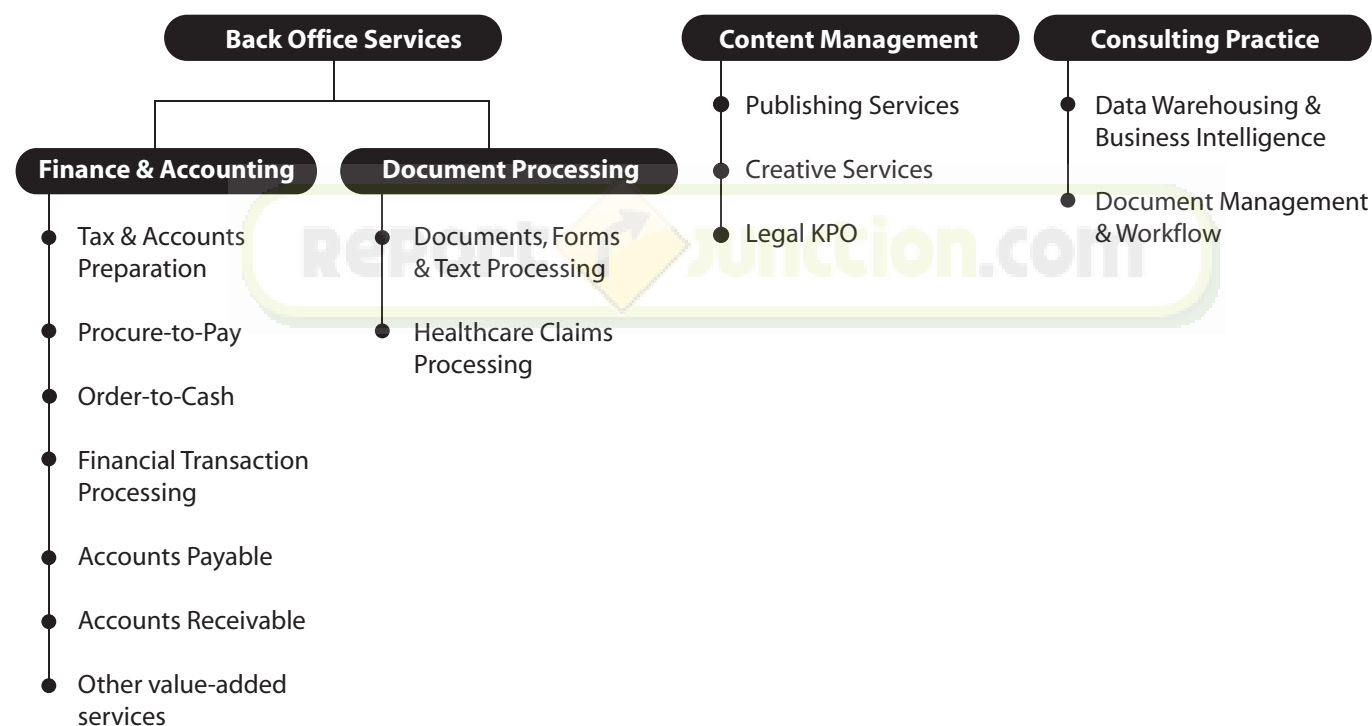
Datamatics Technologies Limited

Datamatics Technologies Limited is a leading non-voice BPO Solutions and IT Service organization. Founded in 1975, the Company today has metamorphosed into a major catalyzing force for industries and global business.

Headquartered in Mumbai and with offices across the world, Datamatics offers a wide spectrum of business services in Finance & Accounting, Content Management, Document Processing and Consulting Practice to clients spread across the globe. Datamatics' clients include five of the top 25 Fortune 500 companies.

Datamatics has built many long-lasting client relationships, over three decades, proving expertise in managing projects of varying volumes and complexity.

Datamatics Services Portfolio



Back Office Services

Datamatics offers quality transaction-processing functions for Finance & Accounting and Document Processing service lines. In the Finance & Accounting services, Datamatics offers Tax & Accounts Preparation, Procure-to-Pay, Order-to-Cash, Financial Transaction Processing, Accounts Payable, Accounts Receivable and other value-added services. A young and dynamic team of certified accountants, post-graduates and graduates with a good blend of accounting and technical skills drive process innovation and excellence through domain knowledge.

Datamatics' model of creating services around products allows for a high degree of customization for clients. The distinguishing features of this service is Datamatics' application of technology, quality processes and use of a global supply chain. All these service features yield low error rates, quick turn around time, and highly elastic supply of resources.

In Document Processing, Datamatics offers unparalleled breadth, depth and quality in processing documents, 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. Datamatics is equipped to conceive, design and implement solutions for extracting, authentication, classifying, indexing and validating information for future archival and retrieval. Datamatics was ranked third globally among global document process outsourcing providers in 2007 by The Black Book of Outsourcing.

Content Management

In the Content Management space, Datamatics offers solutions through all phases in the Publishing Content life cycle – beginning with Data Aggregation, Data Capture, Editorial Services, Data Enrichment & Markup Services, Composition, Repository Creation and Data Delivery, to a variety of formats, print, web, online or media such as CDROMs.

Datamatics has demonstrated capability in helping organizations create, store, organize, and repurpose information. The Company has developed workflow solutions, enriched materials from all available context, and provided knowledge-based services such as research and drafting for clients around the world. Our efficient Content Management Services aids clients' business functions at new levels of effectiveness and profitability, while reducing costs and saving time.

Consulting Practice Services

As part of the Consulting Practice Services, Datamatics provides Document Management & Workflow solutions focusing on enterprise content management and business process management, records management, enterprise portal technologies and web content management.

Datamatics' Data Warehousing & Business Intelligence solutions focuses on data migration & integration, data profiling and cleansing, data analysis, extraction, transformation & loading (ETL) / reporting and consolidation of enterprise structured data into an enterprise data warehouse.

These services are key to any business competitiveness as they aid in the ability to streamline business processes and manage the content in a systematic manner, which leads to increased process efficiencies while reducing virtual & physical barriers to information sharing.