

Report



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# Datamatics

Annual Report

2007-08



Datamatics Technologies Limited

*We Manage Knowledge*



DATAMATICS TECHNOLOGIES LIMITED became the first and only company from India to win the INTERNATIONAL ASIA PACIFIC QUALITY AWARD in the services category.

A delegation from LEXIS-NEXIS, a long-term prestigious client of DATAMATICS TECHNOLOGIES LIMITED, headed by its GLOBAL CEO ANDREW PROZES visited Knowledge Centre in October 2007.



## DATAMATICS TECHNOLOGIES LIMITED - NASHIK DELIVERY CENTRE

After starting operations with 30 employees during the financial year 2007 – 08, the Centre now has strength in excess of 300.

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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

Knowledge Centre  
Street No. 17  
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 22 671 2001  
Fax : +91 22 2821 3404

### Vice President – Legal & Company Secretary

Divya Kumat

### Auditors

Kanu Doshi Associates

### Solicitors

Crawford Bayley & Co.

### Bankers

State Bank of India  
HDFC Bank Limited  
ICICI Bank Limited



**Dr. Lalit S. Kanodia**  
Chairman



**Rahul L. Kanodia**  
Vice Chairman & CEO



**Vidur V. Bhogilal**  
Executive Director & CFO



**Sameer L. Kanodia**  
Executive Director



**Shahzaad S. Dalaal**  
Director



**Radhakrishna K. Saraswat**  
Director



**Sudhir C. Deshpande**  
Director



**Uday N. Salunkhe**  
Director



**Habil L. Khorakiwala**  
Director

## Letter to the Shareholders

Dear Shareholder,

I am pleased to report that financial year 2007-08 was successful for your Company despite many challenges. On a standalone basis, our total income stood at Rs. 753.44 million and net profit at Rs. 140.86 million. On a consolidated basis income was Rs. 1527.75 million and a net profit Rs. 91.94 million.

Our customers continued to invest in our solutions and services.

We were faced with a challenging business environment. The sustained appreciation of the Rupee against the US dollar was a cause for concern during most part of the financial year. Other factors included general inflation, rising employee salaries and slow down of the U.S. economy.

All of these factors made us strive to streamline our operations and put in place rigorous systems and processes. At the same time, we worked hard to exploit to the maximum advantage of our technology to improve productivity and reduce costs.

The highlight of the past year has been winning the International Asia Pacific Quality Award. We became the first and only company from India to win the IAPQA in the Services category. We won overcoming competition from hundreds of companies from 38 countries including US, Japan, Australia, New Zealand, Russia, Canada, China, South Korea, Peru and Mexico.

Another highlight of the year was the setting up of our Nashik Delivery Centre of Excellence. We chose Nashik to expand our operations not only due to its proximity to Mumbai but also due to the quality of its educational institutes and the availability of excellent infrastructure. We started operations in Q3 with 30 employees and our strength now stands at over 300.

We also rolled out our Six Sigma initiative. This initiative was launched across the organization in 2007-08 with the objective of encouraging the use of robust Six Sigma methodologies to improve productivity and efficiency. About one-third of the organization's total strength participated and benefited out of these completed projects. Over half our staff were covered through basic awareness and advanced training sessions on Six Sigma. Six Sigma will generate a high return on investment.

Economic and business pressures pushed our technical team to develop software to make our operations more efficient. They developed a work flow tool for managing our Accounts Payable practice. They also developed a universal document processing system. Besides their benefits to our operations, they can also be sold as software products. Your Company is copyrighting them for sale worldwide.

The impact of these measures will be perpetual and will improve our profitability in future. Our Q1 results of FY 08-09 partially reflect these gains.

Going forward, I believe as an industry we are on track to meet NASSCOM's prediction of \$60 billion in exports and \$75 billion in overall software and services revenues by 2010.

I thank you for your continuing faith in your Company's management.

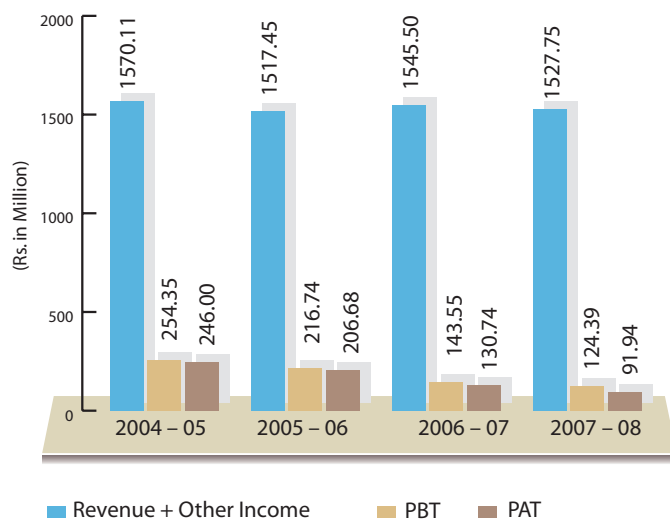
**Dr. Lalit S. Kanodia**

Ph.D. MIT, USA | Chairman

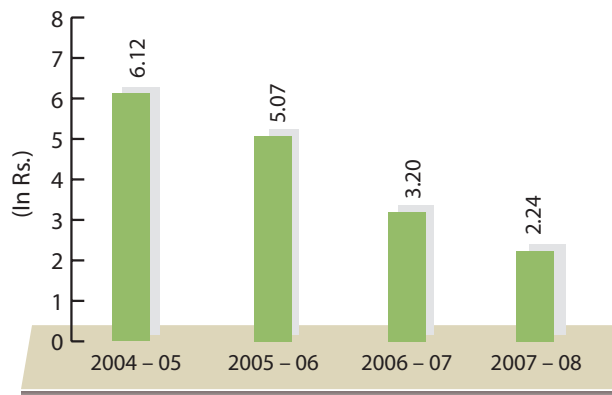


## Financial Highlights (Consolidated)

### Revenue / PBT / PAT

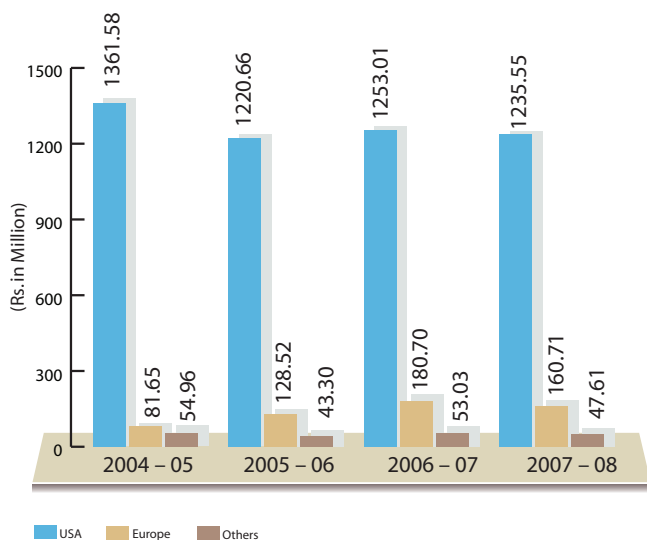


### EPS (diluted)



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### Breakup of Revenue by Region

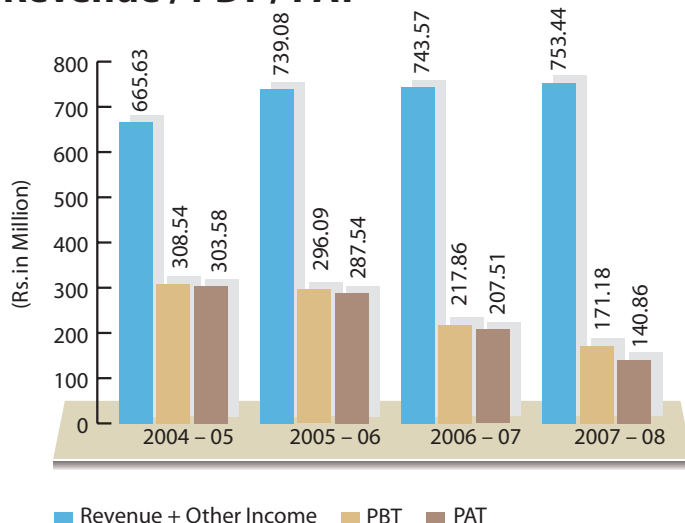


### Operating Profit as % to Operating Revenue

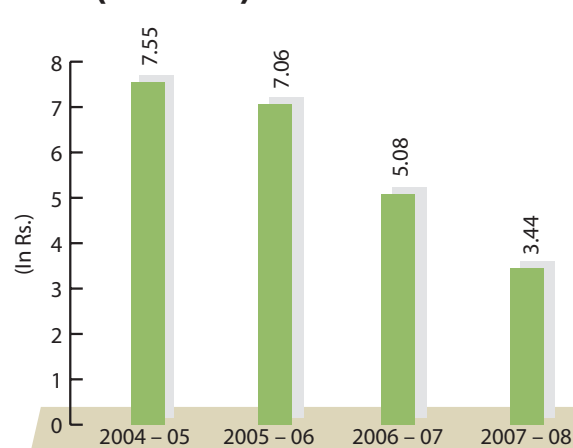


## Financial Highlights (Standalone)

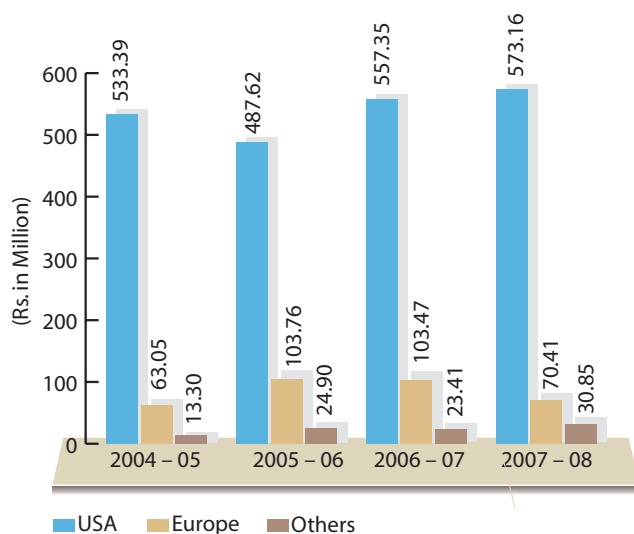
### Revenue / PBT / PAT



### EPS (diluted)



### Breakup of Revenue by Region



### Operating Profit as % to Operating Revenue

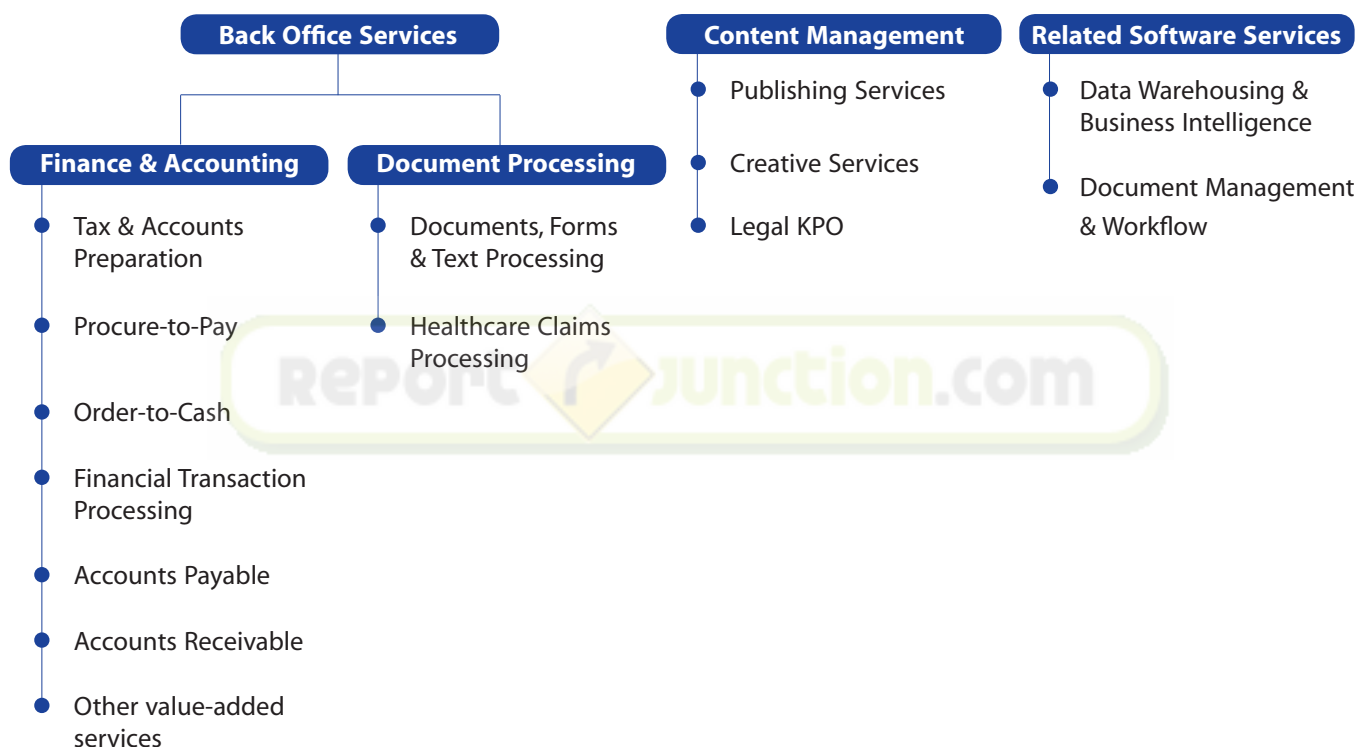


## PRESENT BUSINESS

### Datamatics Technologies Limited

Datamatics Technologies Limited is a leading non-voice BPO Solutions and IT Service organization. Founded in 1975, the Datamatics Group today has metamorphosed into India's leading Information Technology and BPO services organization. Headquartered in Mumbai and with offices across the world, Datamatics Technologies Limited offers a wide spectrum of business services in Finance & Accounting, Content Management, Document Processing and Related Software Services to clients spread across the globe. The Company's clients include five of the top 25 Fortune 500 companies and 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.

### **Related Software Services**

As part of the Related Software 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. Its Data Warehousing & Business Intelligence solutions focus 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.

Services under this division are rendered as a comprehensive solution for integrating and managing all information assets of businesses. The Related Software Services division has alliances with companies like IBM FileNet, EMC Documentum, Xerox DocuShare, Microsoft, Xythos and ABBYY. This division has information management consultants trained on ECM/DWBI technologies.

## DIRECTORS' REPORT

Your Directors take pleasure in presenting the Twentieth Annual Report together with the Audited Accounts of your Company for the Financial Year ended March 31, 2008.

### FINANCIAL RESULTS

Your Company's operating performance for the year ended March 31, 2008 as compared to the previous financial year ended March 31, 2007 is summarized below:

	(Rupees in Million) Consolidated		(Rupees in Million) Standalone	
	2007-08	2006-07	2007-08	2006-07
Gross Income	1527.75	1545.49	753.44	743.57
Profit before tax	124.39	143.55	171.18	217.86
Less: Provision for Taxation	32.39	12.81	30.26	10.34
Profit after tax	91.99	130.74	140.91	207.51
Dividend on – Equity Shares (Including Dividend Tax)	—	69.64	—	69.64
Proposed Dividend on Equity Shares (Including Dividend Tax)	35.73	—	35.73	—
Balance brought forward from the previous year	12.53	101.44	232.68	244.81
Surplus carried to Balance Sheet including General Reserve	68.75	162.54	337.82	382.69

### DIVIDEND

Your directors recommend final dividend of 15% to be appropriated from the profits of the financial year 2007-2008.

### TRANSFER TO RESERVES

The Company has transferred Rs. 50 million to the General Reserve out of the amounts available for appropriations. An amount of Rs. 287.80 million is proposed to be retained in the Profit and Loss Account.

### BUSINESS

During the year under review, on a standalone basis, revenues declined by 1.43% from Rs. 684.23 million to Rs. 674.42 million compared to the previous year. The consolidated revenue also reduced from Rs. 1486.74 million to Rs. 1443.87 million. The standalone profit after tax was at Rs. 140.91 million as compared to Rs. 207.51 million. The profit after tax declined by 32.09% due to increase in manpower costs, higher tax provision and appreciation of the Rupee. The consolidated profit after tax was Rs. 91.99 million compared to Rs. 130.74 million.

### EXPANSION PLAN

As you are aware, your Company has acquired properties in Nashik. This Delivery Centre of Excellence at Nashik has commenced operations during year and currently employs more than 300 employees in various projects. Housed in around 36,000 square feet, "Suyojit Datamatics Knowledge Centre" on the Mumbai-Nashik highway was first set up when Datamatics identified the potential of Nashik as a growing city with modern infrastructure. Nashik is strategically located, merely 180 kilometers or a 3-hour drive from Mumbai or Pune. Nashik has been an excellent choice, not only due to its proximity to Mumbai, but also due to the quality of its educational institutes and the availability of excellent infrastructure.

Your Company's Nashik Delivery Centre of Excellence has received several "Five Star" ratings from customers so far. It also received the ISO 27001 certification for Information Security Management Systems. Your Company has ensured robust recruitment process and efficient training and information security processes for the staff. The Company's HR Policy is to appoint professionally qualified and well-trained people and make them responsible and accountable, and develop core competence. Your Company has also contracted to purchase additional premises comprising

of about 23,000 sq. ft area located adjoining the existing premises. Your Company has also identified options for its Campus in Nashik and is negotiating for the purchase.

### INVESTMENT IN OVERSEAS SUBSIDIARIES

Your Company has business transactions across the Globe and has subsidiaries in USA – Datamatics Technologies Inc., in UK – Datamatics Technologies UK Limited, in Germany – Datamatics Technologies GmbH and in India – Datamatics Softworld Limited. The Indian subsidiary i.e. Datamatics Softworld Limited, primarily operates in domestic operations.

The Company has made investments worth Rs. 711,894,640/- in its overseas subsidiaries. The amount of loans and advances extended to the foreign subsidiaries, namely Datamatics Technologies Inc. and Datamatics Technologies GmbH are outstanding to the extent of Rs. 6,541,832/-. During the year under review, your Company infused additional capital of Rs. 8,12,45,790/- in Datamatics Technologies Inc. and Datamatics Technologies GmbH.

This year your Company's UK operations improved. Revenues rose from Rs. 15.52 million to Rs. 116.62 million with a growth of 651% during the year under review.

As compared with previous year, the performances of the Company's U.S. and German operations have shown improvement. The Company continues its efforts to improve these operations and expects further progress in the year going forward.

The net worth of these overseas subsidiaries has declined. However, the investments made by your Company in these subsidiaries are of long term and of strategic nature and your management is confident of turning around the subsidiaries. Hence it is decided not to make any provision for diminution in the value of investment made in the Company's overseas subsidiaries.

### SCHEME OF ARRANGEMENT

The Board of Directors of your Company has unanimously approved at its meeting held on June 25, 2008, the Scheme of Arrangement under Sections 391 to 394 read with Sections 100 to 104 of the Companies Act, 1956, comprising of amalgamation and demerger. Datamatics Limited and its associated companies are amalgamating with Datamatics Technologies Limited. Datamatics Software Services Limited is demerging its Export