

Datamatics Global Services Limited

**Annual Report
2009 - 2010**



Datamatics Global Services Limited

Delivering Value Through Technology



Your Company launched a long-term learning & development initiative called Team Eagle @ Datamatics in the past year. The programme aims at creating execution excellence and passion, influencing change, and inculcating high energy and drive. The programme leverages business-critical projects to develop a new generation of leaders. EAGLE expands to Execution, Accountability, Go-getter, Let's-do-it-right-now attitude and Energize.



Your Company's Chairman Dr. Lalit Kanodia delivered a rousing speech to a rapt audience during the Datamatics Group Annual Achievers Awards held at Mumbai.

Dr. Kanodia said, "We must inculcate the culture of Passion, Excellence and getting things done. ... you must take pride in yourself. You must have a positive attitude. You can do it. You can be the best in the world. Collectively we can and we shall win."

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Registered Office

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Mumbai-400 096
Tel.: +91 (22) 6102 0501 – 0504
Fax: +91 (22) 2829 1673

Corporate Office

Knowledge Centre, Street No. 17
MIDC, Andheri (East)
Mumbai - 400 093
Tel.: +91 (22) 6102 0000 – 0009
Fax: +91 (22) 2834 3669

Registrar & Share Transfer Agents

Datamatics Financial Services Limited
Plot No. B-5, MIDC,
Part B, Cross Lane,
Andheri (East), Mumbai - 400 093
Ph. No. 91-22-6671 2237
Fax No. 91-22-6671 8204
Email: depository@dfssl.com

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
Standard Chartered Bank
Deutsche Bank



Dr. Lalit S. Kanodia
Chairman



Rahul L. Kanodia
Vice Chairman & CEO



Vidur V. Bhogilal
Executive Director & CFO



Sameer L. Kanodia
Executive Director



Radhakrishna K. Saraswat
Director



Sudhir C. Deshpande
Director



Shahzaad S. Dalaal
Director



Habil L. Khorakiwala
Director

Letter to Shareholders



Dr. Lalit S. Kanodia
Chairman

Dear Shareholders,

I am glad to share with you that your Company's sustained efforts to be a preferred provider of solutions to solve customers' business challenges has begun to reap rewards. We had embarked on a long-term strategy of being a "one-stop-solution provider" for customers worldwide amid gloomy economic conditions last year.

It is thus imperative to keep this strategic shift in mind and look beyond one year's financial results. Consolidated revenue for the year ended March 31, 2010 was Rs. 2623.8 million, while consolidated net profit clocked Rs. 221.93 million. Basic earning per share (of Rs. 5) as on March 31, 2010 was Rs. 3.77. Significantly, we managed to reduce employee cost from Rs. 1683.21 million in 2008-09 to Rs. 1637.24 million in 2009-10. Though our year-on-year net profit was down from Rs. 275.35 million to Rs. 221.93 million, the fourth quarter (January-March 2010) of the financial saw us earn higher profit (Rs. 53.21 million) than the Rs. 46.67 million earned in the same period last year (January-March 2009). This is consistent with our belief that by bringing in more automation in our processes, our Company stands to benefit by delivering higher productivity, efficiency and profitability.

We reduced our debt significantly during the year. In continuing with our tradition of rewarding our investors, the Company declared a final dividend of Rs. 1.25 per share (of Rs. 5).

I am particularly pleased with the performance of various solutions for which we have devised an aggressive go-to-market strategy. Our Company currently has over 20 solutions in its portfolio. We own the intellectual property of these solutions, which allows us to replicate them and take them to market again and again. These assets add to the intrinsic value of the Company. Also, these solutions have allowed us to gain entry as niche solution providers into large customer accounts that had entrenched vendors. Your Company has substantially increased its sales force to penetrate deeper and wider into large customer accounts across the globe.

To further strengthen our solutions portfolio and our presence in niche markets, last year, we acquired a division of Devoteam-Danet, Germany-based end-to-end niche IT solutions provider. With the acquisition, we now own the rights to a suite of independent business solutions – "Accelerators for Business Support Solutions". These solutions automate individual business processes – from order entry to payment collection for telecommunications operators and utility organizations such as integrated service delivery, billing and settlement, mediation, and output management.

Products created by our Research and Development have opened up a whole new vista of opportunities. Our Company added yet another innovation to its growing repertoire this year — i-AC, an innovative endeavor towards making a Green Earth. Using i-AC consumers, both corporate and individual home owners, can save up to 20% of the energy used by their ACs. It uses infra-red sensors to detect the presence of people in a room and accordingly directs air. It switches between the fan and the AC according to the room's temperature variations. It also controls the ceiling fan's speed. I foresee a bright future for i-AC.

Simultaneously, various organizational initiatives undertaken during the year have been driving cost-savings, productivity and efficiency gains within your Company. Last year, an innovative programme called Team Eagle @ Datamatics was launched to equip a select group of managers to become change agents within the Company. EAGLE expands to Execution, Accountability, Go-getter, Let's-do-it-right-now attitude and Energize. Due to this programme, our Company has seen productivity gains in some projects of over 200%. This success is being replicated in the financial year 2010-11 too.

The Six Sigma and Process Improvement initiative has delivered commendable benefits in terms of cost savings and returns on investment during the year. The Datamatics Delivery Center of Excellence at Nashik continues to contribute significantly to the Company's delivery capability and sustainable growth.

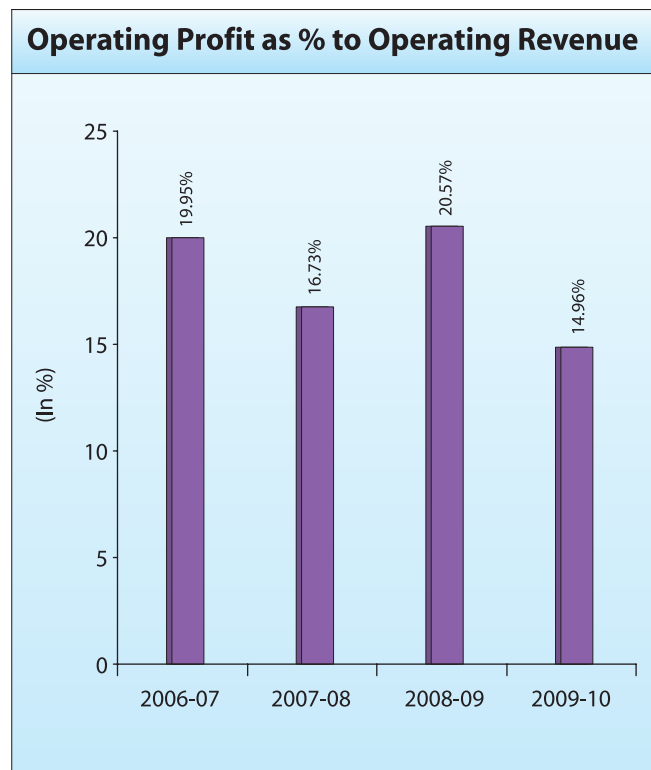
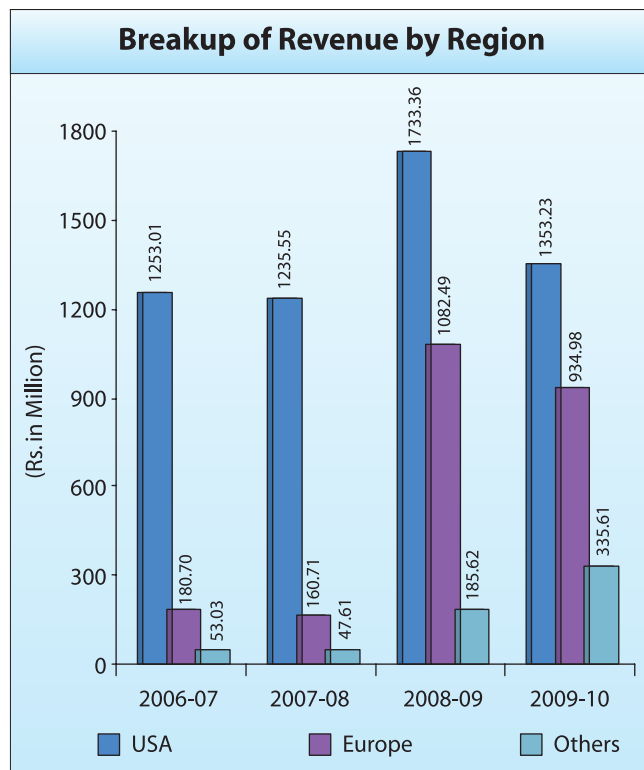
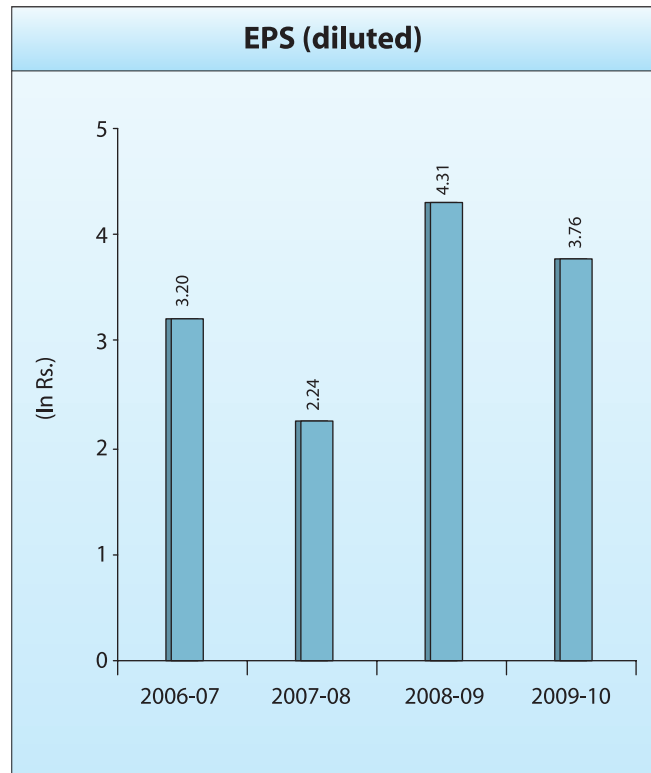
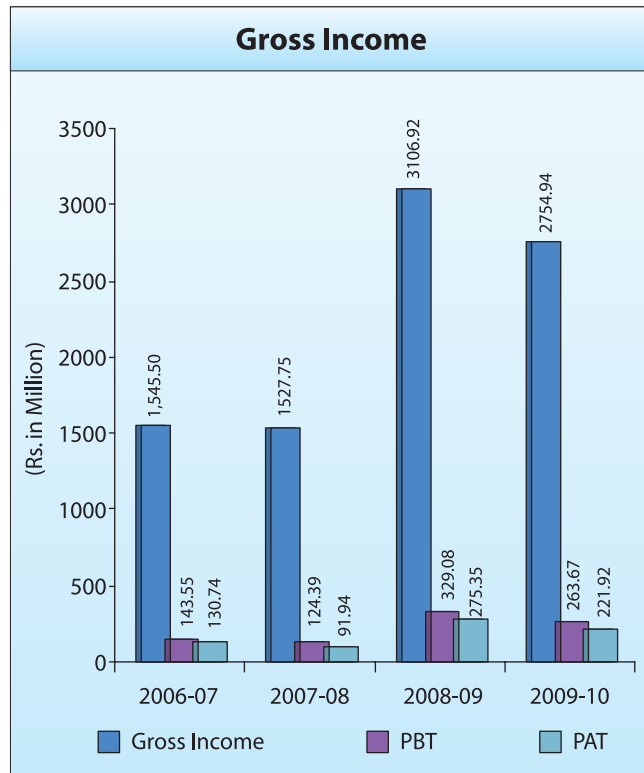
Though the global economy has been recovering from the shocks of 2008-09, some uncertainty still remains. Customers, now more than ever, demand solutions that deliver guaranteed cost savings, and tangible productivity and efficiency benefits. Our Company is fully geared to convert any challenges into opportunities.

In the past year, your Company focused on building a team of business and technology experts who have a thorough understanding of the customers' domain and business processes. This has enabled us to quickly identify customer pain points and deliver solutions. The Company has also been focusing on strengthening key customer accounts and has brought on board senior managers with a wealth of industry experience who will drive the Company's aggressive pursuit of large business opportunities.

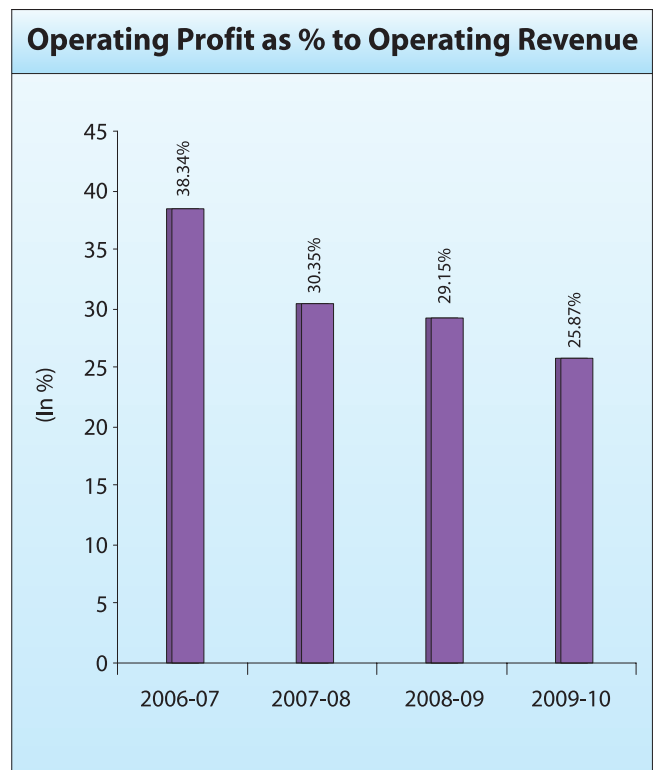
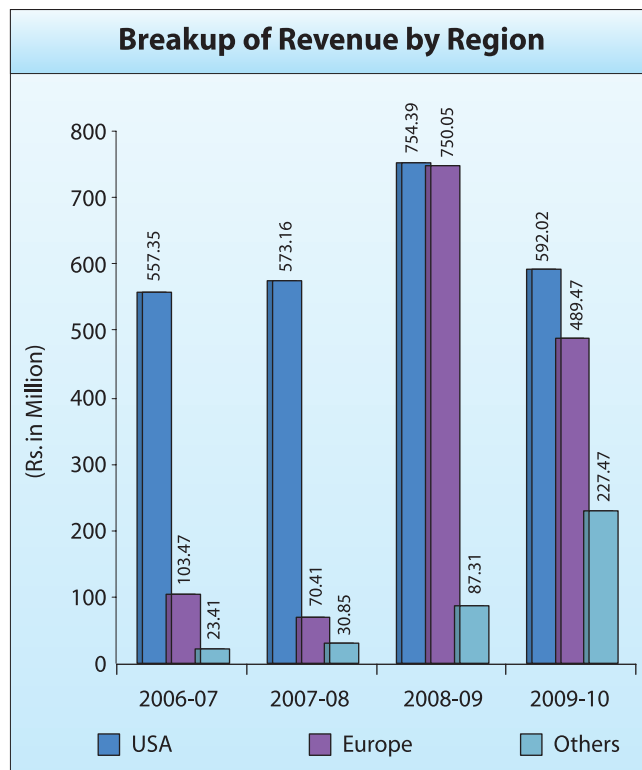
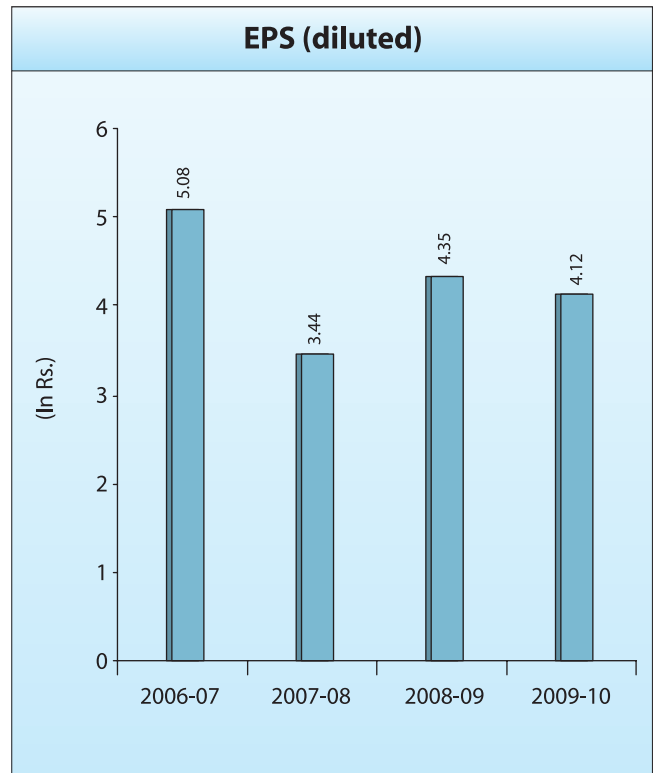
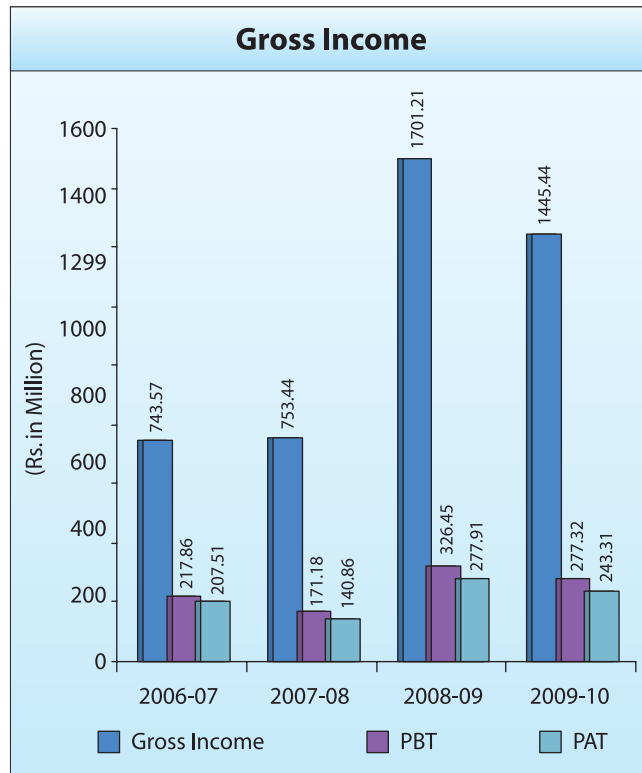
I hope that you will continue to support and encourage us in this high-growth phase of our Company's journey.

Dr. Lalit S. Kanodia
Ph.D. MIT, USA | Chairman

Financial Highlights (Consolidated)



Financial Highlights (Standalone)



Present Business - Making Customers Smart

Datamatics Global Services Limited (Datamatics) delivers smart, next-generation solutions that address the customers' business challenges. Leveraging Artificial Intelligence enables your Company to deliver such solutions.

Process automation allows customers to eliminate overheads, staff-related costs, expensive rework and end-user dissatisfaction. Time-consuming, error-prone, labour-intensive functions are replaced by smart, high-quality, effortless processes. With customers increasingly demanding smart solutions to improve operational efficiency, faster time-to-market, higher employee productivity and maximized customer satisfaction, Datamatics has focused on developing smart and next-generation solutions to meet these market needs.

Product innovation, IP-creation and technology collaboration form the core of our Company's positioning as a "one-stop-smart solution provider". Datamatics has built strong teams of Business Analysts, Technology Architects, Delivery Experts and Quality Specialists. These teams are geared to provide the solutions, support and enhancement that are based on smart technology platforms that deliver competitive advantage to customers.

Datamatics' Range of Solutions

i-Q	Path-breaking, intelligent information processing solution driven by Artificial Intelligence
i-CnC	Efficient and accurate data capture solution
i-16A	Tool for capturing relevant data from Form 16A
i-Mask	Information capture while masking sensitive data on documents
i-CAT	Innovative solution for coding of open-ended responses from a range of market research methodologies
i-Mark	Data capture tool for market research questionnaires that uses artificial intelligence and optical line recognition
i-Clinic	Integrated clinic management system
i-DART	Smart document archival, retrieval and tracking solution

e-Process Manager+	Configurable web-based system for managing accounts payables, accounts receivables and general ledger
i-PM	Work flow integrated with i-Q for processing Know Your Customer forms
DARTENIUM	High-productivity automation framework for web testing
DARTS	Automated regression testing suite
MobileServe	Web-based application for developing surveys on hand-held devices
Embedded Solutions	Innovative solutions for ticketing, toll, parking applications, etc.
i-Architect	Intelligent application health check solution
eContent Migrator	High-performance, automated tool to migrate digital assets to Enterprise Content Management systems
Contract Management System	End-to-end solution for contract management
Business Support System Solutions	"Order to Cash" solutions geared towards companies with fast-growing, next-generation business models
HOMES	Smart hosted meter solution for utilities
i-AC	Innovative endeavor towards making a Green Earth that can save up to 20% of energy used by ACs

Customers worldwide have been reaping the benefits of the investments made by Datamatics and exhibit increasing interest in the areas of smart next generation solution and the development of technology solutions that drive business efficiency.

Datamatics is committed to its philosophy of enhancing value for customers through smart business solutions and will continue to focus on creating innovative technology solutions. We continue to be driven by our vision "To be a World Class Organization Admired for Consistently Delivering Superior Business Value".



Datamatics Global Services Limited

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

NOTICE

NOTICE is hereby given that the **Twenty Second** Annual General Meeting of Datamatics Global Services Limited will be held on Thursday, August 12, 2010 at 11:00 a.m. at Knowledge Centre, Plot No. 58, Street No. 17, M.I.D.C., Andheri (E), Mumbai 400 093 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet as at March 31, 2010, the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Sudhir C. Deshpande, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vidur V. Bhogilal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
5. To declare final dividend on the equity shares of the Company.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provision of Sections 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to the consents, approval, permissions as may be required, the consent of the members of the Company be and is hereby accorded for the re-appointment of Dr. Lalit S. Kanodia as a Chairman & Whole time director of the Company for the period of five years with effect from May 15, 2010 and that he be paid remuneration with effect from April 01, 2010 as per the following details:

- | | | |
|-----------------------------|---|--|
| 1. Basic Salary | : | Rs. 200,000/- per month. |
| 2. Personal Allowance/Perks | : | Rs. 70,000/- per month as per the rules of the Company. |
| 3. Accommodation | : | (i) Rent-free fully furnished accommodation or allowance as per the rules of the Company.
(ii) Reimbursement of gas, electricity and house maintenance expenses subject to one month's basic salary per year. |
| 4. Medical | : | Reimbursement of medical expenses for self and family subject to maximum of one month's basic salary per year. |
| 5. Leave Travel Allowance | : | As per the rules of the Company. |
| 6. Club | : | Fees of Club subject to maximum of two clubs. This will include annual membership fee but not admission fee and life membership fee. |
| 7. Insurance | : | As per the rules of the Company. |
| 8. Leave | : | Leave with full pay and allowance as per the rules of the Company. |
| 9. Provident Fund | : | Contribution to Provident Fund/Annuity Fund/Superannuation Fund or Allowance as per the rules of the Company. |
| 10. Gratuity | : | Gratuity in accordance with the rules of the Company. |
| 11. Car | : | Vehicle(s) as per Company rules. |
| 12. Telephone | : | Communication facilities as per Company rules. |
| 13. Commission | : | 1% of the net profits of the Company as computed in accordance with the provision of Sections 198, 349 and 350 of the Companies Act, 1956. |



RESOLVED FURTHER THAT the gross remuneration to be paid to Dr. Lalit S. Kanodia be increased, augmented and/or enhanced subject to the aforesaid provisions and applicable approvals upto 15% per annum, effective from April 01 each year, first such increase to be granted with effect from 1st April, 2011;

RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, Dr. Lalit S. Kanodia shall, subject to the approval of the Central Government, if any required, be paid remuneration by way of Salary and perquisites as specified above subject to the restrictions, if any, set out in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) as may be applicable from time to time.

RESOLVED FURTHER THAT the Board of Directors/Compensation Committee be and is hereby authorized from time to time to amend, alter or otherwise vary the terms and conditions of the appointment of Dr. Lalit S. Kanodia including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of remuneration as may be admissible to him, within the overall limits specified in the Act, and as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board may deem fit;

RESOLVED FURTHER THAT Ms. Divya Kumat, Vice President – Legal & Company Secretary, be and is hereby authorized to file necessary forms and returns with the Registrar of Companies, Maharashtra to give effect to the above resolution."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT in partial modification to the earlier special resolution(s) passed by the members at its Annual General Meeting held on July 26, 2006 for approval of Key ESOP Scheme 2006 and Annual General Meeting held on September 28, 2007 for approval of General ESOP Scheme 2007 and Key ESOP Scheme, 2007 pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include the Compensation Committee, which the Board constitutes/has constituted to exercise its powers, including the powers, conferred by this resolution), to form an Employee Welfare Trust ("Employee Trust"), for the purpose of welfare and benefit of the employees of the Company, to offer, issue and/or transfer at any time for or to the benefit of such person(s) who are in permanent employment of the Company, and/or its subsidiaries including any Director (not being a Promoter or belonging to Promoter Group) of the Company, whether whole time or otherwise, equity shares of the Company, of face value of Rs. 5/- each fully paid-up on payment of the requisite exercise price, under the existing ESOP Schemes (Key ESOP 2006, General ESOP 2007 & Key ESOP 2007) and one or more future Employee Stock Option Scheme(s), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authorities.

RESOLVED FURTHER THAT the Board/Compensation Committee be and is hereby further authorized to fund the Employee Trust to purchase equity shares from the open market (any recognized stock exchange) or existing shareholders/investors or the Company which can be transferred to the employees upon exercise of options from time to time in accordance with the ESOP Scheme(s) and such Equity shares shall rank pari passu in all respects with the then existing Equity shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity shares to the employees directly and/or to the Employee Trust for transfer to the employees upon exercise of options from time to time in accordance with the existing and/or future ESOP scheme(s) and such Equity shares shall rank pari-passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Employee Trust to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the Equity shares of face value Rs. 5/- each shall be deemed to be increased/alterd to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the schemes shall automatically stand altered, augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 5/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.