

Annual REPORT 2011



Annual Achiever Awards

On 29th April, 2011, the Annual Achiever Awards function was inaugurated by our Chairman, Dr. Lalit S. Kanodia, Mrs. Asha Kanodia, Mr. Yogendra S. Kanodia along with Mr. Rahul Kanodia. Dr. Kanodia congratulated and appreciated the top performers of the organization during Annual Achiever Awards, Mumbai. He also spoke very intensively about the knowledge dynamics and the need for increasing ownership of intellectual property.



Human Resource Recognition

Your company has won the Global HR Strategy Award while Dr. C. M. Dwivedi, President and Global HR Head, Datamatics, received the Most Prestigious HR Professionals of India and HR Leadership Awards. The Awards were presented at the Asia's Best Employer Brand Awards 2010 held on 23 July at Singapore.



Meeting with General Motors

On May 20, 2011, our Executive Director, Mr. Sameer Kanodia, met Mr. Daniel Ankerson, Chairman of General Motors in USA.

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Fax: +91 (22) 2834 3669

Registrar & Share Transfer Agents

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Plot No. B-5, MIDC,
Part B, Cross Lane,
Andheri (East), Mumbai - 400 093
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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



Dileep Choksi
Director



Sudhir C. Deshpande
Director



Shahzaad S. Dalal
Director



Dr. Habil F. Khorakiwala
Director

Letter to Shareholders



Dr. Lalit S. Kanodia
Chairman

Dear Shareholders,

I thank you for your continued trust, encouragement and support.

During the year under review, Company's revenues (on a standalone basis), increased to ₹ 1545.19 million from ₹ 1445.44 million in 2009-10. The consolidated revenues increased for 2010-11 also registered a growth of 5.99% to ₹ 2919.94 million for 2010-11 from ₹ 2754.94 million in 2009-10. The standalone profit after tax was at ₹ 212.61 million as against the previous year's profit after tax of ₹ 243.31 million. The consolidated profit after tax was ₹ 207.99 million as against ₹ 221.92 million for the previous year. The decline in profit after tax was due to foreign exchange fluctuation and increased cost due to inflation. The business in your Company grew at a fast pace in two businesses viz., OPMS (Online Publishing and Media Solutions) and RNA (Research and Analytics).

According to the NASSCOM Strategic Review 2011, worldwide technology products and services related spend is expected to accelerate with emerging verticals and emerging geographies. To capitalize on these opportunities, during the year we have made investments in strengthening our vertical capabilities and enhancing our technological abilities. We have the capability to scale rapidly and the flexibility to distribute engagements across geographies.

To meet our growth plan, last year as a strategy we focused on strengthening our marketing and sales team. Realizing the growth potential in the Indian market, we increased our focus on the domestic market. The entire marketing and sales team has been trained and equipped to understand the customers' business challenges and help design solutions for them. Our increased focus on the Indian market has already started to yield results, and we continue to add customers from India.

During the year, the Board of Directors of your Company appointed Mr. Dileep Choksi as an Independent Director. Mr. Choksi is a leading Chartered Accountant by profession and has over 35 years of rich professional experience. Mr. Choksi is also on the Board of Directors of several leading private sector organizations. His expertise and guidance will further strengthen the team efforts.

I am proud to inform you that your Company was listed by IAOP (International Association of Outsourcing Professionals) as amongst the best 20 companies by services provided in "Financial Management Services". It was conferred Asia's Best Employer Brand Award on July 23, 2010 at Singapore and Dr. Chandra Mauli Dwivedi, President and Global HR head was conferred the HR Leadership Award.

I am glad to state that, during the last financial year, your Company was included in the list of Global Services 100 List of outsourcing services providers. The solutions developed by your Company has begun to receive recognition with one of our esteemed customers being adjudged the winner of the EDGE Award for innovative use of technology for business benefits by the Information Week magazine.

Assimilating a team of talented people with exceptional capabilities is imperative for every organization's augmentation. Datamatics has always believed in enabling bright minds to transform ideas into generative products. Our Human Resource department has played a crucial role in effectuating talent into the organization. The Company believes in promoting and nurturing work environment which is conducive to the development and growth of an individual employee, by employing the best HR practices.

In addition to these achievements, your Company has renewed its emphasis on being an environmental friendly company. The employees make a conscious effort to recycle paper, adopting green initiative by sending annual report and other communication to the shareholders through email. Your Company is involved in waste management and energy conservation methods at all facilities across geographies.

Recently your Company registered its Trade Mark 'homes-Hosted Meter Solution' in the EU and its 27 member countries and it also has 8 (Eight) Copyrights registered for its proprietary processes. Datamatics Logo is now registered in UK, US and also in European Union (EU) and its 27 member countries. Datamatics word mark is registered in India as a Trade Mark as well as a Service Mark. It is also registered in UK and EU and its 27 member countries.

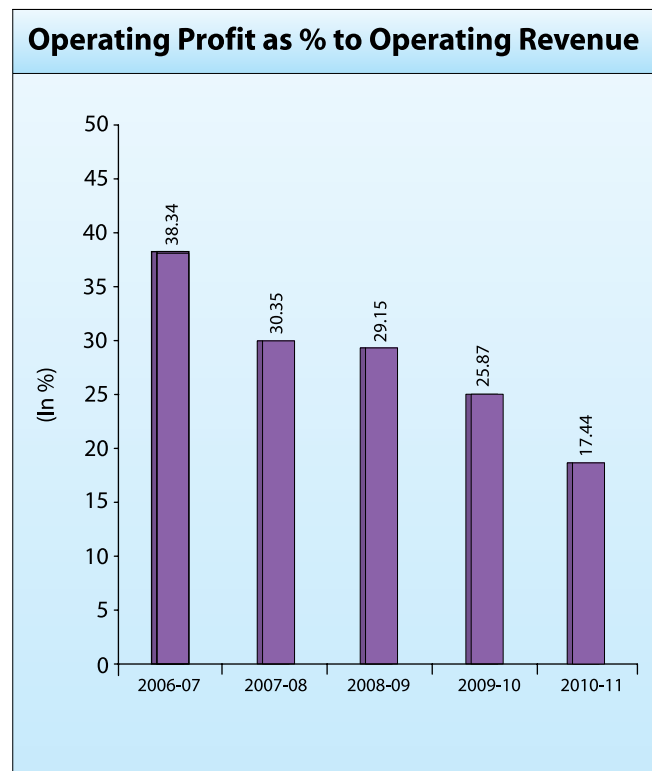
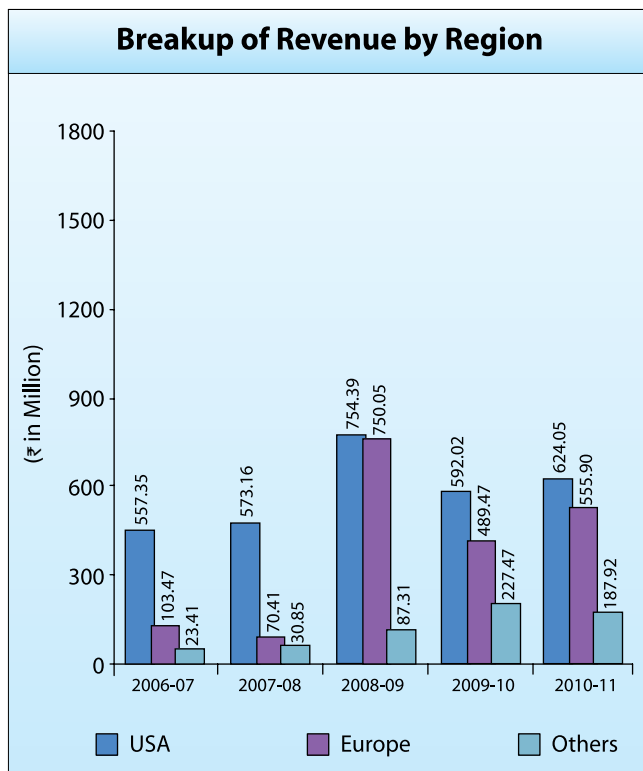
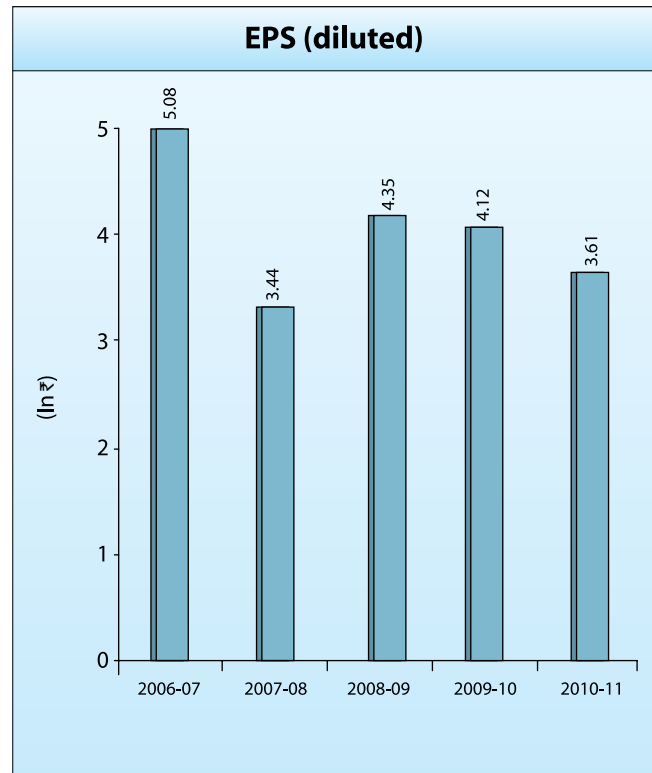
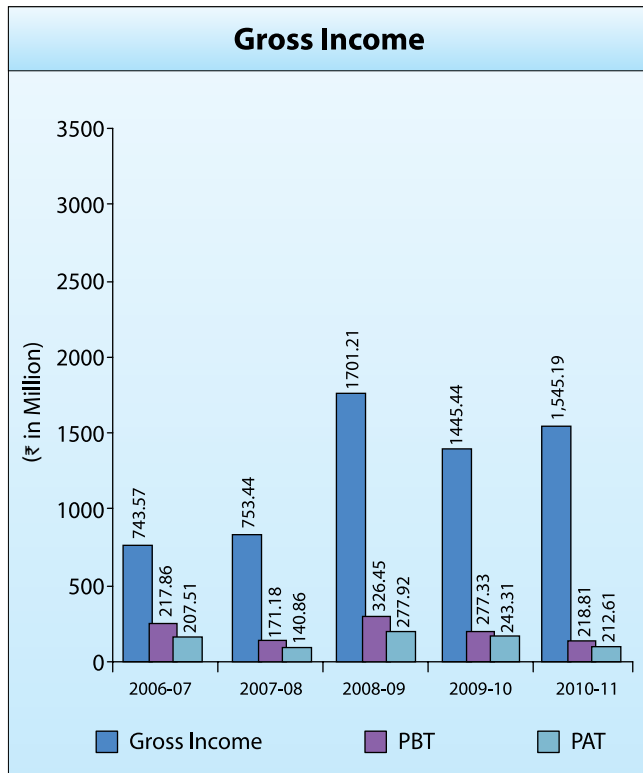
As you are aware, the global economy has been recovering from a severe slowdown and many enterprises have been cautious in their technology investments. Last year saw many such companies begin to consider new investments and expand their existing budgets. Customers today are demanding innovative solutions to help them meet their business challenges and preferring to associate with partners having wider market presence. Companies across the world are no longer interested in vanilla services, and now expect solutions that meet their specific business challenges. To ensure higher customer satisfaction, your company is focused on driving and leveraging the emerging innovation trends. It is to meet this demand that your Company has been investing in designing and developing various solutions that drive our customers' evolution into next-generation enterprises. I am glad to share with you that i-Q, the smart document processing solution developed in-house at our R&D unit, received a positive review in a technology audit conducted by market research firm Ovum.

As I conclude, let me once again reiterate my gratitude to you, our shareholders for supporting us. We, as company are poised for tremendous growth. We have the necessary capabilities, domain expertise, and are focused. We have the required fortitude to build a strong company with a view on long term perspective. I assure you that we are focused on increasing shareholder value.

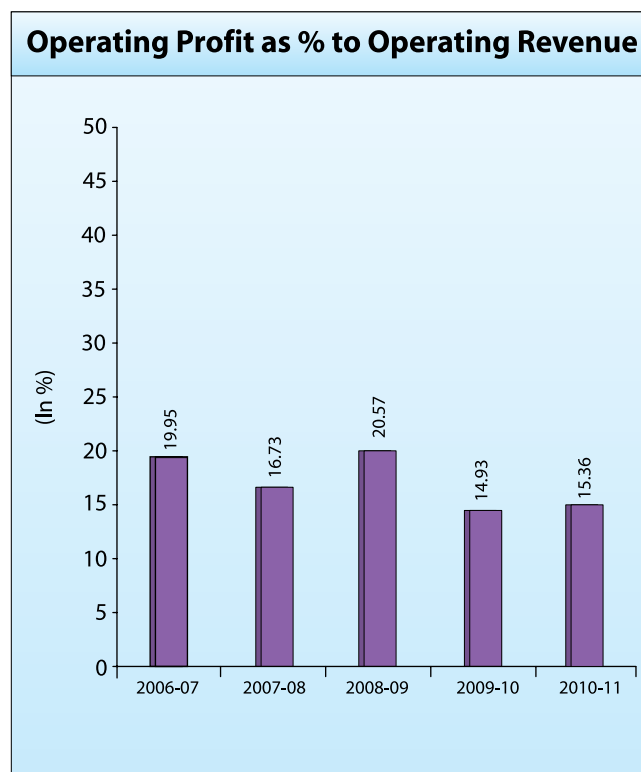
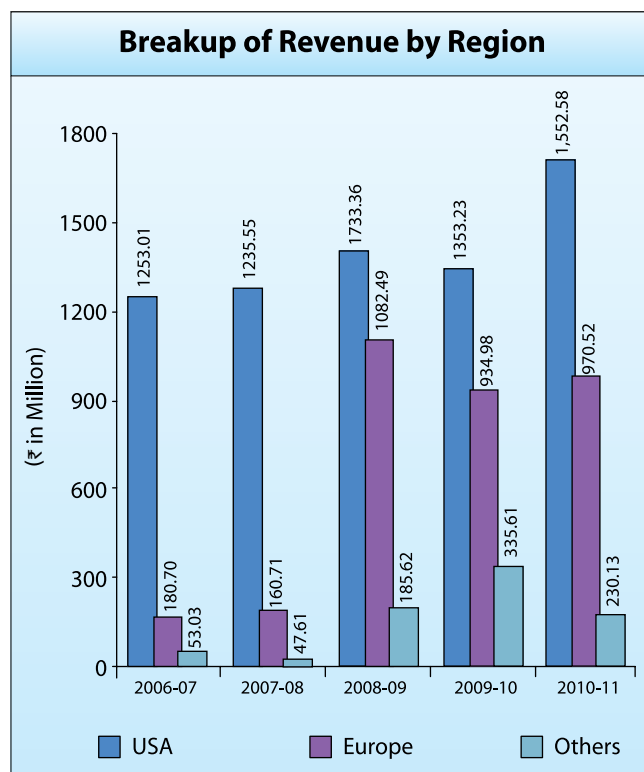
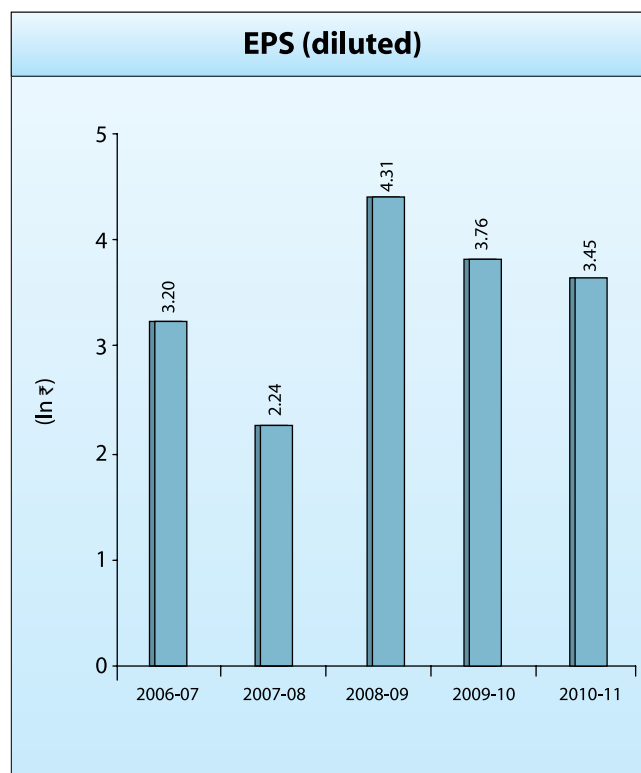
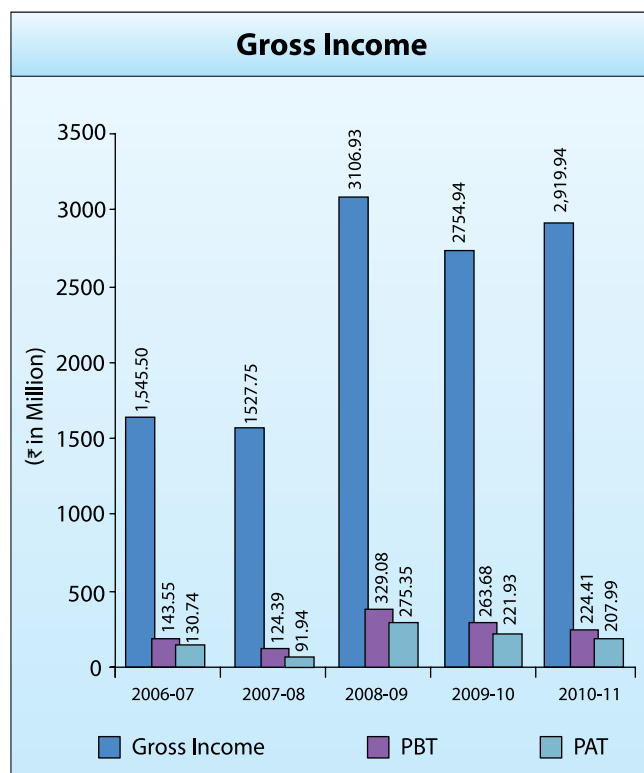
We value your commitment!

Dr. Lalit S. Kanodia
Ph.D., M.I.T. | Chairman

Financial Highlights (Standalone)



Financial Highlights (Consolidated)



Present Business

Datamatics' Next Generation Solutions

Datamatics Global Services Limited is focused on delivering smart, next-generation business solutions to its customers. These solutions leverage innovations in technology, knowledge of business processes and domain expertise to help enterprises across the world to overcome their business challenges.

As a strategic partner, Datamatics helps its customers to improve their business competitiveness and achieve operational efficiencies. The benefits delivered by the Datamatics' unique solutions include accelerated time-to-market for new products and services, maximized productivity and efficiency in business processes, shorter turn-around times for service delivery and lower total cost of running any enterprise.

Datamatics' next-generation solutions and services span across a section of industries, which include Banking & Finance, Insurance, Publishing, Manufacturing, Research and Retail, etc. Company's varied business processes transcend F&A, Enterprise Document Management, Portal Management, Publishing Solutions, Application Development, Support & Testing, Data warehousing & Analytics, Engineering & Embedded solutions, Billing solutions, and Enterprise Content solutions.

Product innovation, IP-creation and technology collaboration form the core of the Company's philosophy of providing next-generation solutions.

Some of the Datamatics' of Next-Generation Solutions include:

Datamatics' Next Generation 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 (TDS)

i-Mask	Information capture while masking sensitive data on documents
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
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
HOMES	Smart hosted meter solution for utilities

The Company continues to be driven by the vision "To be a World Class Organization Admired for Consistently Delivering Superior Business Value". To enhance value for its customers, the Company will continue to focus on creating innovative technology solutions.

Directors' Report

Your Directors take pleasure in presenting the Twenty Third Annual Report together with the Audited Accounts of your Company for the Financial Year ended March 31, 2011.

FINANCIAL RESULTS

Your Company's operating performance for the year ended March 31, 2011 as compared to the previous financial year ended March 31, 2010 is summarized below:

	(₹ in million) Consolidated		(₹ in million) Standalone	
	2010-2011	2009-2010	2010-2011	2009-2010
Gross Income	2,919.94	2,754.94	1,545.19	1,445.44
Profit before tax	224.41	263.67	218.81	277.32
Less: Provision for Taxation	16.42	41.75	6.20	34.01
Profit after tax	207.99	221.92	212.61	243.31
Dividend on Equity Shares (Including Dividend Tax)	70.97	85.92	51.38	85.92
Balance brought forward from the previous year	217.02	137.18	516.21	408.82
Surplus carried to Balance Sheet including General Reserve	354.03	273.18	677.44	566.21

DIVIDEND

Your directors recommend final dividend of ₹ 0.75 per share to be appropriated from the profits of the financial year 2010-2011.

TRANSFER TO RESERVES

The Company has transferred ₹ 50.00 million to the General Reserve out of the amounts available for appropriations. An amount of ₹ 627.44 million is proposed to be retained in the Profit and Loss Account.

PERFORMANCE OVERVIEW

During the year under review, Company's revenues (on a standalone basis), increased to ₹ 1,545.19 million from ₹ 1,445.44 million in 2009-10. The consolidated revenues also registered a growth of 5.99% by increasing to ₹ 2,919.94 million in 2010-11 from ₹ 2,754.94 million in 2009-10. The standalone profit after tax was at ₹ 212.61 million as against the previous years' profit after tax of ₹ 243.31 million. The consolidated profit after tax was ₹ 207.99 million as against ₹ 221.92 million for the previous year. The decline in profit after tax was due to foreign exchange fluctuation coupled with modest increase in revenues and increase in employee costs.

DATAMATICS DELIVERY CENTRE OF EXCELLENCE, NASHIK

The Datamatics Delivery Centre of Excellence at Nashik is housed in a 56,500 square feet building named as 'Suyojit Datamatics Knowledge Centre' situated on the Mumbai-Nashik highway. The total employee strength based in the centre increased from 560 as on March 31, 2010 to 650 as on March 31, 2011. The Centre witnessed improvement in repeat business and commendations from the customers. The

projects delivered from the Centre met 100% of their time and quality objectives and were managed by Company's teams based at Nashik, Mumbai and Livonia, USA. The Centre is ISO 27001 – certified for meeting information security and management systems standards.

During the year under review, the Company quadrupled capacities of training facilities at its Nashik Centre of Excellence. From the earlier three training rooms with a total capacity of 42 seats, the Centre now has five training rooms, including a 60-seater auditorium, with a total capacity of over 180 seats.

In addition, a new guest house named 'Casa Datamatics' has been commissioned at Nashik. The spacious 5,732 square feet four-storey building with modern amenities has a capacity to accommodate 28 guests.

INVESTMENT IN OVERSEAS SUBSIDIARIES

Your Company has successfully managed to establish in Mauritius as a Category 1 Global Business License Company under the Companies Act, 2001. Your Company had already infused initial capital of ₹ 56.24 million in Datamatics Global Technologies Limited, Mauritius.

During the year under review, your Company has made investments worth ₹ 22.36 million in its overseas subsidiaries by subscribing to 1,700,000 fully paid Non Cumulative Redeemable 8% Preference shares of Datamatics Global Technologies Limited, a Company incorporated in Mauritius.

We are pleased to share that the Company's U.S. Subsidiary i.e. Datamatics Global Services, Inc. has been turnaround resulting in a profit before tax of \$ 399,975 as compared to previous year's loss of \$ 542,571.

SIGNIFICANT EVENTS

Bosnia

Datamatics Global Services GmbH, a wholly owned subsidiary of your Company has successfully registered its 100% subsidiary in Bosnia named Datamatics Global Services GmbH d.o.o., thereby expanding German operations in Switzerland.

United Kingdom

The two subsidiaries of your Company, namely, Datamatics Technologies UK Limited and Datamatics Infotech Limited, entered into a slump sale agreement for transfer of business and assets as on March 31, 2011.

Intellectual Property Rights

As a strategy to ensure sustainable means of wealth creation, your Company has consistently focused on creating products having Intellectual Property Rights. Your Company has 8 (Eight) Copyrights registered for its proprietary processes. Datamatics Logo is registered successfully in UK, US and also in European Union's (EU) 27 member countries. Datamatics word mark is registered in India as a Trade Mark as well as a Service Mark. It is also registered in UK and EU and its 27 member countries. Your Company has succeeded in registering **DATAMATICS** word mark in Australia, China, Norway and Switzerland under World Intellectual Property Organization. Recently your Company registered its Trade Mark 'homes-Hosted Meter Solution' in the EU and its 27 member countries.

Branding Exercise

Your Company has a new brand identity and website. This change has been brought about to take your brand to the next level of marketing excellence. The logo has a contemporary look-and-feel, symbolizing the Company's global aspirations. The new logo, while continuing to have the original brand mark with 'G' written inside 'D', will have **DATAMATICS** in capital letters. Besides the new logo, the new tagline reads 'Next Generation Solutions'.

The new logo is as follows:



In sync with the new brand identity, your Company also has a improved corporate website. The website content and look and feel positions your Company as a provider of smart, next generation solutions. The website content is now more customer-centric and solution-focused.

SUBSIDIARIES

The Company has one Indian subsidiary, Datamatics Software Services Limited.

The Company has the following foreign subsidiaries as on March 31, 2011:

1. Datamatics Global Services, Inc. (US).
2. Datamatics Infotech Limited (UK).
3. Datamatics Technologies UK Limited (UK).
4. Datamatics Global Services GmbH (Germany).
5. Datamatics Global Services Pty Limited (Australia).
6. Datamatics Global Technologies Limited (Mauritius).
7. Datamatics Global Technologies AG (Switzerland).

The Company's Switzerland subsidiary i.e. Datamatics Global Technologies AG has its own subsidiary in Germany named as Datamatics Global Technologies GmbH. The Company's German subsidiary i.e. Datamatics Global Services GmbH has its own subsidiary with the name Datamatics Global Services GmbH d.o.o. in Bosnia, Switzerland.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet, and Profit & Loss Account of its subsidiaries. The Ministry of Corporate Affairs, Government of India vide its Circular No. 2/2011 dated February 8, 2011 has granted an exemption to companies from complying with Section 212, provided such companies publish the Audited consolidated financial statements in the Annual Report. Accordingly, the Annual Report 2010-2011 contains the summary of financial statements of our Company's subsidiaries duly audited by its respective statutory auditors. Relevant information for each subsidiary has been disclosed in the consolidated balance sheet.

We hereby undertake that annual accounts of subsidiary companies and the related detailed information shall be made available to shareholders of holding and subsidiary companies seeking such information at any point of time. The Annual Accounts of subsidiary companies shall be kept for inspection by any shareholders in the registered office of the Holding Company and of the subsidiary companies. We shall furnish the hard copies of details of accounts of subsidiaries to any shareholder on demand within a reasonable period of time.

JOINT VENTURE

Your Company has an existing Joint Venture Agreement named Cybercom Datamatics Information Solutions with Cybercom Group Europe AB.

During the year under review, Datamatics Global Services, Inc., the U.S. subsidiary of your Company and CIGNEX Technologies, Inc. the U.S. subsidiary of CIGNEX Global Holding Corporation, provider of commercial Open Source solutions globally, announced the creation of a Joint Venture called "Datamatics CIGNEX, LLC".

This Joint Venture will market innovative, next-generation Open Source solutions to enterprises globally.

The economic turmoil has highlighted the benefits of Open Source software, which offers credible alternatives to high-cost, proprietary enterprise applications at a fraction of the cost without recurring high upgrade and maintenance costs of enterprise applications. This Joint Venture will leverage the domain and technology strengths of both organizations to address the business challenges of customers worldwide.

IPO FUND UTILIZATION

During the previous year and current year, the Company has capitalised property at Nashik and its infrastructure development cost. The below amount includes advance against capital expenditure of ₹ 164.59 million (P.Y. ₹ 64.68