

Solutions Evolve.  
Quality Endures.

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IN EVERY BUSINESS LANDSCAPE, THERE EXIST A NUMBER OF SPACES WHICH COMPANIES AIM TO OCCUPY TO GAIN A LONG-TERM AND SUSTAINABLE ADVANTAGE OVER THEIR COMPETITORS.

These spaces become strongholds as these firms develop distinct strategies for growth and expansion, based on their control over these spaces.

Within the IT business landscape, volumes and headcount are amongst the prominent spaces that companies vie to occupy, retain and grow. Because the IT business is primarily a skill and technology driven business, based on outsourcing and off-shoring solutions for overseas clients, growth is directly linked to volumes, and volumes are closely correlated to headcount. This is the linear business model that most IT service firms follow, and have grown with this model.

However, there exists within the IT landscape one more space. Intangible and constantly changing, this space has remained central even as new technologies emerge and new solutions evolve. This space, often easy to understand, but difficult to define, is the QUALITY space.

QUALITY has defined Datamatics, ever since IT started changing the world. While others pursued size and chased volumes, we also focussed on QUALITY. Today, when clients anywhere in the world think of QUALITY, the first name that they think of is DATAMATICS.

QUALITY at Datamatics has many hues and colours. It has many directions and dimensions. It has many platforms and levels. QUALITY at Datamatics goes beyond functionality and features, beyond security and testing, and beyond architecture and analysis.

QUALITY at Datamatics is about doing it right, doing it right always, doing it right amidst intense pressure and stress, doing it right across geographies and locations, doing it across functions and divisions, doing it right for every need and every requirement of every customer, shareholder and employee.

AT DATAMATICS, QUALITY IS BOTH A LEGACY AND A VALUE WE HAVE INHERITED FROM OUR VISIONARY FOUNDER, THE FATHER OF THE IT REVOLUTION IN INDIA – DR. LALIT S. KANODIA, WHO HAS INCULCATED AND INGRAINED QUALITY AS A CULTURE, CUSTOM AND CHARACTER AT DATAMATICS.

# Chairman's Message



Dear Shareholders,

It is always a pleasure and privilege to share with you the review of your Company's performance as well as an overview of its future direction and course.

Let me commence by heartily congratulating everyone on an exceptional and outstanding performance achieved by the Company during the year 2013-14. We made spectacular progress in all our businesses which ensured that the topline increased by nearly 33% and net profits after tax rose by 85% as compared with the previous year. I am sure you join me in applauding the sincere efforts put in by every Datamatician, without whose determination and passion for excellence, your Company would have been unable to deliver these positive results, especially considering the difficult operating environment, both globally as well as in India.

India has always been a land of learning. From Nalanda and Takshila universities to IIMs and IITs, we have a rich tradition of institutions imparting top quality knowledge. A key reason why India could emerge as an IT super-power was because of its ability to deliver quality solutions when computers revolutionised our world. Today, we are at the cusp of another such revolution – **the digital revolution**.

Rapid advances in technology, mobile internet and smart devices are once again disrupting the technology landscape, challenging established models and mindset to move forward. We need to



move with the cheese. The new growth areas today are SMAC – Social Media, Mobility, Analytics and Cloud. Open Source is another technology I would like to add to SMAC. These changes have already started re-shaping our lives, and it is in these emergent technologies that future growth, both of the IT industry, as well as our Company is embedded.

At Datamatics, we had foreseen these developments, and as part of our growth strategy, had acquired CIGNEX in 2011 to expand our presence in the Open Source space. We had merged our Digital Publishing and eRetail Solutions business with PreMedia Global of Chennai, since renamed as Lumina Datamatics Limited, to evolve as the 4<sup>th</sup> largest company in the publishing BPO space in the world.

Both CIGNEX and Lumina are now totally integrated with DATAMATICS and have contributed significantly to the excellent results for the year 2013-14.

QUALITY has always been paramount at DATAMATICS. After being in the technology business for 38 years, we firmly believe that driven by changes in technology and models, SOLUTIONS EVOLVE, but QUALITY ENDURES. And that is why, we have chosen QUALITY as the theme for this year's Annual Report to showcase the different facets of QUALITY, and how as a Company, QUALITY ENDURES at DATAMATICS.

Looking ahead, I am excited about the future and the opportunities that abound in the IT space. Emerging technologies like SMAC, Open Source hold immense potential for growth,

as does Healthcare. To capitalise on these opportunities, we will have to transform our companies into dominant niche players, each becoming a big fish in a small pond. Collectively, when we combine these small ponds, we can create an ocean. We have crossed a total revenue of ₹ 700 crores this year, and our next target is to strive and break the ₹ 1,000 crores barrier. We are confident that we will be able to achieve this with a mix of organic and inorganic growth initiatives. We are planning to list one or two of our companies in the US in the next few years. On the delivery front, we are keen to develop more Delivery Centres in Tier II cities to tap local talent, reduce attrition, cut costs, but more importantly provide opportunities for the youth there. Our Delivery Centre in Nashik is a step in the right direction.

At the heart of our success are our PEOPLE. At DATAMATICS, we have some of the best talent in the country, a fact underlined by the various awards and industry recognitions accorded to DATAMATICIANS.

We continue to maintain the highest standards of corporate governance in the organisation. Good Corporate Governance has five essential elements: **fairness, transparency, accountability, responsibility and independence**. It is important that companies reveal their information punctually, adequately, clearly, accurately and comparably, and it should be easy for all stakeholders to access. Stakeholders today include investors, customers, employees, vendors, partners, the government and society.

Datamatics has been identified as India's **most respected Software Company in Corporate Governance** among 5000+ IT Companies. This Award was conferred upon Datamatics at the 5<sup>th</sup> Annual India Leadership Conclave & Indian Affairs Business Leadership Awards 2014, held in Mumbai on July 18, 2014. This award places Datamatics in the august company of winners at the event including Anil Dhirubhai Ambani, Chairman, Anil Dhirubhai Ambani Group; Dr. Mukesh Batra, Padma Shri, Chairman, Dr. Batra's Positive Health Clinic; Shiv Nadar, Founder Chairman, HCL Technologies Ltd. and Naresh Goyal, CMD, Jet Airways Ltd.

While we continue to excel in our performance, we are also equally at the forefront in serving our society. We won the **Best Corporate Social Responsibility Practices Award** at the Global CSR Excellence and Leadership Awards. At DATAMATICS, success is always shared.

I thank you for your sustained faith and trust in the Company and assure you that even as we drive the Company into the next phase of growth, we will do so with our single-minded focus on QUALITY - because even as **SOLUTIONS EVOLVE, QUALITY ENDURES**.

Yours sincerely,

**Dr. Lalit S. Kanodia**  
Ph.D., M.I.T. (USA) | Chairman



# Quality

= CUSTOMER DRIVEN EXCELLENCE

## CUSTOMERS ARE OUR RAISON D'ETRE

In the IT business, the product is the service, the service is the solution, and the solution is again, the product. In this fuzzy, and often over-lapping offering, customers measure QUALITY using three chief metrics: functionality, time and cost.

In other words, every service, solution and product that we develop, deploy and deliver must uniquely integrate accelerated time-to-market, maximised productivity and efficiency, shorter turn-around times, a lower total cost of ownership while consistently adding value to our customers.

### IN ONE WORD – EFFICIENCY

At Datamatics, efficiency begins with understanding the customer's implied and stated requirements and ends with the customer feeling delighted with the services that meet these requirements. The degree to which all the associated processes address these two ends decides the quality of the service.

To ensure efficiency and quality, we have a robust process frame-work that is amongst the best in the industry. These are underlined with globally recognised certification such as ISO 9001, SEI CMMi and ITIL.

**ISO 9001** - The ISO 9001 certification specifies that a company needs to demonstrate an ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements.

**SEI-CMMi** - CMMi in software engineering and organisational development is a process improvement approach that provides organisations with the essential elements for effective process improvement. CMMi helps integrate traditionally separate organisational functions, set process improvement goals and priorities, provide guidance for quality processes, and provide a point of reference for appraising current processes.

**The ITIL** (Information Technology Infrastructure Library) is a globally recognised collection of best practices for information technology (IT) service management.

We imbibe the best practices of the industry to retain our quality edge. Our rigorous compliance audits across various functions and levels ensure that non-conformance is immediately corrected, because Quality, is also conformance.

To scale up from efficiency to higher efficiency, we have a Continuous Improvement (CI) programme based on Lean Six Sigma and Kaizen practices, to guarantee Quality at Source and first-time-right. With over 30,000 person hours of CI trainings, 300 Lean Six Sigma Projects and over 1500 Kaizen projects, the financial and customer benefits have been amongst the highest in the industry.

DATAMATICS WAS ONE OF THE FIRST FIVE COMPANIES IN THE WORLD TO BE CERTIFIED AT P-CMM LEVEL 5.

WE ARE THE FIRST AND THE ONLY IT COMPANY TO HAVE WON THE ASIA PACIFIC QUALITY AWARD FOR SERVICES.

#### QUALITY = PROTECTING CUSTOMER DATA

Our clients include several Fortune 500 companies, who trust us with confidential and extremely sensitive information. Ensuring protection of this invaluable information is a critical aspect of QUALITY at Datamatics.

Our Information Security Management systems are geared to guarantee uncompromising security for clients' information, and are certified to international standards of ISO 27001, SSAE 16, HIPAA and PCI. Regular Vulnerability Assessment and Penetration Tests are conducted to ensure that our technological set up is robust and will withstand virus attacks. Disaster Recovery and Business Continuity Plans which are tested and continuously improved, ensure our customer's have uninterrupted service for critical processes and almost no downtime for the rest.

While we protect the information of our clients, we also work closely with them to ensure compliance with all local laws of the specific countries and geographies that we service.

#### QUALITY = CONSISTENTLY HIGH CUSTOMER RATINGS

The final and ultimate validation of QUALITY always comes from customers. At Datamatics, we have seven parameters to measure customer satisfaction revolving around our service.

The seven parameters we ask our customers to rate us are Responsiveness, Flexibility, Quality of Solutions, Schedule Adherence, Value-addition, Quality of Engagement, Approachability

We are proud to state that our overall customer satisfaction rating is consistently close to 5 on an ascending scale of 1-6. A significant number of our customers, including some of the Fortune 500 companies, consistently rate us a perfect 6/6 on all the parameters.

#### WHAT OUR CUSTOMERS SAY

The Datamatics team has been an invaluable asset to the Accounting Research Manager product. They are timely, accurate, and a pleasant team to work with. – One of the world's largest publisher.

I would definitely recommend Datamatics. The communication is on a high-level quality, always easy and efficient. All expectations are exceeded and deliveries as expected. There is immediate reaction to feedbacks, and a very strong feeling of engagement into our project. - One of the world's largest online marketplace.

Turn around time and quality exceeds our requirements. Flexibility to meet targets is excellent. - Leading Enterprise for Business Process and Document Management.

Datamatics has always been prompt, even on our occasional rush jobs. Datamatics were life savers during this busy time in the market research industry. We could not have gotten through the holidays without them. Leading Market Research Agency.



# Vice Chairman & CEO's Message



Dear Shareholders,


It is indeed fulfilling and rewarding when strategies, plans and efforts come together to create results that are directional as well as progressive. At Datamatics, in 2013-14 we delivered a robust, all-round performance making us one of the fastest growing IT/ITeS Company among all the listed outsourcing companies on the Bombay Stock Exchange and the National Stock Exchange.

We crossed the significant ₹ 700 crore mark in revenues, and nearly touched the ₹ 100 crore mark in EBIDTA. What makes this performance more pronounced is the fact that it was achieved amidst challenging global and domestic business environments.

Growth in most advanced economies of the world continued to be slow. Employment across most countries and sectors remained weak, affecting confidence levels, both for consumers as well as investors. In India, the economy continued to be pressurised by high inflation and an alarming fiscal deficit, forcing the government to keep the monetary policy tight.

In the face of these challenging and difficult global and domestic operating





circumstances, our performance stood out. We delivered:

For the year 2013-2014, the Company's revenue grew 33.4% from ₹ 550 crores to ₹ 734 crores, while the EBIDTA grew 72% from ₹ 57 crores to ₹ 98 crores. Consequently, the earnings per share grew from ₹ 4.55 per share to ₹ 8.26 per share, a growth of 81%. The Compounded Annual Growth Rate (CAGR) of the Company for the last three years is nearly 39%, one of the best in the industry.

Driving this remarkable performance were both the IT and ITeS services. The growth was driven largely by a strong sales pipeline, high conversion ratio, and the merger of our publishing business with PreMedia Global. Primary contribution is from the Publishing, Banking, Finance, Insurance, and Government & Public Services sectors. We added a large number of new clients during the year. The US market particularly has seen a very healthy growth of 50.51% despite the fact that the overall US economy underperformed as compared with 2013. Datamatics continues to be bullish on the prospects in this market. The EBIDTA margins have improved on the back of higher operational efficiency,

transitioning more work to Tier II cities such as Ahmedabad, Nashik, and Puducherry and better price realisation from customers. To support the growth in business, Datamatics has increased its total head count from 4,637 on 31<sup>st</sup> March 2013 to 6,793 on 31<sup>st</sup> March 2014.

Looking ahead, the election of a stable government after three decades has ushered in a new wave of confidence and resurgence in the Indian economy. As we move forward into 2014-15, I am confident we will build on this momentum. Our future growth plans have a combination of organic and inorganic initiatives. While we continue to focus on our core business areas, we have firm plans to capitalise on new opportunities in Digital Transformation, Enterprise Content Management (ECM) and Portal Solution, Open Source and Platform-based services. We will continue to build strong eco-system partnerships in the areas of domain, technology and geography, to generate differentiated solutions for our customers.

Quality has always been our top priority and continues to remain in sharp focus, creating a distinct competitive advantage. Quality at Datamatics goes beyond product and

services, and forms an integral part of the Datamatics culture. The industry has always been kind in recognising the Company's performance, and this year too, Datamatics featured prominently at various industry platforms by winning prestigious awards.

I thank you for your faith and confidence in Datamatics, and assure you that we will continue in our quest to be the first name and the last word in QUALITY.

Yours sincerely,

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



# Quality

= CULTURE OF EFFICIENCY

QUALITY IS THE RESULT OF A CAREFULLY  
CONSTRUCTED CULTURAL ENVIRONMENT.  
IT HAS TO BE THE FABRIC OF THE  
ORGANISATION, NOT PART OF THE FABRIC.

~ Philip Crosby.

The IT business is unlike any other business. Unlike manufacturing, there are no plants and machinery producing goods that constantly assure sales. Unlike mining, there are no captive sources of natural resources that guarantee success and growth.

The IT business is about ingenuity, inventiveness and imagination to create next generation solutions that enable businesses all over deliver higher efficiencies.