



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.

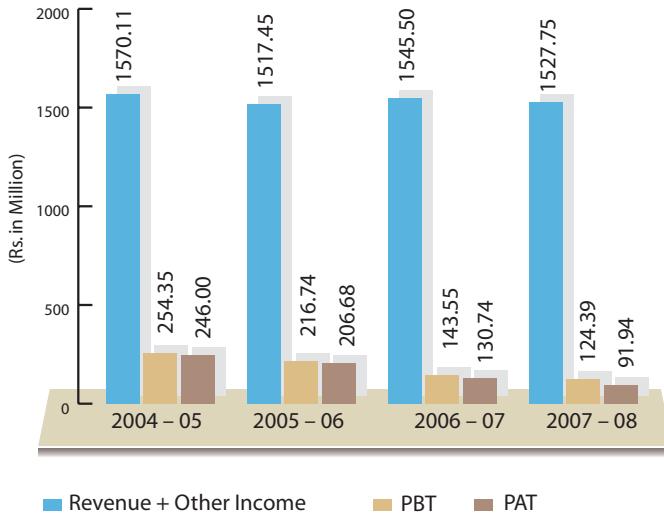
Dr. Lalit S. Kanodia

Ph.D. MIT, USA | Chairman

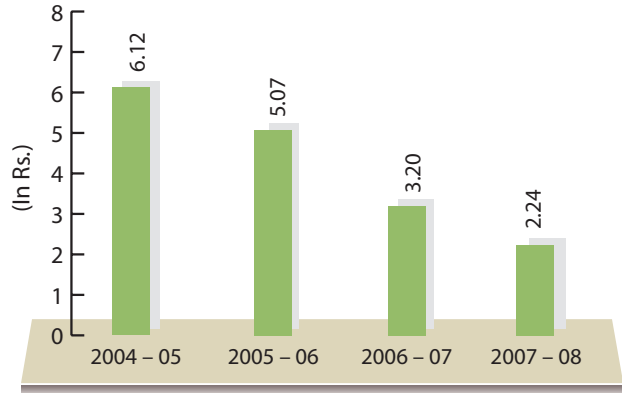


Financial Highlights (Consolidated)

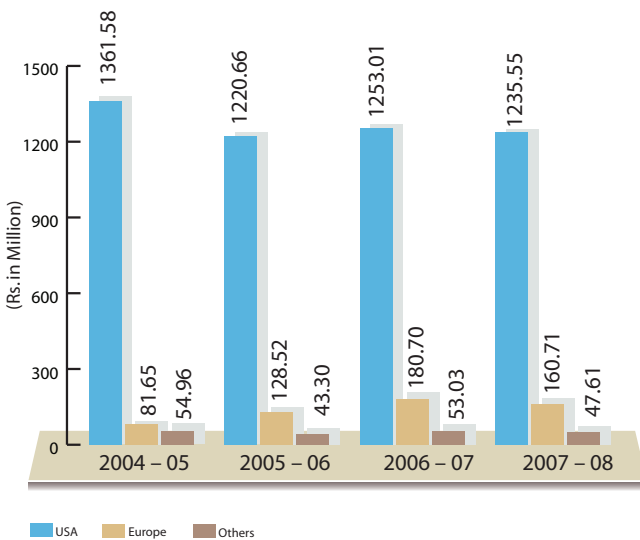
Revenue / PBT / PAT



EPS (diluted)



Breakup of Revenue by Region

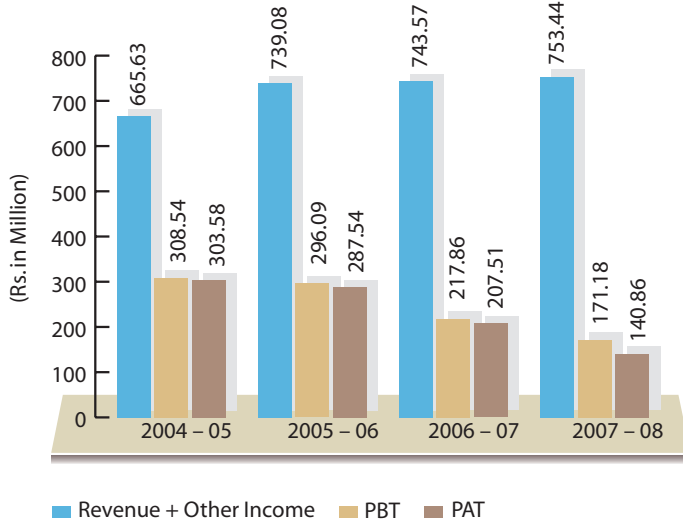


Operating Profit as % to Operating Revenue

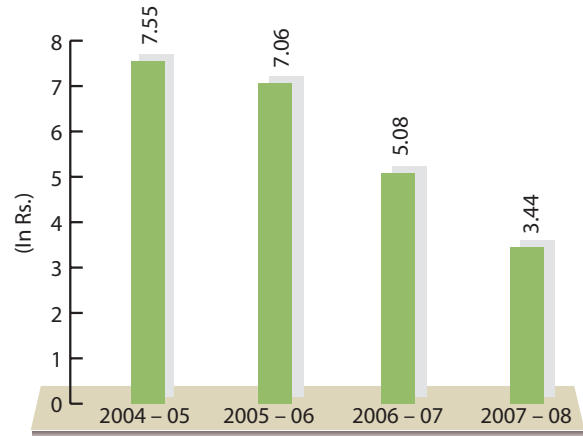


Financial Highlights (Standalone)

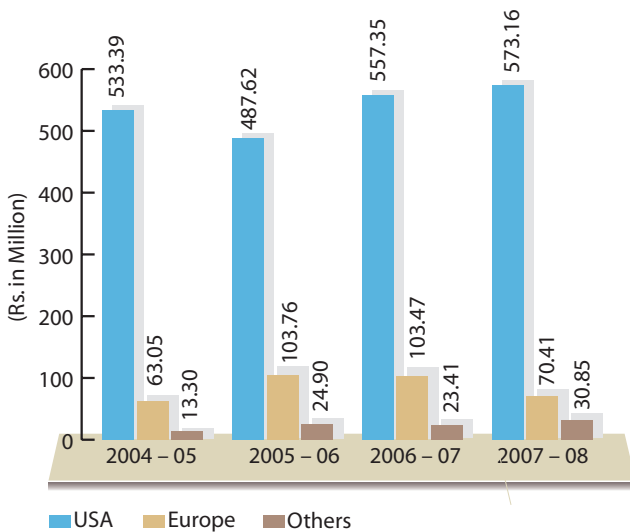
Revenue / PBT / PAT



EPS (diluted)



Breakup of Revenue by Region



Operating Profit as % to Operating Revenue

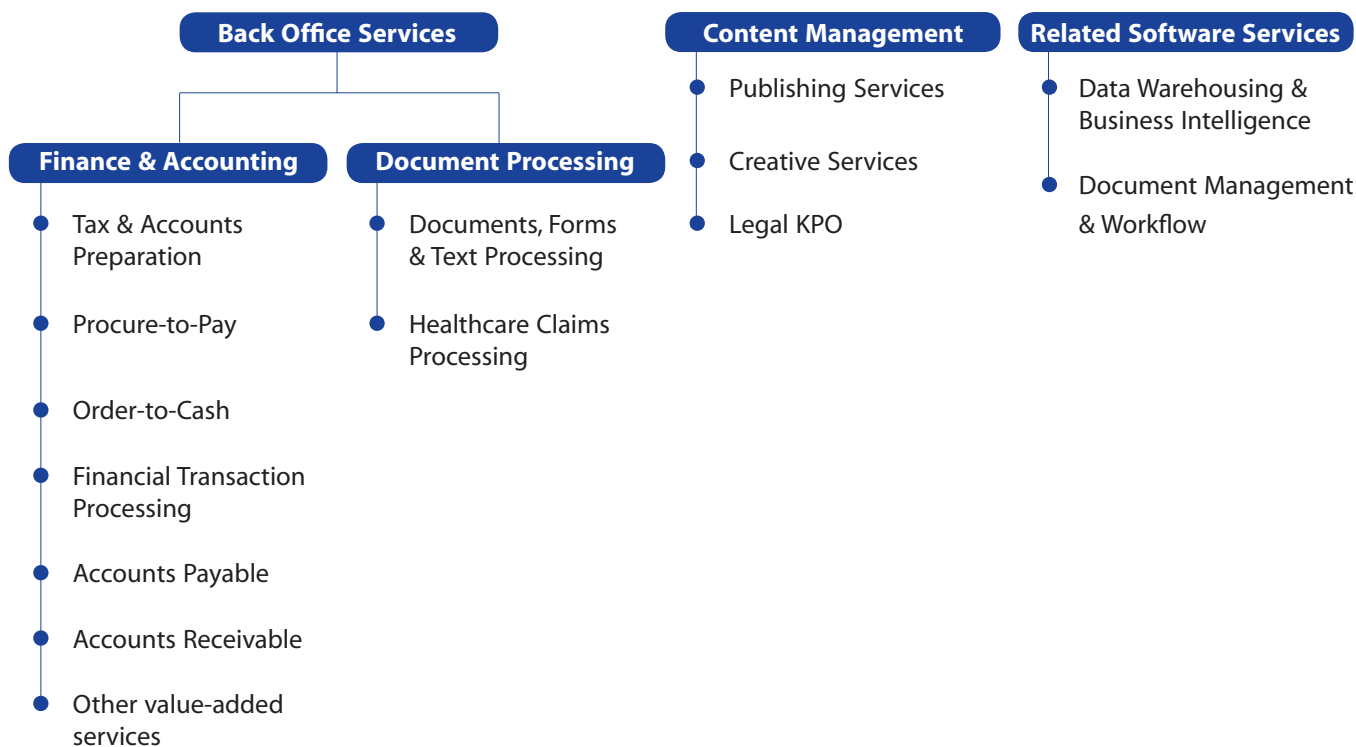


PRESENT BUSINESS

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

Division from its Non Export Division and the Export Division post demerger is also amalgamating with your Company. Similarly to consolidate the domestic operations of the group companies, the Scheme also proposes to amalgamate Datamatics Software Limited and Datamatics Software Solutions Limited with Demerged Datamatics Software Services Limited. The Scheme of Arrangement is subject to the approval of shareholders, creditors and the High Court of Judicature, Bombay. The Scheme, if approved will be operative with retrospective effect from April 1, 2008. Pursuant to the Scheme, the equity shareholders of Datamatics Limited will receive 1.21 fully paid up equity shares of Datamatics Technologies Limited of Rs. 5/- each in exchange of every 1 fully paid up equity share of Rs. 10/- each of Datamatics Limited.

Datamatics Limited is one of the leading information technology (IT) company in India offering software solutions in numerous areas including: application management, product management and customized product implementation. It provides value-added industry solutions in manufacturing, transportation, telecom, finance, retail, utilities, and Government institutions. It has developed and re-engineered software for some of the well-known companies in the world. It is one of first few IT organizations worldwide to achieve Level 5 of the P-CMM [People Capability Maturity Model] and SEI-CMM [Software Engineering Institute - Capability Maturity Model] across the enterprise. The proposed amalgamation and demerger would help position the Company as "one-stop-shop" offering end-to-end solutions spanning consulting, technology architectures and business process management, including both IT services like enterprise architecture consulting, application development and maintenance, independent validation services, enterprise application services, embedded systems and product management systems and ITeS services like document processing, content management, data warehousing, document management and warehousing.

IPO FUND UTILIZATION

The Company has raised Rs. 935 Million during its IPO in 2004.

(Rupees in Million)

Particulars	Proposed utilization of funds as stated in prospectus	Actual utilization of funds as on March 31	Balance amount available
Investment in subsidiaries & Associates	146	146	Nil
Repayment of Secured Loans	99	65	34
Investment in Fixed Assets	47	47	Nil
Corporate purposes including strategic initiatives and acquisitions	568	111	457
Issue expenses	75	61	14
Total	935	430	505

Repayment of Secured Loans and Issues expenses were lower than initially projected. The Company is constantly considering various strategic initiatives and acquisition prospects and would deploy the funds on concluding a suitable opportunity.

RECOGNITION & CERTIFICATION

The Company has received the following awards and certification during the year 2007-2008:

(a) International Asia Pacific Quality Award 2007

Your Company has won the World Class Award in the Large Services Organization Category for 2007 in the Service Category. Your Company is the first Indian organization to win this award. The award is administered by the Asia Pacific Quality Organization (APQO).

APQO is an autonomous, non-political, non-profit, scientific and technical organization and is listed in the World's Selected Quality Institutions. It 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. 38 countries including USA, Canada, Russia, Japan and Australia and hundreds of companies competed for this award.

The winners are selected through the internationally recognized Malcolm Baldrige National Quality Award (MBNQA) model and examiners used this criteria set by the MBNQA to evaluate organizations. Each company was evaluated on the seven elements: Leadership, Strategic Planning, Customer and Market Focus, Measurement, Analysis and Knowledge Management, Human Resource Focus, Process Management and Business Results.

(b) ISMS Certification

Your Company is an ISO 27001 certified organization, i.e. certified for complying with Information Security related standards. The pre-requisite for such certification is compliance with physical/personal security measures, preservation of confidentiality, integrity and availability of information.

QUALITY

(1) Six Sigma Initiative

The Six Sigma initiative was launched across the organization in 2007-08 with the objective of encouraging the use of robust Six Sigma methodologies to improve the organization's processes and deliver organization-wide improvements. In the first year of the initiative, your Company has seen tremendous success, closing the financial year with 307 Six Sigma and Quick Hit projects. About one third of the organization's total strength participated and benefited out of these completed projects, over half were covered through basic awareness and advance training sessions on Six Sigma. It is expected that going forward Six Sigma will generate high return on investment.

(2) Metrics

Your Company has also initiated the Metrics process by identifying key areas to determine and measure the performance of all departments. There are four key areas, i.e., velocity, quality cost efficiency and productivity for each department. The initiative is to institutionalize quality across all the departments. Improvements on these parameters are being driven through Six Sigma initiative.

PROCESS ENGINEERING

Your Company traditionally has strong roots in technology and continuously invests in the development of software and improved processes to improve the efficiency of its operations. Our Process Engineering Cell and software team keep abreast of latest technologies and evaluate them for internal deployment. They also develop software tools to reduce errors, improve productivity and reduce turnaround time. Our document processing tools

developed by these teams are now being deployed across several BPO projects. These universal document processing solutions are being rolled out as products, which can be deployed at client locations generating license revenues. They have also developed a workflow tool for Accounts Payable called 'e-Payables Manager', which is increasing our competitiveness in this space.

SHARE CAPITAL

As on date paid up capital of the company is Rs. 203,584,185/- divided into 40,716,837 equity shares of Rs. 5/- each fully paid up.

DIRECTORS

Mr. Sameer L. Kanodia was appointed as an additional director of the Company w.e.f. January 30, 2008. He holds office upto the date of the ensuing Twentieth Annual General Meeting of the Company. The Company has received notice in writing from a member proposing the candidature of Mr. Sameer Kanodia as director of the Company in terms of Section 257 of the Companies Act, 1956.

Subsequent to the year end, the Board of Directors have reappointed Mr. Vidur V. Bhogilal as Executive Director & Chief Financial Officer in its Board Meeting held on 25th June, 2008 for further period of five years w.e.f. 12th May, 2008.

Mr. Habil Khorakiwala and Prof. Dr. Uday Salunkhe retire by rotation and being eligible offer themselves for reappointment.

Mrs. Asha L. Kanodia, resigned from the position of Director of the Company w.e.f. January 30, 2008. The Board expressed its gratitude and acknowledged the valuable services provided by her during her tenure as Director of the Company.

SUBSIDIARIES

The Company has received an exemption from the Central Government under Section 212(8) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of the subsidiaries for the year ended March 31, 2008. The accounts of the subsidiaries will be made available for inspection by any member of the Company at its registered office and also at the registered office of the concerned subsidiaries. The accounts of the subsidiary companies will be made available to the members upon receipt of request from them. The summary of the key financials of the Company's subsidiaries are included in this annual report.

AUDITORS

M/s. Kanu Doshi Associates, Chartered Accountants, Mumbai, hold office until the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

INFORMATION ON AUDITORS' OBSERVATIONS

Observation of Auditors in point no (vi) of Auditor's Report regarding non-provisioning for diminution in the value of investments in the subsidiaries has been adequately explained in note 20 of Notes to the Accounts. However, it further clarified that though the net worth of these overseas subsidiaries has declined, the 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 overseas subsidiaries.

AUDIT COMMITTEE

The present Audit Committee of the Board comprises of Mr. R. K. Saraswat, Mr. Sudhir Deshpande and Mr. Shahzaad Dalal. Mr. R. K. Saraswat is the Chairman of the Committee.

DISCLOSURE UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956

In terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of

the Board of Directors) Rules, 1988, the Directors furnish herein below the required additional information:

- Conservation of Energy: The nature of your Company's operations entails a very low level of energy consumption.
- Research & Development (R&D): Your Company is predominantly a service provider and therefore has not set up a formal R&D unit. However, it has developed software tools and products in the existing delivery setup.
- Technology Absorption: Your Company has not imported any technology during the year under review other than purchase of software.
- Foreign Exchange Earnings and Outgo: The foreign exchange earnings during the year under review was Rs. 674.73 million and outgoings were Rs. 21.39 million.

CORPORATE GOVERNANCE

A Report on Corporate Governance together with a certificate from the Auditors of the Company forms part of the Annual Report.

EMPLOYEES STOCK OPTION (ESOP)

The Company has obtained approval from the shareholders for Datamatics Technologies Limited – General Employees Stock Option Plan, 2007 and Datamatics Technologies Limited – Key Employees Stock Option Plan, 2007. In-principal approvals from BSE and NSE for the said schemes are awaited.

During the year under review, Datamatics Technologies Limited – General Employees Stock Option Scheme, 2005 has fully expired on account of efflux of time.

DETAILS OF GRANTS UNDER ESOP AS ON MARCH 31, 2008

The details of Employee Stock Option Plan required to be provided as per clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are as per Annexure "A" to this report.

HUMAN RESOURCES MANAGEMENT

People are the most valuable asset of your Company and they contribute individually and collectively to the achievement of the objectives of the business. Your company endeavor to provide suitable work environment that encourages positive attitude and sense of mission and to strengthen their quality and efficacy. Human Resource Policies of the company are clear and concise whereby employees get opportunities to grow professionally as well as personally.

The global manpower strength of your Company including its subsidiaries in the USA, UK and Germany as on March 31, 2008 was 1,440.

(a) Rewards & Recognition

Your Company has a Rewards and Recognition policy comprising both monetary and non-monetary benefits to help sharpen the winning edge of individuals and teams, and stimulating a culture of high performance. Datamatics therefore constantly seeks, grooms, nurtures, facilitates and suitably rewards and recognizes individuals and teams who make significant contributions to the business. Spot Awards and Employees of the Month Awards instantly recognize significant achievements, excellent performance and special contributions by individuals and teams. Apart from these, Datamatics also has an Annual Awards programme.

(b) Knowledge Associates

Your Company outsources a range of projects and processes to home based professionals known as Knowledge Associates. These home-based professionals are generally qualified ladies who have at least 6 hours to spare in a day and who would like to do some work on their home

computers. This concept has been extended by the Company to other categories of persons. This concept continues to work satisfactorily.

CULTURE

Your Company believes that each of its employees has potential to perform. Our work culture devolves around developing leadership qualities among the employees. It is the key to superior performance. Your Company constantly attempts improving interpersonal relationship with its staff on an ongoing basis and involving them in the growth of the organization.

TRAINING & DEVELOPMENT

Your Company constantly provides learning opportunities for the personal and professional development of its employees. The company strongly believes that such an approach will provide a mutually-beneficial win-win growth opportunity for the company and its employees. Training needs are identified based on the current level of knowledge and skills, vis-à-vis skill requirements projected by the business or team development needs. The Learning & Development team maintains the individual development record of all employees, who can track this information on the corporate intranet. The effectiveness of training is measured through periodic tests and feedback. With this objective in mind, your Company has delivered 1,23,608 training person hours during the year through 240 programs.

CORPORATE SOCIAL RESPONSIBILITY

As part of its Corporate Social Responsibility initiative, your Company has provided employment as Knowledge Associates [KAs] to differently-abled people independently as well as through its tie up with NASEOH (National Society for Equal opportunities for the Physically Handicapped - an NGO that works with differently-abled persons) where professionals work on data processing jobs. The physically-challenged professionals are treated and paid at par with the other KAs.

Datamatics has donated 15 machines running on Intel P3 processors to NASEOH to facilitate their IT set up. Trainers visit NASEOH or the work places of the differently-abled KAs to provide Training and Feedback sessions. A Mentor co-ordinator from the KA Management Team is sent to NASEOH for six months to co-ordinate training and for the hardware setup.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars

of Employees) Rules, 1975 as amended, forms a part of this Report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this Report is being sent to all the shareholders of the Company, excluding the aforesaid information and the said particulars are made available at the registered office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the corporate office of the Company.

ACCEPTANCE OF FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, it is hereby stated that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of the Company for that period;
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors thank the Company's customers, suppliers, bankers, financial institutions, Central and State Governments and shareholders for their consistent support to the Company. The Directors also sincerely acknowledge the significant contribution made by all the employees for their dedicated services to the Company.

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Place: Mumbai
Date : July 28, 2008

ANNEXURE "A"

The details of Employees Stock Options Plan required to be provided as per Clause 12 of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2008:

Particulars	General ESOP 2005	Key ESOP 2006
Options Granted	238,000	180,000
Pricing Formula	Latest available closing price prior to the date of the meeting of the Board of Directors/ Committee in which options are granted. Option Grant date March 30, 2007 i.e. Closing price of March 29, 2007 Rs. 52.10/-	Exercise price of the options is Rs. 5/- per share
Options Vested	31,600	Nil
Options exercised	Nil	Nil
Total number of share arising as a result of exercise of options	Nil	Nil
Options lapsed	80,000	65,000
Variations of terms of options	Nil	Nil
Money realized by exercise of options	Nil	Nil
Total number of options in force	158,000	115,000

- (i) Employee-wise details of options granted to senior managerial personnel:

Key Employee Stock Option Plan 2006

Options under the Key Employee Stock Option Plan 2006 were granted in the meeting of the Compensation Committee held on March 30, 2007.

Sr. No.	Name of the Director or Key Managerial Personnel	No. of options granted
1	Anand Mahurkar	30,000
2	Sunil Dixit	15,000
3	Prashant Prabhu	10,000
4	T. N. Radhakrishna	15,000
5	Suman Pai	10,000
6	Dr. Prasad Ramanathan	10,000
7	Dalbir Virdi	10,000
8	Viswanath Rolla	10,000
9	Hemant Garg	10,000
10	Greg Yaklin	10,000
11	R. Subramanian	5,000
12	Divya Kumart	5,000
13	Babu Thoppil	5,000
14	T. N. Ganesh	5,000
15	Rajesh Agarwal	5,000
16	Avinash Sankhe	5,000
17	Jitesh Gor	5,000
18	Manish Savla	5,000
19	Ravi Gidwani	5,000
20	Jinesh Shah	5,000
	TOTAL	180,000

General Employee Stock Option Plan 2005

Options under the General Employee Stock Option Plan 2005 were granted in the meeting of the Compensation Committee held on March 30, 2007.

Sr. No.	Name of the Director or key managerial personnel	No. of options granted
1	Rajib Choudhuri	10,000
2	Pankaj Parikh	10,000
3	Richard Renehan	10,000
4	Vishal Bhavsar	10,000
5	Srinivasan Krishnamoorthy	10,000
6	Krishan Moorjani	7,000
7	Neelesh S. Sali	7,000
8	Ajay Singh	7,000
9	Manish Soota	7,000
10	Manoj Ratnaparkhe	7,000

Sr. No.	Name of the Director or key managerial personnel	No. of options granted
11	Jitendra Kotian	7,000
12	Thomas Boucher	7,000
13	Kathleen Postler	7,000
14	Kathleen Shear	7,000
15	Milan Desai	7,000
16	Sheila Kearney	7,000
17	Steven Peters	7,000
18	Clifford Bugdalski	7,000
19	Cheryl Miles	7,000
20	Rakesh Tiwari	5,000
21	Shantanu Rege	5,000
22	Shalini Koshy	5,000
23	Judeline Fernandes	5,000
24	Balasaheb Ware	5,000
25	Shilpa Udeshi	5,000
26	Gangadhar Thalla	5,000
27	Mihir Selarka	5,000
28	Anup Gandhi	5,000
29	Ajay Nathial	5,000
30	Lakshmi Iyer	5,000
31	Masood Ameen	5,000
32	Paulette Kneip	5,000
33	Margaret Colantuno	5,000
34	Rallapally Surya Narayan	5,000
35	Rosanne Lemanek	5,000
	TOTAL	228,000

The Company has not granted any fresh options to senior managerial personnel under Key Employee Stock Option Plan 2006 and General Employee Stock Option Plan 2005 during the current year.

- (ii) Any other employees who receive a grant in any one year of option amounting to 5% or more of option granted during the year – Nil.
- (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant – Nil.
- (iv) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20 'Earning Per Share' – Rs. 3.44/-.

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Place: Mumbai
Date : July 28, 2008

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

Corporate Governance is the set of processes, customs, policies, laws, affecting the way a corporation is directed, administered and controlled. Corporate Governance practices and procedures positively correlate with both good corporate financial performance and stakeholders' value. Datamatics believes that Corporate Governance is a key to obtaining and maintaining the trust of investors thereby ensuring accountability of the Organization to its stakeholders. The Company is listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) and is a part of Group B on the BSE. Your Company fully implements the Corporate Governance Code of Conduct. The Board of Directors fully support and endorse Corporate Governance practices.

2. Board of Directors

The current strength of the Board is nine members, comprising of four executive directors and five non-executive Independent Directors.

Board Meetings

Four Board Meetings were held during the financial year ended March 31, 2008, and the gap between the two meetings did not exceed four months. The dates on which the Board meetings were held are as follows:

May 26, 2007; July 31, 2007; October 25, 2007; January 30, 2008.

The particulars of the Directors, their attendance, and other directorship, membership of committees are given below:

Name	Designation	Category	Attendance		Other Directorships*	\$ Other Committee Memberships	Committees' Chairmanship
			Board Meeting	Last AGM			
Dr. Lalit S. Kanodia	Chairman & Whole time director	Promoter Executive	3	Yes	8	Nil	Nil
Mr. Rahul L. Kanodia	Vice Chairman & CEO	Non-Independent Executive	4	Yes	6	Nil	Nil
Mr. Sameer Kanodia***	Whole time director	Non-Independent Executive	—	—	Nil	Nil	Nil
Mr. Vidur Bhogilal	Executive Director & CFO	Non-Independent Executive	3	Yes	1	Nil	Nil
Mr. R. K. Saraswat	Director	Independent Non-Executive	4	Yes	3	1	1
Mr. Shahzaad Dalal	Director	Independent Non-Executive	2	No	10	9	3
Mr. Sudhir Deshpande	Director	Independent Non-Executive	3	Yes	Nil	Nil	Nil
Mrs. Asha L. Kanodia**	Director	Promoter Non-Executive	2	Yes	Nil	Nil	Nil
Mr. Habil Khorakiwala	Director	Independent Non-Executive	0	No	6	Nil	Nil
Prof Dr. Uday Salunkhe	Director	Independent Non-Executive	4	No	Nil	Nil	Nil

* Alternate directorship, directorship in private limited companies, foreign companies and membership in governing councils, chambers and other bodies not included.

\$ Only membership in Audit Committee and Shareholders Grievance Committee included

** Ms. Asha L. Kanodia resigned from the position of Director w.e.f. January 30, 2008.

*** Mr. Sameer L. Kanodia was appointed as Executive Director w.e.f. January 30, 2008.

Appointment/Re-appointment of Directors

The Directors who retire by rotation and who are eligible for re-appointment or newly appointed are:

(i) Mr. Habil L. Khorakiwala

Mr. Habil L. Khorakiwala is the Chairman of Wockhardt group. He holds a Masters Degree in Pharmaceutical Science from the Purdue University, USA and is an alumnus of the Harvard Business School, USA. Mr. Khorakiwala was recently honoured by the Purdue University which bestowed on him their prestigious title of 'Distinguished Alumnus' for significant contributions to the Profession of Pharmacy. Mr. Khorakiwala was the President of Federation of Indian Chambers of Commerce & Industry (FICCI) 2007. He has also been the National Council member of Confederation of Indian Industry (CII). He is the Past President of Indian Pharmaceutical Alliance, which is the industry association of the top 12 Indian Pharmaceutical companies. Mr Khorakiwala is the member of the Board of Governors, Centre for Organisation Development at Hyderabad.

Mr. Habil L. Khorakiwala is also a director in the following companies:

1. Wockhardt Limited
2. Wockhardt Hospitals Limited
3. Wockhardt Europe Limited
4. CP Pharmaceuticals Limited
5. Wallis Group Limited
6. The Walls Laboratory Limited
7. Wockhardt UK Holdings Limited

(ii) Mr. Vidur V. Bhogilal

Mr. Vidur V. Bhogilal is a qualified Chartered Accountant (CA) and Cost Accountant (ICWA) from India & Certified Public Accountant (CPA) from the U.S. He is also a law graduate. Mr. Bhogilal stood first in India in the CPA Examination. He was also a rank holder in the CA and ICWA examinations. He was awarded a gold medal for securing the highest scores in the ICWA final examination for the Quantitative Techniques and Management Information Systems subject. He has over 16 years of rich experience in audit, taxation, accounting, legal and acquisitions. Mr. Bhogilal has earlier held the post of Chief Financial Officer (CFO) of Datamatics Technologies Inc., a wholly owned subsidiary of Datamatics Technologies Limited in the U.S. During his tenure with Datamatics Technologies Inc. he was actively involved in acquisitions of US companies and had played a key role in the merger of the US entities. He has also worked with JM Morgan Stanley and Arthur Anderson, amongst other organizations.

Mr. Vidur V. Bhogilal is also a director in the following companies:

1. Datamatics Softworld Limited
2. Datamatics Technologies Inc.

As on date Mr. Vidur V. Bhogilal holds 2,500 equity shares of the Company.

(iii) Mr. Sameer L. Kanodia

Mr. Sameer L. Kanodia received his Bachelor of Science in Business Administration from Bryant University, USA, with Marketing as a major, graduating with honors. Among the honors he earned during his undergraduate years was being featured in the Dean's List throughout the program. He subsequently received his Masters in Business Administration from Bryant University, USA, with Finance as a major. He is currently serving on the Board of Trustees at Bryant University since February 2008.

Mr. Sameer L. Kanodia led the team that set up and managed the first high-technology scanning R&D centre at Datamatics to test the feasibility of optical character recognition. Adding to his repertoire of project management and project execution skills were his assignments for the top 25 Fortune 500 companies. This was also interspersed with frequent travels throughout South East Asia, Europe, Canada, Australia and USA on marketing assignments. Mr. Sameer Kanodia was also involved in the study and evaluation of projects, analyzing workflows, methods to improve processes, customer feedback, and other analysis.

Apart from being actively involved in the operations of the Company, Mr. Sameer Kanodia drives various strategic initiatives, expansion plans, and go-to-market strategies.

As on date Mr. Sameer Kanodia holds 34,000 equity shares of the Company.

(iv) Prof. Dr. Uday N. Salunkhe

Prof. Dr. Uday N. Salunkhe, a Mechanical Engineer with a Management Degree in Operations pursued his Doctorate in "Turnaround Strategies". He has a rich corporate experience of 12 years, which includes

his tenure with Mahindra & Mahindra, ISPL and other companies. He is currently the Director of Prin. L. N. Welingkar Institute of Management Development & Research, which ranks amongst the top 15 B-Schools in the country.

Prof. Dr. Uday N. Salunkhe has also been involved in the official bodies of the University and the Directorate of Technical Education to improve the quality of management education. He has taken over as the President of Association of Indian Management Schools (AIMS) for the year 2007-08 which is the second largest network of management schools in the world.

* *Alternate directorship, directorship in private limited companies and membership in governing councils, chambers and other bodies not included.*

3. Audit Committee

The Board has constituted an Audit Committee comprising of three Directors, all of whom are Independent non-executive directors. Ms. Divya Kumat, Secretary of the Company acts as the secretary of the Audit Committee.

During the financial year ended March 31, 2008, four Audit Committee meetings were held respectively on May 26, 2007, July 31, 2007, October 25, 2007 and January 30, 2008. The number of meetings attended by each member is as follows:

Committee Members	Designation	No. of Meetings attended
Mr. R. K. Saraswat	Chairman	4
Mr. Shahzaad Dalal	Member	2
Mr. Sudhir Deshpande	Member	3

The role of the Audit Committee is to monitor and provide effective supervision of the Company's financial reporting process with a view to ensure that the financial statements are accurate, sufficient and credible.

The terms of reference of the audit committee as defined by the Board are:

- a. The scope of the Audit Committee includes:
 - i. Review of financial statements before they are submitted to the Board for adoption.
 - ii. Recommending the appointment or removal of statutory auditors, fixation of audit fees and approval for payment for other services provided by the auditors.
 - iii. Review of quarterly, half yearly and yearly financial statements before they are presented to the Board, focusing *inter alia* upon –
 - Accounting Policies and any changes thereto.
 - Ensuring compliance with the Accounting Standards.
 - Compliance with the laws, rules, regulations and notification issued by the Stock Exchange and other regulatory authorities relating to the preparation and disclosure of financial statements.
 - Qualifications in draft audit report.

- Significant issues arising out of audit.
 - The going concern assumption.
 - Major accounting entries based upon exercise of judgment by the management.
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large.
- b. Review with the management, auditors the adequacy of internal control systems.
 - c. Discussions with the Statutory Auditors on matters relating to internal controls, periodic financial statements and any significant findings and follow up thereon.
 - d. Discussion with the Statutory Auditors before commencement of the audit, nature and scope of audit, as well as post audit discussion to ascertain any area of concern.
 - e. Review of the Company's financial and risk management policies.
 - f. Examine reasons for default in payment of interest and repayment of principal amounts to depositors and debenture holders, payment of dividend, payments to creditors and payment of all statutory dues in the prescribed time period.
 - g. Investigating the reasons for substantial defaults, if any, in the payment to the depositors, shareholders (in case of non-payment of declared dividends), and creditors.
 - h. Review of utilization of IPO proceeds and indicate material deviations, if any, from the object stated in the offer document.

4. Remuneration/Compensation Committee

The Remuneration/Compensation Committee of the Board comprise of four directors of the Company, of which three are independent directors and one is non-independent. Mr. Sudhir C. Deshpande (Independent Director) is the Chairman of this Committee. The other members of the Committee are Dr. Lalit S. Kanodia (Non-independent), Mr. Shahzaad S. Dalal (Independent Director), and Prof Dr. Uday N. Salunkhe (Independent Director).

The Committee has been entrusted with following responsibility:

1. All matters relating to compensation (including annual increments and revision in salary) payable by the Company to the senior executives in the Company's grade M 11 and above as also the remuneration payable to the Directors.
2. Appointment and transfers of employees in the Company's grade M 11 and above shall require prior approval of the committee.
3. Administration of ESOP schemes of the Company and allotment of shares under the ESOP schemes.

During the year ended March 31, 2008, four remuneration/compensation committee meetings were held viz. May 26, 2007, July 31, 2007, September 12, 2007 and January 30,

2008. The numbers of meetings attended by each member were as follows:

Committee Members	Designation	No. of Meetings attended
Mr. Sudhir Deshpande	Chairman	4
Dr. Lalit S. Kanodia	Member	3
Mr. Shahzaad Dalal	Member	2
Prof Dr. Uday Salunkhe	Member	4

Non-executive Directors

The Company paid sitting fees of Rs. 10,000/- per board and Rs. 5,000/- per audit committee meeting to the non-executive directors of the Company. Apart from the sitting fees, the Company also pays commission to all non-executive Directors within the limits prescribed under the Companies Act, 1956 and as approved by the shareholders. Shareholders in their annual general meeting held on June 28, 2005 have approved the limit of 0.25% of the net profits of the Company computed in the manner laid down in Section 198 read with Sections 349 and 350 of the Companies Act, 1956 to be paid as commission to all the non-executive directors of the Company. The total commission payable for the financial year ended March 31, 2008 amounted to Rs. 324,000/- and was paid as under:-

Name of Director	Commission (Rs.)
Mr. Shahzaad Dalal	50,000
Mr. Sudhir Deshpande	60,000
Mr. R. K. Saraswat	65,000
Mrs. Asha L. Kanodia	54,000
Mr. Habil Khorakiwala	30,000
Prof Dr. Uday Salunkhe	65,000

Details of the number of shares held by all the non-executive directors of the Company:-

Name of the Director	No. of equity shares held (As on March 31, 2008)
Mr. Shahzaad Dalal	2,000
Mr. Sudhir Deshpande	Nil
Mrs. Asha L. Kanodia*	26,820
Mr. Habil Khorakiwala	Nil
Prof Dr. Uday Salunkhe	Nil
Mr. R. K. Saraswat	1,000

* Resigned with effect from 30th January 2008.

No convertible instruments/employee stock options have been granted by the Company to the non-executive directors of the Company.

Executive Directors

Dr. Lalit S. Kanodia

Dr. Lalit S. Kanodia was appointed as a Whole-time Director of the Company effective May 16, 2005 for a period of five years. Dr. Lalit S. Kanodia being a promoter of the Company is not eligible to participate in the employee stock option schemes of the Company.

Mr. Rahul L. Kanodia

Mr. Rahul L. Kanodia was appointed as a Vice Chairman & CEO of the Company for a period of five years effective from February 22, 2007. He is not eligible to participate in the employee stock option scheme of the Company.

Mr. Sameer L. Kanodia

Mr. Sameer Kanodia was appointed as an Executive Director of the Company for a period of five years effective from January 30, 2008 subject to the approval of shareholders in the ensuing Annual General Meeting. He is not eligible to participate in the employee stock option scheme of the Company.

Mr. Vidur V. Bhogilal

Mr. Vidur Bhogilal was re-appointed as an Executive Director & Chief Financial Officer of the Company for a period of five years effective May 12, 2008 subject to the approval of shareholders in the ensuing Annual General Meeting. He is not eligible to participate in the employee stock option scheme of the Company.

Following are the details of the remuneration paid to the executive directors of the Company during the year ended March 31, 2008:

(Amount in Rupees)

Particulars	Dr. Lalit S. Kanodia	Mr. Rahul L. Kanodia	Mr. Sameer Kanodia [*]	Mr. Vidur V. Bhogilal
Salary	1,800,000	1,800,000	720,000	1,915,200
Estimated monetary value of perquisites	636,630	630,000	1,613,508	3,783,690
Commission*	2,378,850	247,650	—	—
PF Allowance	216,000	216,000	86,400	229,824
Total	5,031,480	2,893,650	2,419,908	5,928,714

* Commission relates to the financial year ended March 31, 2007, which was paid during the year 2007-2008.

* Mr. Sameer L. Kanodia was appointed w.e.f. January 30, 2008.

5. Amalgamation Committee

The Board of Directors of your Company, in their meeting held on 25th June 2008, has constituted a committee titled "Amalgamation Committee" consisting of Mr. R. K. Saraswat, Dr. Lalit S. Kanodia and Mr. Sudhir Deshpande. Mr. R. K. Saraswat is the Chairman of this Committee. The committee will look into all relevant aspects of the proposed scheme of arrangement of your Company with group companies. The committee is empowered to take all decisions in this regard.

6. Shareholders' Grievance Committee

The Board has constituted a Shareholder's Grievance Committee, consisting of two non-executive, independent directors - Mr. R. K. Saraswat and Mr. Sudhir Deshpande. Mr. R. K. Saraswat is the Chairman of the Committee. Ms. Divya Kumari is the Compliance officer. During the year ended March 31, 2008 the Company received 24 complaints. None were pending resolution as on March 31, 2008.

7. General Body Meetings

Annual General Meetings

a. Location, time and date where last three Annual General Meetings were held are given below:

Financial Year	Date	Time	Venue
2004-05	June 28, 2005	11.00 a.m.	Knowledge Center, Plot No. 58, MIDC, Andheri (E), Mumbai 400 093.
2005-06	July 26, 2006	11.30 a.m.	Knowledge Center, Plot No. 58, MIDC, Andheri (E), Mumbai 400 093.
2006-07	September 28, 2007	11.00 a.m.	Knowledge Center, Plot No. 58, MIDC, Andheri (E), Mumbai 400 093.

b. The following Special Resolutions were passed at the previous three Annual General Meetings:

1. AGM held on June 28, 2005:

Resolution for revising the limit of commission to be paid to the non-executive directors of the Company.

2. AGM held on June 26, 2006:

Resolution for revising the remuneration of Mr. Sameer L. Kanodia, who is a relative of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. Vidur V. Bhogilal, directors of the Company.

3. AGM held on September 28, 2007:

(i) Resolution for alteration of Articles of Association for modifying clause 109(a). The name of Mrs. Asha L. Kanodia as a permanent director of the Company was replaced by the name of Dr. Lalit S. Kanodia.

(ii) Resolution for revision in commission payable to non-executive directors.

(iii) Resolutions for approving Datamatics Key Employee Stock Option Plan 2007 and General Employee Stock Option Plan 2007 for the employees of Datamatics Technologies Limited and its subsidiaries.

The special resolutions moved at all the above meetings were passed on a show of hands by the shareholders present at the meeting and not by postal ballot. No special resolution is proposed to be conducted by postal ballot.

8. Management Discussion & Analysis Report

The Management Discussion & Analysis Report for the year ended March 2008 is published separately in this Report.

9. Other Disclosures

Related party transactions, utilisation of proceeds of public issue have been disclosed in the annual report.

The Company has complied with all the statutory formalities.

The Company does not have a whistle blower policy.

The Company has a Risk Management Policy covering Risk Assessment & Minimization procedure.

The Company has laid down a “Datamatics - Code of Conduct” for the members of Board of Directors and the Senior Management. The Code has been posted on the website of the Company. All the Board members and Senior Management personnel have affirmed compliance with the code for the year 2008. A declaration to this effect signed by the CEO is given in this report.

The CEO & CFO have certified to the Board with reference to the Financial Statement and other matters as required in clause 49 of the listing agreement.

10. Means of Communication

The financial results of the Company are published in The Free Press Journal and Navshakti. The financial results are displayed on the Company's website - www.datamaticstech.com.

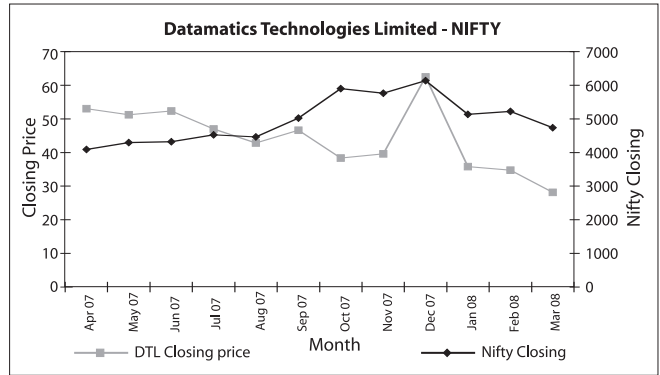
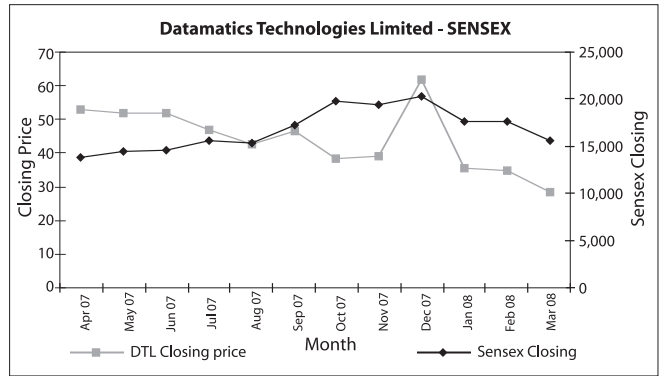
11. General Shareholders' information

- A. Annual General Meeting
Date and Time : September 30, 2008 at 11.00 a.m.
Venue : Knowledge Centre, Plot no. 58, Street No. 17, MIDC, Andheri (E), Mumbai 93.
- B. Financial year:
The Company follows April - March as its financial year. The results for every quarter beginning from April will be declared within the time period prescribed under the Listing Agreement.
- C. Book Closure Date:
September 26, 2008 to September 30, 2008 (both days inclusive)
- D. Listing on Stock Exchanges:
The Company's shares are listed on the Bombay Stock Exchange Limited, and the National Stock Exchange of India Limited. The Company has paid the listing fees to both the stock exchanges for the year 2008-2009.
- E. Stock Code/Symbol
BSE-532528, DATATECH
NSE: DATATECH EQ
- F. Market price data:

Month	BSE		NSE	
	High Price	Low Price	High Price	Low Price
April-07	57.00	49.00	57.45	49.70
May-07	56.80	50.00	55.20	50.15
June-07	59.95	51.60	59.80	51.85
July-07	56.45	45.25	56.85	45.10
August-07	47.90	39.25	48.45	40.00
September-07	49.60	42.40	50.00	42.00
October-07	46.80	38.00	46.50	38.05
November-07	44.40	34.35	45.70	34.30
December-07	63.50	39.00	63.70	39.45
January-08	64.90	29.10	66.00	29.45
February-08	39.35	33.20	39.35	33.25
March-08	35.70	23.50	35.00	23.50

Relative movement chart

The chart below gives the relative movement of the Company's shares and BSE & NSE relative to the closing price. The period covered is April 2007 to March 2008.



- G. Registrars and 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 2001
Fax No.: 91-22-2821 3404

- H. Share Transfer System
The Company has appointed Datamatics Financial Services Limited as Registrars and Share Transfer Agents. The shares lodged for physical transfer/transmission/transposition are registered within the prescribed time period if the documents are complete in all respects. The shares in dematerialized form are admitted for trading with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

- I. Category wise distribution of equity shares as of March 31, 2008:

Category	No. of shares	Percentage Holding
Promoter Group	27,968,456	68.69
Mutual Funds	650,000	1.60
Banks & Insurance Companies	186,090	0.46
Private Corporate Bodies	2,855,238	7.01
Indian Public	8,701,935	21.37
NRIs/OCBs/ Foreign Nationals	355,118	0.87
Total	40,716,837	100.00

Distribution of shareholding as on March 31, 2008:

Share holding of nominal value	Share Holders		Share Amount		
	Rs.	Number	% to total	Rs.	% to total
Upto 5000		20,523	94.22432	19,364,815	9.51
5001-10000		669	3.07148	5,165,680	2.54
10001-20000		291	1.33603	4,139,960	2.03
20001-30000		120	0.55094	2,971,155	1.46
30001-40000		49	0.22497	1,708,220	0.84
40001-50000		33	0.15151	1,536,690	0.75
50001-100000		48	0.22038	3,237,505	1.59
100001 and above		48	0.22038	165,460,160	81.27
Total		21,781	100.00	203,584,185	100.00

J. Dematerialization of shares and liquidity
About 99.04 % shares were held in dematerialized form as of March 31, 2008.

K. Plant Locations

The Company's facilities are located at:

Mumbai:

Datamatics Technologies Limited.

- Unit No. 117-120, SDF IV, SEEPZ, Andheri (E), Mumbai - 400 096, India.
- Unit No. 110, SDF IV, SEEPZ, Andheri (E), Mumbai - 400 096, India
- Knowledge Centre, Plot No. 58, Street No. 17, MIDC, Andheri (E), Mumbai - 400 093, India.
- Technology Centre, Plot No. 57, Street No. 17, MIDC, Andheri (E), Mumbai - 400 093, India.

Chennai:

Datamatics Technologies Limited.
Crompton House,
3 M.G.R. Salai (K. H. Road),
Nungambakkam,
Chennai - 600 034, India.

Nashik:

Datamatics Technologies Limited
Suyojit IT Park
Suyojit Commercial Complex,
Survey No. 804,
Second Floor, Unit No. S-1 to S-3
Nashik Mumbai Highway,
Nashik - 422 002

L. Address for Investor Correspondence:

For any assistance regarding dematerialization of shares, share transfer, transmission, change of address, non-receipt of dividend or any other query relating to shares, please write to:

Datamatics Financial Services Limited
Plot No. A 16 & 17, MIDC,
Plart B Cross Lane,
Andheri (East), Mumbai - 400 093.
Ph. No.: 91-22-6671 2001
Fax No.: 91-22-6671 2011
e-mail: depository@dfssl.com

For general correspondence:

Datamatics Technologies Limited
Knowledge Centre, Plot No. 58,
Street No. 17, MIDC, Andheri (East),
Mumbai - 400 093.
Ph. No.: 91-22-6753 5555
Fax No.: 91-22-2834 3669
e-mail: investors@datamaticstech.com

Declaration regarding code of conduct by CEO

I hereby declare that all the members of the Board and the senior management personnel of Datamatics Technologies Limited have affirmed compliance with the Datamatics Code of Conduct.

For and on behalf of the Board

Rahul L. Kanodia
Vice Chairman & CEO

Place: Mumbai
Date : July 28, 2008

Report of Auditors on Corporate Governance

To the Members of Datamatics Technologies Limited

We have examined the compliance of conditions of Corporate Governance by Datamatics Technologies Limited (the Company) for the year ended March 31, 2008, as stipulated in clause 49 of the Listing Agreement entered into with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company

has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances as at March 31, 2008 are pending for a period exceeding one month against the Company as per the records maintained by the share registrar and reviewed by the Board.

We further state that such compliance is neither an assurance as to the future visibility of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Kanu Doshi Associates
Chartered Accountants

Jayesh Parmar
Partner

Place: Mumbai
Date : July 28, 2008

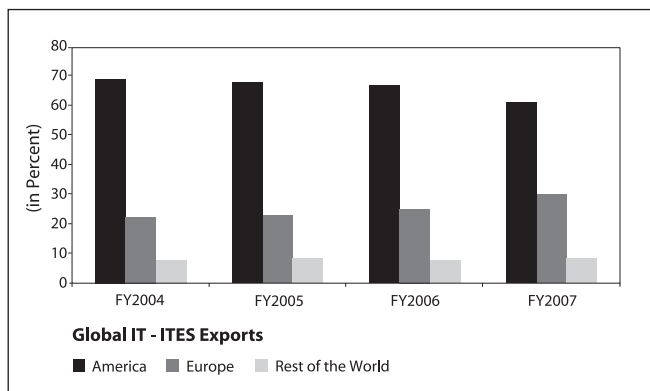
Membership No. 45375

Management Discussion and Analysis

Industry and Business Overview

Global Trends

NASSCOM, the premier trade body and ‘voice’ of the Indian IT-ITeS industry, reports that aggregate worldwide spending on technology and related services sector in 2007 was estimated at USD 1.69 trillion, a growth of 7.3% over the previous year. ITeS has shown the fastest growth as compared to IT Services, Packaged Software and Hardware. It grew by 9.7 percent to reach USD 462 billion, up from USD 421 billion in 2006. In terms of global IT services spend, North America led the share of the market with 48% , followed by Western Europe at 31%, Asia Pacific at 15%, and Developing Economies at 6%.

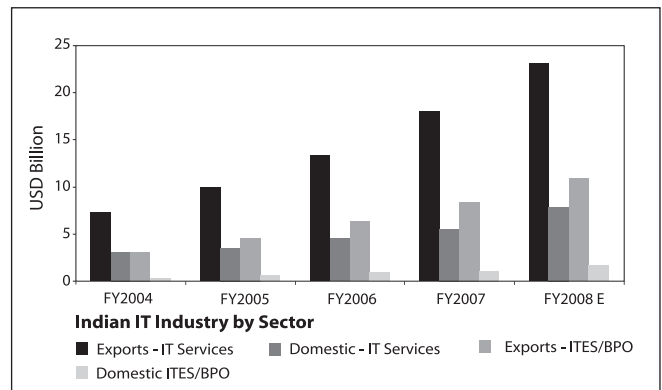


Source: NASSCOM IT INDUSTRY FACTSHEET MAY 2008

Since FY 2003-04, the share of Americas in the overall exports market has fallen from 69.40% to 61.70% in FY 2007-08. In contrast, Europe has increased its share from 22.60% to 30.10%, while the rest of the world has remained stable at 8 – 8.50%. The size of the overall exports industry is also expanding. According to NASSCOM, the drivers for global sourcing are likely to remain strong in the near future. Global technology spending forecasts remain strong, Worldwide adoption of outsourcing is expected to exhibit rapid growth, and the environmental factors too look favourable.

Indian IT Industry

According to NASSCOM, the Indian IT-ITeS industry (including domestic market) recorded an overall growth of 28% (currency adjusted), clocking revenues of USD 52 billion in FY 07-08 up from USD 39.6 billion in FY 06-07. The software and services exports segment grew by 29% (in USD) to register revenues of USD 40.4 billion in FY 07-08, up from USD 31.4 billion in FY 06-07. Within the export segment, ITeS exports are up by 30% (in USD) registering revenues of USD 10.9 billion.



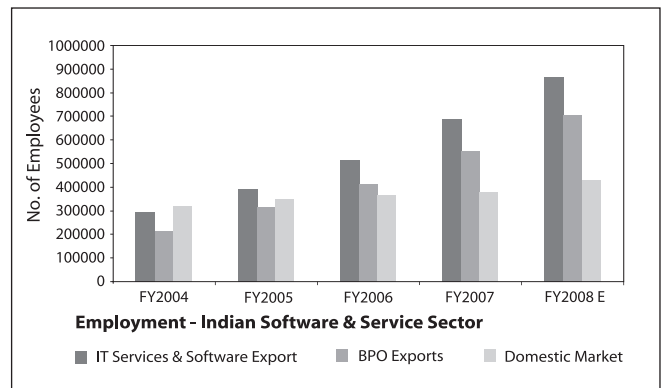
Source: NASSCOM IT INDUSTRY FACTSHEET MAY 2008

The survey also projects that the overall software and services revenues will grow by around 21-24% (currency adjusted) to touch around USD 50 billion in FY 08-09.

NASSCOM’s Strategic Review 2008 reports that positive market indicators and a strong track record strongly support the optimism of the industry in achieving its aspired target of USD 60 billion in software and services exports and USD 73-75 billion in overall software and services revenues, by FY 2010.

Employment

The IT-ITeS industry was estimated to have an employee base of over 1.99 million in FY 2007-08, up from 1.62 million in FY 2006-07. Over 700,000 knowledge professionals were employed in the ITeS exports industry. The industry has, in collaboration with the government and other stakeholders launched several initiatives to further enhance availability and access to suitable talent for the IT-ITES industry in India.



Source: NASSCOM IT INDUSTRY FACTSHEET MAY 2008

Threats, Risks and Concerns

Slowdown in global economy: A major cause for concern has been the slowdown and growing pessimism in the global and the US economy. We derive a major part of our revenues from the US, and some of our customers are in the Banking, Finance, Securities and Insurance segment. This increases our market-related and credit risks. Though a short-term economic downturn helps outsourcing as customers look to reduce costs of operations, the effects of a long-drawn slowdown is unclear. We are however trying hard to mitigate the negative effects of such a scenario by expanding our customer base in other geographies and entering new customer segments.

Foreign Exchange Risk: A majority of our expenses are made in Indian Rupees while most of our revenues are received in foreign currencies like the US Dollar. The exchange rate between the Indian Rupee and the US Dollar has fluctuated over a wide range in the past few quarters, and may continue to do so in the future. This has a significant impact on our operating income. Your Company has tried to reduce the impact of exchange rate fluctuations on the operating results by judiciously hedging foreign exchange through forward and option contracts, and by reviewing/renegotiating contracts to protect against sharp currency fluctuations.

Credit Risk: The Company has a policy to assess the credit risk associated with its customers, but the credit crisis impacting the global economy and the associated economic slowdown accentuate the risk of unexpected bad debts. The Company is reinforcing its credit risk management policies, to constantly monitor customers payments for completed and ongoing projects.

Shortage of suitably-skilled professionals: Though India has a vast pool of young, educated and culturally-diverse human resources, there is a shortage of professionals with skills suitable for the IT-ITeS industry. This shortage may hamper efforts by the Company in building new domain/functional expertise for niche or emerging markets. Your Company has a stringent recruitment process, runs regular training programs to upskill employees and takes measures to improve employee retention.

Tax Exemption for STPIs: The IT-ITeS industry enjoyed a 10-year tax holiday that ends in 2009. The government has extended tax exemption till 2010. If the government decides not to extend the tax holiday further, the industry will be faced with a tax burden of up to 30%.

Emergence of other low-cost outsourcing destinations: The past few years has seen the emergence of low-cost destinations like China, South Asia, Eastern Europe, Africa, Russia, Latin America, etc. If the government decides not to extend the tax exemption granted to STPIs, the industry may lose a significant advantage to such countries where the respective governments invest in infrastructure and also provide incentives for the growth of the industry.

Commodization of Services: As competition, both from Indian and global ITeS providers, increases there is a concern that this may lead to pressure on pricing, and commodization of services. Taking into consideration the increasing employee and other input costs, this could adversely affect gross margin. The company is investing in innovation and tools that increases productivity and efficiency.

Entry of MNCs and Industry Consolidation: The past few years has seen the entry of large multinationals into the market that your Company operates in. These companies have set up a large presence of their own or through acquisition of local players. Increased competition and the need for scale has led to consolidation in the industry, with fewer, larger players. Your Company is taking strategic initiatives to move up the value chain.

Market Segmentation: Innovations in technology and delivery methodology as well as the maturity of new customer segments have led to the market being segmented into niche players and volume (or scale) players. While smaller companies have been entering the market targeting customers with niche offerings,

larger players are investing more on innovations. Your Company is constantly seeking new customers who have matured to a level where they start buying our solutions, at the same time investing in developing new technology products and tools.

Risk Assessment

The Company has implemented a comprehensive Enterprise Risk Management Policy, which aims at assessing and controlling risk through a clearly defined framework. This framework is largely based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal Control System

The Company has in place adequate systems of internal controls, which are commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization, and ensuring compliance of corporate policies. The Company has a well defined process for delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long-term business plans have been laid down.

The Company has appointed Internal Auditor firm to carry out the internal audit of the Company's activities. The audit is based on an Internal Audit Plan, which is reviewed each year in consultation with the Statutory Auditors and the Audit Committee.

Quality and Other Certifications

Quality has played an extremely critical role, setting the direction for not only the operations and delivery but also in its people, customer interface and day-to-day routine administrative tasks. Your Company follows the guidelines laid down by the Malcolm Baldrige National Quality Award for functions like leadership, governance and social responsibilities, strategy development and deployment, customer knowledge, customer satisfaction, measurement, organizational performance, knowledge management, employee motivation and satisfaction, value creation, support processes and operational planning.

As a result of this, your Company won the International Asia Pacific Quality Award, the first company from India to win the award in the services category. The award was won against competition from hundreds of companies from countries as far and wide as the US, UK, Mexico, US, Japan, Australia, New Zealand, Russia, Canada, China, South Korea, Peru and Mexico.

Your Company is certified as ISO 27001 for information security.

Aligned with the organization's Corporate Vision, Your Company has a Quality Maxim "Every individual will firmly focus on making Datamatics competitive and cost-effective by delivering all their tasks with zero defects, first time, every time." Towards this objective, various initiatives were undertaken with a robust approach:

Six Sigma Initiatives

This initiative was started as part of the strategy to make your Company a productive, high performance, cost effective organization. Basic Training and While Belt Training Programs

were extensively conducted for the employees. In the first year of the initiative, your Company has seen tremendous success, closing the financial year with 307 Six Sigma and Quick Hit projects.

Metrics Initiative

The Metrics Initiative was undertaken in your Company as a means of measuring the performance of all departments. Four Key areas were considered under this initiative i.e. Velocity, Quality, Cost Efficiency and Productivity.

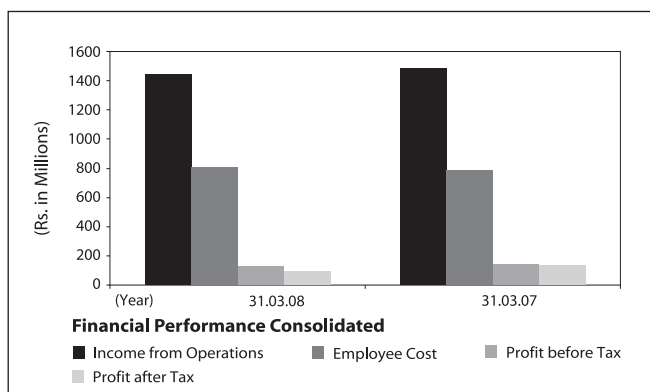
Delivery Centre of Excellence at Nashik

As part of its strategic initiatives, your Company set up a 36,000-square feet Delivery Centre of Excellence in FY 2007 – 08. During the year, your Company’s Nashik Delivery Centre of Excellence started its operations and is currently employing more than 300 employees in various projects. Housed in the “Suyojit Datamatics Knowledge Centre” on the Mumbai-Nashik highway, was first set up when your Company identified the potential of Nashik as a growing city with modern infrastructure.

Within a short span of a year, Nashik Delivery Centre of Excellence has received numerous “Five Star” ratings from customers so far. It also received the ISO 27001 certification for Information Security Management Systems. Under its expansion initiatives, your Company has already contracted for purchase of additional premises and is actively negotiating for purchase of a Campus in Nashik. The Centre is part of the Company’s efforts to combat constraints like real estate costs, capacity constraints, employee attrition, increasing salaries and talent shortage that it faces in the metros.

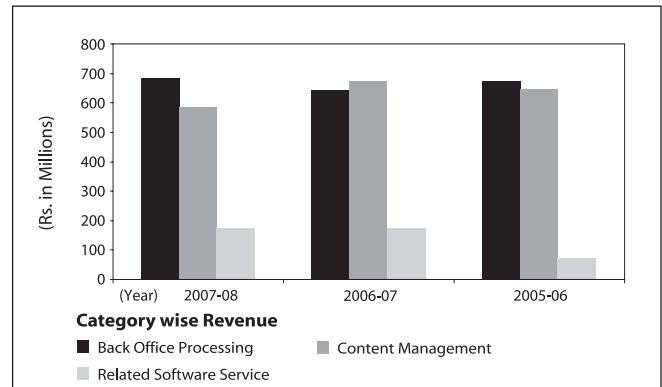
Discussion on Financial & Operational Performance For FY 2007 – 08

The Share Capital of the Company is Rs.203.58 million. There is no change in issued, subscribed and paid up capital of the Company during the year under review. The Reserves and Surplus were Rs. 2290.89 million in the current year as against Rs. 2187.20 million in the previous year.



This year, your Company’s consolidated revenues stood at Rs. 1443.87 million and reduce by 2.88% as compared to Rs. 1486.73 million in the previous year. Consolidated other income for the year was at Rs. 83.88 million compared to Rs. 58.76 million. Consolidated profits before tax for this year were at Rs. 124.39 million as compared to Rs. 143.55 million in the previous year. There is a marginal reduction in top line this year, the challenges on the costs like rising employee costs combined

with a sustained appreciation of the rupee has negatively impacted the bottomline. Consolidated net profits for this year were at Rs. 91.94 million as compared to Rs. 130.74 million in the previous year, as the provision for direct taxes increased to Rs. 21.19 million from Rs. 5.91 million in the previous year due to applicability of Minimum Alternative Tax.



Revenues from the Back office processing division stood at Rs. 684.41 million, thereby contributing to 47.40% to the overall revenue on a consolidated basis. We continue to offer 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.

Revenues from the Content management division stood at Rs. 585.46 million and contributed 40.55% to the overall revenues on a consolidated basis. This division 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.

Revenues from the Related software services division stood at Rs. 173.98 million and contributed to 12.05% of the revenues on a consolidated basis. This division 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. Services under this division are rendered as comprehensive solutions based on the requirements of the Company’s respective software partners like IBM, EMC, Microsoft and their end clients.

The Net Block of Assets increased to Rs. 364.79 million in the current year as against Rs. 329.23 million in the previous year as the company continued to invest in infrastructure. The Advances for Capital Expenditure was Rs. 37.81 million in the current year as against Rs. 5.00 million in the previous year due to the expansions being undertaken at the Nashik facility. The Investments decreased by Rs. 21 million to Rs. 1027.62 million in the current year.

The Sundry Debtors increased to Rs. 493.10 million in the current year as against Rs. 461.17million in the previous year.

The Net Current Assets increased to Rs. 164.69 million in the current year as against Rs. 191.89 million in the previous year.

Overseas Subsidiaries

Your Company has the following subsidiary companies:

Datamatics Softworld Limited – India

Datamatics Technologies, Inc. – US

Datamatics Technologies UK Limited – UK

Datamatics Technologies GmbH – Germany

Our German operations showed improving trends through out the year and will become profitable in FY 2009. Your Company aims to replicate the same in its larger US operations. Currently, 86% of the revenues are generated from US operations, 12% from Europe and 2% from the rest of the world. Your Company shall endeavor to have a larger share of revenues coming in from the European operations in FY 2009.

Scheme of Arrangement with Group Companies

The Board of your Company has approved the Scheme of Arrangement [“the Scheme”] under sections 391 to 394 read with sections 100 to 104 of the Companies Act, 1956, involving merger and demerger of the group companies with Datamatics Technologies Limited. Filing with regulatory authorities is in process.

The Scheme is proposed with a view to achieve better control on operations, reduction of cost and better profitability and to provide “one-stop shop” for end-to-end solutions for IT & ITES services for its global customers. After the merger process is complete, the Company will provide a range of solutions spanning consulting, technology architectures and business process management. In addition to ITeS services like document processing, content management, data warehousing, document management and warehousing, the Company will provide enterprise architecture consulting, application development and maintenance, independent validation services, enterprise application services, embedded systems and product management systems. Datamatics Limited is one of the leading information technology (IT) company in India offering software solutions in numerous areas including: application management;

product management and customized product implementation. It provides value-added industry solutions in manufacturing, transportation, telecom, finance, retail, utilities, and Government institutions. It has developed and re-engineered software for some of the well-known companies in the world. It is one of first few IT organizations worldwide to achieve Level 5 of the P-CMM [People Capability Maturity Model] and SEI-CMM [Software Engineering Institute - Capability Maturity Model] across the enterprise.

The Scheme envisages the amalgamation of Sameer Microtronics Private Limited, Bellona Infotech Private Limited, Datamatics Limited and Datamatics Intercon Limited into Datamatics Technologies Limited and demerger of Export Division of Datamatics Software Services Limited into Datamatics Technologies Limited. Further, for consolidation of domestic operations, the Scheme also provides for amalgamation of Datamatics Softworld Limited and Datamatics Software Solutions Limited into Datamatics Software Services Limited [Without Export Division]. The Scheme provides that the appointed date shall be April 1, 2008. Pursuant to the Scheme, the equity shareholders of Datamatics Limited will receive 1.21 fully paid up equity shares of Datamatics Technologies Limited of Rs.5/- each in exchange of every 1 fully paid up equity share of Rs.10/- each of Datamatics Limited.

Material Developments in Human Resources

Your company takes pride in nurturing 1440 employees globally. For further details regarding material developments in Human Resources, please refer to the Directors’ Report.

Cautionary Statement

This report describing the Company’s activities, projections about the future, estimates, assumptions with regard to global economic conditions and government policies, etc., may contain certain forward looking statements based upon the information available with the Company. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Auditor's Report on Consolidated Financial Statements of Datamatics Technologies Limited and its Subsidiaries

To the Board of Directors of
Datamatics Technologies Limited

1. We have audited the attached Consolidated Balance Sheet of Datamatics Technologies Limited (the Company) and its Subsidiaries (the Company and its Subsidiaries constitute "the group") as at March 31, 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We further report that in respect of the following subsidiaries, we did not carry out the audit. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors. The details of assets and revenue in respect of the said subsidiaries are given below:

Name of the Subsidiary	Total Assets	Total Revenue
Datamatics Technologies Inc.	Rs. 28,04,99,941/-	Rs. 99,27,12,830/-
Datamatics Technologies GmbH	Rs. 4,71,65,705/-	Rs. 8,85,07,943/-
Datamatics Technologies U.K. Ltd.	Rs. 7,826,786/-	Rs. 2,68,62,971/-

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - "CONSOLIDATED FINANCIAL STATEMENTS" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statement of the parent Company and its subsidiaries included in the consolidated financial statements.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the information and explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of the affairs of the group as at March 31, 2008;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For KANU DOSHI ASSOCIATES
Chartered Accountants

Arati Parmar
Partner

Membership No.: 102888

Place : Mumbai
Date : May 29, 2008

Consolidated Balance Sheet

	Schedule	March 31, 2008 Rupees	March 31, 2007 Rupees
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	203,584,185	203,584,185
Reserves and Surplus	B	1,670,567,559	1,617,365,217
		1,874,151,744	1,820,949,402
Deferred Tax Liability (Net)		33,050,418	24,457,820
		1,907,202,162	1,845,407,222
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	C	635,780,400	582,959,360
Less: Accumulated Depreciation		270,982,476	253,728,158
Net Block		364,797,924	329,231,202
Advance for Capital Expenditure		37,814,943	5,000,000
Investments	D	1,027,619,106	1,049,041,014
Current Assets, Loans and Advances			
(a) Stock in Trade/ Work in Progress	E	—	7,490,098
(b) Sundry Debtors	F	493,102,780	461,167,139
(c) Cash and Bank Balance	G	54,028,553	117,635,494
(d) Loans and Advances	H	130,257,806	67,734,535
		677,389,139	654,027,266
Less: Current Liabilities and Provisions	I		
(a) Current Liabilities		142,887,121	178,537,413
(b) Provisions		57,531,829	13,354,847
		200,418,950	191,892,260
Net Current Assets		476,970,189	462,135,006
		1,907,202,162	1,845,407,222
Significant Accounting Policies	M		
Notes to Accounts	N		

The Schedules referred to above form an integral part of the accounts

As per our report of even date

For Kanu Doshi Associates
Chartered Accountants

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Consolidated Profit and Loss Account

	Schedule	For 2007-08 Rupees	For 2006-07 Rupees
INCOME			
Income from Operations		1,443,870,716	1,486,735,206
Other Income	J	83,880,151	58,758,252
		1,527,750,867	1,545,493,458
EXPENDITURE			
Purchase of IT Products and Licenses		20,399,912	13,355,935
(Increase)/decrease in stock in trade		7,387,049	(481,997)
Operational Expenses	K	1,174,577,610	1,177,252,791
Administration and Other Overheads	L	144,372,609	160,274,426
Depreciation and Amortisation		55,370,182	53,453,653
		1,402,107,362	1,403,854,808
		125,643,505	141,638,650
Exchange Fluctuation on Consolidation		(1,250,037)	1,912,400
Profit before tax		124,393,468	143,551,050
Provision for Direct tax		21,185,560	5,912,752
Provision for Deferred tax		8,592,598	4,559,258
Provision for Fringe benefit tax		2,618,000	2,339,000
Profit after tax		91,997,310	130,740,040
Tax Adjustment of earlier years		(56,615)	—
		91,940,695	130,740,040
Balance brought forward from last year		12,535,595	101,436,616
Amount Available for Appropriations		104,476,290	232,176,656
APPROPRIATIONS:			
Interim Dividend on Equity Shares		—	61,075,256
Tax on interim dividend		—	8,565,805
Proposed Dividend on Equity Shares		30,537,628	—
Tax on Dividend		5,189,870	—
Transfer to General Reserve		50,000,000	150,000,000
Amount carried forward		18,748,792	12,535,595
		104,476,290	232,176,656
Earnings per share (Face Value Rs. 5 each) in Rs.			
Basic		2.26	3.21
Diluted		2.24	3.20
(Refer Note No. 6 of Schedule 'N')			
Significant Accounting Policies	M		
Notes to Accounts	N		

The Schedules referred to above form an integral part of the accounts

As per our report of even date

For Kanu Doshi Associates
Chartered Accountants

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai

Dated : May 29, 2008

Schedules forming part of the Consolidated Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'A'		
Share Capital		
AUTHORISED		
48,000,000 (P.Y. 48,000,000) Equity shares of Rs. 5/- each .	240,000,000	240,000,000
30,000,000 (P.Y. 30,000,000) Redeemable Preference Shares of Rs. 5/- each.	150,000,000	150,000,000
	<u>390,000,000</u>	<u>390,000,000</u>
ISSUED, SUBSCRIBED & PAID UP		
40,716,837 (P.Y. 40,716,837) Equity Shares of Rs. 5/- each fully paid up.	203,584,185	203,584,185
	<u>203,584,185</u>	<u>203,584,185</u>
Note:		
1. Of the above, 28,480,000 (P.Y. 28,480,000) Equity Shares of Rs. 5 each have been allotted as fully paid Bonus Shares by capitalisation of General Reserve and Share Premium		
2. Employee Stock Option Scheme – Refer Note No. 4 in Schedule 'N'		
SCHEDULE 'B'		
Reserves and Surplus		
CAPITAL RESERVE		
Balance as per last Balance Sheet	3,524,880	3,524,880
	<u>3,524,880</u>	<u>3,524,880</u>
CAPITAL REDEMPTION RESERVE		
Balance as per last Balance Sheet	37,781,250	37,781,250
	<u>37,781,250</u>	<u>37,781,250</u>
SHARE PREMIUM		
Balance as per last Balance Sheet	1,076,192,967	1,067,927,967
Add: Received during the year	—	8,265,000
	<u>1,076,192,967</u>	<u>1,076,192,967</u>
EMPLOYEE STOCK OPTION OUTSTANDING		
Employee Stock Option Outstanding	—	3,333,800
Less: Deferred Employee Compensation	—	(1,897,861)
	<u>—</u>	<u>1,435,939</u>
FOREIGN EXCHANGE FLUCTUATION RESERVE		
Balance as per last Balance Sheet	(5,089,427)	(2,070,518)
Add/(Less): Exchange Fluctuation for Current Year	(1,574,916)	(3,018,909)
	<u>(6,664,343)</u>	<u>(5,089,427)</u>
GENERAL RESERVE		
Balance as per last Balance Sheet	490,984,013	340,984,013
Add: Transferred from Profit & Loss during the year	50,000,000	150,000,000
	<u>540,984,013</u>	<u>490,984,013</u>
SURPLUS IN PROFIT AND LOSS ACCOUNT		
	<u>18,748,792</u>	<u>12,535,595</u>
TOTAL	<u>1,670,567,559</u>	<u>1,617,365,217</u>

Schedules forming part of the Consolidated Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'C'		
Fixed Assets		
Buildings	170,114,540	144,254,390
Leasehold Improvements	3,702,233	3,922,583
Machinery & Equipment	139,458,511	94,754,313
Vehicles	7,835,960	6,596,598
Furniture & Fixtures	74,003,557	65,822,539
Computer Equipments	123,858,837	148,694,858
Intangible Assets:		
Computer Software		
Internal developed software	9,563,000	20,961,108
Other software	107,055,059	97,809,531
Other Intangible Assets	188,703	143,440
Total Gross Block	<u>635,780,400</u>	<u>582,959,360</u>
Less: Accumulated depreciation and amortisation	<u>270,982,476</u>	<u>253,728,158</u>
Net Fixed Assets	<u>364,797,924</u>	<u>329,231,202</u>

The above details are compiled from the data/ record available with the Parent Company.

SCHEDULE 'D'

Investments (At Cost)

Long Term Investments

Investment in Government Securities

National Savings Certificates

— 3,000

Investment in Bonds

1,000 (P.Y 1,000) 5.15% Rural Infrastructure Bonds of Rs. 10,000 each

— 10,000,000

6,580 (P.Y. Nil) 5.50% Rural Electrification Bonds of Rs. 10,000 each

65,800,000 65,800,000

(Above Bonds are with benefits under section 54 EC of Income Tax Act, 1961 for Long Term Capital Gain)

Investments in Debentures

125,000 (P.Y. Nil) debentures of Rs. 100 each of Edelweiss Securities Pvt. Ltd.

12,750,000 —

500,000 (P.Y. Nil) debentures of Rs. 100 each of Reliance Capital Assets Management Ltd.

50,750,000 —

Current Investments (At Cost or Market Value, whichever is less)

Investments in Portfolio Management Services (Refer Note No. 5 of Schedule 'N')

Reliance Capital Asset Management Limited

9,482,428 —

Long Term Investments

Unquoted (Non Trade) (In Other Companies)

3,500 (P.Y. 3,500) Fully paid Equity Shares of Matrix Advisors (India) Pvt. Limited of Rs. 10 each

175,000 175,000

Aggregate of Unquoted Investment (Non Trade)

175,000 175,000

Schedules forming part of the Consolidated Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'D' (Contd.)		
B. QUOTED (Non-Trade)		
In shares		
a. 900 (P. Y. 900) fully paid Equity Shares of Rs. 10 each of Cybertech Ltd.	510,767	510,767
b. 1800 (P. Y. 1800) fully paid Equity Shares of Rs. 2 each of Wipro Ltd.	2,117,268	2,117,268
Current Investments (At Cost or Market Value, whichever is less)		
c. 1,785 (P. Y. Nil) fully paid Equity Shares of Principal Financial Group	4,200,234	—
In units of Mutual Funds		
14,154,748 (P. Y. 13,068,000) units of Prudential ICICI Mutual Funds	143,119,855	134,140,500
2,135,355 (P. Y. Nil) units of HDFC Mutual Funds	21,353,549	—
3,388,490 (P. Y. 1,131,181) units of JM Mutual Funds	36,146,975	11,399,507
4,287,076 (P. Y. 12,774,727) units of Reliance Mutual Funds	62,917,308	127,747,270
6,500,234 (P. Y. 13,584,746) units of UTI Mutual Funds	65,002,336	135,900,850
6,153,056 (P. Y. 15,093,038) units of Kotak Mutual Funds	65,000,000	150,930,800
Nil (P. Y. 3,017,340) units of Standard Chartered Mutual Funds	—	30,173,400
3,035,265 (P. Y. Nil) units of Lotus Mutual Funds	30,352,650	—
2,500,000 (P. Y. Nil) units of Principal Mutual Funds	25,000,000	—
2,537,338 (P. Y. 3,019,338) units of Tata Mutual Funds	30,000,000	30,193,500
485,213 (P. Y. Nil) units of Fidelity Equity Mutual Funds	4,824,469	—
12,355,601 (P. Y. 10,244,243) units of ABN Amro Mutual Funds	129,805,584	102,446,565
2,027,455 (P. Y. 283,202) units of Franklin India Mutual Funds	24,000,000	8,961,497
5,082,843 (P. Y. 6,784) units of SBI Mutual Funds	52,291,671	250,000
61,365 (P. Y. 42,011) units of Sundaram BNP Paribas Mutual Funds	4,992,962	4,000,000
Nil (P. Y. 5,000,000) units of DWS Mutual Funds	—	50,000,000
709,213 (P. Y. Nil) units DSP Merrill Lynch Mutual Funds	10,616,445	—
Liquid Funds – Current Investment (At Cost or Market Value, whichever is less)		
641,758 (P. Y. 15,394,699) units of LIC Mutual Funds	6,875,930	184,291,090
6,956,365 (P. Y. Nil) units of Birla Mutual Funds	165,630,879	—
370,981 (P. Y. Nil) units of DWS Mutual Funds	3,902,796	—
Aggregate of Quoted Investments	888,661,678	973,063,014
TOTAL INVESTMENTS	1,027,619,106	1,049,041,014
Market Value of Quoted Investments	912,299,585	985,910,526
SCHEDULE 'E'		
Stock in Trade/ Work in Progress		
(As taken, valued & certified by the management)		
Stock in Trade/ Work in Progress	—	7,490,098
	—	7,490,098
SCHEDULE 'F'		
Sundry Debtors		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	176,404,219	256,327,287
Considered doubtful	10,047,970	10,634,263
Others, considered good	316,698,561	204,839,852
	503,150,750	471,801,402
Less: Provision for Doubtful Debts	10,047,970	10,634,263
TOTAL	493,102,780	461,167,139

Schedules forming part of the Consolidated Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'G'		
Cash and Bank Balances		
Cash on hand	167,205	400,757
Cheques on hand	—	437,061
Foreign Currency on hand	96,236	154,691
Balance with Banks		
In Current Accounts	35,267,315	51,415,426
In Fixed Deposit Accounts	10,679,187	1,592,295
In Margin Accounts*	5,368,674	12,424
In Exchange Earner's Foreign Currency Account	41,809	47,677
In Unclaimed Dividend Accounts	1,466,327	1,509,363
In Unpaid Dividend Account	—	61,080,000
In Share Refund Account	941,800	985,800
TOTAL	54,028,553	117,635,494
SCHEDULE 'H'		
Loans and Advances		
(Unsecured, considered good for value to be received in Cash or in Kind, unless otherwise specified)		
Other Advances		
Considered good	6,914,678	8,471,475
Advance Income Tax (net)	—	11,179,842
Advance Tax – FBT (net)	524,930	549,000
Deposits (Trade)	21,500,261	13,326,409
Other Receivables	101,317,937	34,207,809
TOTAL	130,257,806	67,734,535
SCHEDULE 'I'		
Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
a. Sundry Creditors	39,759,597	33,441,228
b. Unclaimed Dividend**	1,335,055	1,382,837
c. Unpaid Dividend**	—	61,075,256
d. Share Application Money**	941,800	985,800
e. Advance received from customer	1,917,110	—
f. Other Liabilities	53,851,003	37,853,914
	97,804,565	134,739,035
Employees Liabilities	45,082,556	43,798,378
(Includes Rs. 2,70,000 (P.Y. 47,57,700) due as commission to Chairman, Managing Director and Whole Time Director)		
	142,887,121	178,537,413
B. PROVISIONS		
For Proposed Dividend on Equity Shares	30,537,628	—
For Tax on Proposed Dividend	5,189,870	—
For Direct Tax	4,042,838	—
For Gratuity	7,026,715	5,933,402
For Leave Encashment	10,734,778	7,421,445
TOTAL	57,531,829	13,354,847

* These are marked as Lien for Guarantees issued by Banks on behalf of the Company.

** There is no amount due and outstanding as at balance sheet date to be credited to the Investor Education and Protection Fund.

Schedules forming part of the Consolidated Financial Statements

	For 2007-08 Rupees	For 2006-07 Rupees
SCHEDULE 'J'		
Other Income		
Interest from banks & others	12,728,180	4,430,066
Dividend on Investments	10,469,341	45,243,072
Profit on Sale of Investments (Net)	59,518,705	8,131,211
Others	799,914	194,250
Exchange fluctuation (Net)	364,011	759,653
TOTAL	83,880,151	58,758,252
SCHEDULE 'K'		
Operational Expenses		
Knowledge Associates/Vendor Charges	277,189,977	290,368,674
Electricity	25,371,705	22,110,783
Payments to and expenditure for employees		
a. Salaries,Wages,Bonus & allowances	726,261,545	698,322,869
b. Contribution to Provident Fund and other funds	29,166,423	31,125,949
c. Welfare Expenditure	20,571,359	20,365,652
d. Directors' Remuneration	34,200,085	38,418,788
Travelling Expenses	46,567,553	66,378,529
Link Charges	15,248,963	10,161,547
TOTAL	1,174,577,610	1,177,252,791
SCHEDULE 'L'		
Administration and Other Overheads		
Rent	37,084,471	38,564,315
Rates and Taxes	1,226,204	1,091,514
Communication Expenses	15,290,273	15,795,216
Legal and Professional charges	12,593,070	15,303,484
Remuneration to Auditors	1,657,382	1,556,758
Repairs and Maintenance:		
— Building	5,050,151	4,355,614
— Plant & Machinery	5,860,684	4,822,543
— Others	11,944,066	13,241,752
Insurance Premium	5,939,664	8,116,727
Sales Commission and Marketing Expenses	—	1,874,652
Board Sitting Fees	195,000	210,000
Advertisement and Sales Promotion Expenses	1,815,074	2,570,830
Lease Rent and Hire Charges	2,871,544	4,364,140
Entertainment Expenses	911,917	1,138,870
Miscellaneous Expenses	13,066,646	16,110,669
Sundry Balances/Bad Debts written off (Net)	3,224,760	3,285,673
Loss on Sale of Fixed Assets	845,680	736,935
Bank & Other charges	1,253,602	1,889,328
Recruitment Expenses	6,815,394	6,287,725
Subscription Charges	625,808	605,171
Printing & Stationery	12,837,605	16,187,900
Photocopying Charges	473,589	380,204
Security Charges	2,790,025	1,784,406
TOTAL	144,372,609	160,274,426

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule 'M'

Significant Accounting Policies

1. Company Overview:

Datamatics Technologies Limited (hereinafter referred to as "The Parent Company") was incorporated on 3rd November 1987 as "Interface Software Resources Private Limited". The name of the company was changed to "Datamatics Technologies Private Limited" on 18th December 1992 giving birth to the ITES/BPO arm of the Datamatics group. On December 27, 1999, the company converted itself from a Private Limited company into a Public Limited Company.

The parent company owns 100% equity in Datamatics Softworld Ltd, a company incorporated in India, Datamatics Technologies Inc (DTI), a company incorporated in USA, Datamatics Technologies UK Ltd, a company incorporated in UK, Datamatics Technologies GmbH, a company incorporated in Germany. The above companies are collectively referred to as "DTL Group" or "the Group".

During the year the parent company invested in additional share capital of USD 1,500,000 (P.Y. USD 1,500,000) of Datamatics Technologies Inc. and of Euro 393,000 (P.Y. Nil) in Datamatics Technologies GmbH.

DTL has, over the years, developed competencies in the ITES/BPO segment and moved up in the value chain by providing a suite of services to become one of the leading third party ITES/BPO players in India. DTL offers end-to-end services in back office processing, content management and consulting practice areas. Its back office processing services covers document processing and finance and accounting services including accounts payable, accounts receivable, tax preparation, book-keeping and financial transaction processing. Its content management services covers total digital publishing solutions to publishing industry giants and online information providers encompassing online, hand-held and print delivery. Its consulting practice services focuses on providing consulting and turnkey projects implementation in the domain of data migration and integration, data analysis, document management, business process management, records management and enterprise portal technologies.

2. Principal Accounting Policies:

2.1 Basis of preparation of financial statements:

The accompanying financial statements have been prepared under the historical cost convention and on the accrual basis of accounting and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'). The preparation of the Consolidated financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of Consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the Consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.2 Basis of Consolidation:

These Consolidated financial statements include the financial statements of Datamatics Technologies Limited and its subsidiaries. The subsidiaries considered in the consolidated financial statements as at March 31, 2007 and as at March 31, 2008 are summarized below:

Name of the Subsidiary	Country of incorporation	% of shareholding
Datamatics Technologies Inc.	USA	100
Datamatics Technologies GmbH	Germany	100
Datamatics Technologies U.K. Limited	UK	100
Datamatics Softworld Limited	India	100

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS - 21 namely "Consolidated Financial Statements" respectively issued by the ICAI for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealized profits in full. The amounts shown in respect of accumulated reserves comprises the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase/decrease in the relevant reserves/accumulated deficit of its subsidiaries.

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule 'M' (Contd.)

Significant Accounting Policies (Contd.)

The Parent Company & its Indian subsidiaries maintain their records and prepare their financial statement under the Historical Cost Convention, in accordance with generally accepted principals in India while the foreign subsidiaries maintain their records and prepare their financial statement in conformity with GAAP prevalent in their respective countries of domicile.

Consolidated financial statements has been prepared using uniform accounting policies for like transactions and other events in similar circumstances except in case of charge of depreciation on fixed assets and other insignificant items for which the accounting treatment is given on the basis of local laws applicable in the respective country, for which using uniform accounting policies for the purpose of consolidation is impracticable.

2.3 Fixed Assets/Intangible Assets and Depreciation/Amortisation:

Fixed Assets are stated at acquisition cost less accumulated depreciation. Direct Costs are capitalised until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets. Intangible assets consist of expenses incurred/paid for development and acquisition of computer software. Depreciation is provided on Straight Line Method by the Parent Company and its Indian Subsidiary as stated in the significant accounting policies forming integral part of the financial statement. Whereas the foreign subsidiaries have provided depreciation on methods and at the rates required/permissible by the local laws, so as to write off the assets over their estimated useful life. The aggregate Gross Block of Rs. 90,869,203 of foreign subsidiaries have charged depreciation at the rates other than those prescribed under Schedule XIV of the Companies Act, 1956. Intangible assets are amortised over a period of three years for which the company expects the benefits to accrue.

2.4 Goodwill:

The excess of cost to the Parent Company of its investment in subsidiaries over the Parent Company's portion of equity in the subsidiaries at the respective dates on which investments in subsidiaries were made, is recognized in the consolidated financial statements as goodwill. The parent's Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The Goodwill recorded in these consolidated financial statements has been written off in the year of acquisition/investment of/in subsidiary companies/associate against the general reserve.

2.5 Leases:

Lease Rent Transactions:

Lease Rentals are accounted for on accrual basis as per the terms of the agreement.

2.6 Revenue recognition:

Revenue from services is recognized based on time and material and billed to the clients as per the terms of the contract. In the case of fixed price contracts, revenue is recognized on periodical basis based on units executed and delivered.

Revenue/Income from sale of traded goods is recognized on dispatch of goods. Sales are exclusive of Taxes, wherever applicable.

Interest on deployment of funds is recognized on accrual basis. Dividend income is recognized on receipt. Profit on sale of investment is recognized on sale of investments.

2.7 Employee Retirement Benefits:

In case of Parent Company and its Indian Subsidiary (a) Retirement benefit in the form of Company's contribution to Provident Fund, which is a defined contribution scheme, is charged to the Profit and Loss account on accrual basis. (b) Gratuity liability, which is a defined benefit scheme and Provision for Leave Encashment is accrued and provided for on the basis of an actuarial valuation made using Projected Unit Credit Method at the end of each financial year. Actuarial gains and losses are immediately taken to Profit and Loss account and are not deferred.

Foreign subsidiaries maintain a defined contribution retirement plan, which covers substantially all the employees of the foreign subsidiaries and qualifies as a deferred salary arrangement under laws of respective countries. The company matches employees' contributions at the discretion of the company.

2.8 Foreign Currency Transactions:

Transactions in foreign currency are recorded at the rates of exchange prevailing on the date of the transactions.

Monetary items denominated in foreign currencies at the balance sheet date are translated at the balance sheet date rates.

Any income or expense on account of exchange difference either on settlement or on translation at the balance sheet date is recognized in Profit & Loss Account in the period in which it arises.

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule 'M' (Contd.)

Significant Accounting Policies (Contd.)

2.9 Foreign Currency Translation:

The consolidated financial statements are reported in Indian rupees. The translation of the local currency of each foreign subsidiary within the Group into Indian rupees is performed in respect of assets and liabilities including fixed assets, depreciation and stock in trade using the exchange rate in effect at the balance sheet date and for revenue and expense items other than depreciation costs and stock in trade, using a monthly simple average exchange rate for the period.

Net exchange difference resulting from the above translation of financial statements of foreign subsidiaries is recognized in the consolidated profit and loss account.

Exchange Difference arising on investment in subsidiaries is recognized in Foreign Currency Fluctuation Reserve.

2.10 Derivative Instruments and Hedge Accounting:

The Parent Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such forward contracts are utilised against the inflow of funds under firm commitments and the profit / loss arising thereon is accounted in the year of settlement of forward contract. The Parent Company does not use the forward contract for speculative purposes.

2.11 Investments:

Investments other than the current investments are valued at cost inclusive of all expenses incidental to their acquisition. Accordingly, all investments which are long term are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments. The current investments are valued at cost or market price whichever is lower. Overseas Investments are carried at their original rupee cost.

2.12 Taxation:

Provision for Current Income Tax is made after taking into consideration various benefits/exemption available under the laws of the respective countries.

2.13 Deferred Tax:

In case of the Parent Company and an Indian subsidiary temporary differences between the tax basis and carrying values of assets and liabilities as on March 31, 2008 that reverses after the holiday period are recognized if they result in taxable amounts.

In case of foreign subsidiaries Deferred tax assets or liabilities are established at the enacted tax rates. Changes in the enacted rates are recognized in the period of enactment.

The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.

Fringe benefit tax is recognized in accordance with the relevant provisions of the Income Tax Act, 1961 and the Guidance Note on Fringe Benefit Tax issued by the Institute of Chartered Accountants of India.

2.14 Borrowing Cost:

Interest accrued on term Loan for Acquiring Assets is capitalized till the date asset is put to use.

2.15 Earnings per share:

In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

2.16 Employee Stock Option Scheme:

Employee Compensation in the form of stock options, granted under various schemes have been charged to Profit & Loss Account, based on Intrinsic value method, over the vesting period.

2.17 Impairment of Assets:

At each balance sheet date, the Parent company assesses whether there is any indication that an assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and Value-in-Use. In assessing Value-in-use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule 'N'

Notes to Accounts

1. Contingent Liability:

These, if any, are disclosed in the notes to the accounts, Provision is made in the accounts if it becomes probable that an outflow of resources embodying benefits will be required to settle the obligation.

Contingent Liabilities to the extent not provided for :

	As at 31.03.2008 (Rs.)	As at 31.03.2007 (Rs.)
(a) Details of guarantees and sureties outstanding:		
(i) Guarantees given by Bank to Sales Tax Authority	5,000	5,000
(ii) Guarantees given by Bank to the Customs Authority	706,250	—
(iii) Guarantees given by Bank to UNFCCC, BONN, Germany for Euro 84,398.70	4,650,000	—
(iv) Surety given under Customs Act, 1962 for Other Company	3,031,000	3,031,000
(b) Disputed Income Tax Liability	8,975,128	8,082,614
(c) Others	329,500	—

2. Segmental Information:

The Management information system of the DTL Group identifies and monitors ITES/BPO as its business segment. In the opinion of the management, the DTL Group is primarily engaged in business of ITES/BPO as the basic nature of these activities are governed by the same set of risks and returns. These constitute and have been grouped as single segment as per AS-17 dealing with segmental reporting. Secondary segmental reporting is on the basis of geographical location of customers.

Performance of Business Segment is as follows:

(Rupees in 000's)

	31.03.2008	31.03.2007
Revenue		
Sales	1,443,871	1,486,735
Segment result profit	40,513	84,793
Other Income	83,880	58,758
Direct Taxes	32,396	12,811
Profit from Ordinary Activities	91,997	130,740
Net Profit	91,997	130,740
Other Segment Information		
Capital Expenditure (Net)	96,717	63,450
Depreciation and amortisation	55,370	53,454
Non Cash Expenses other than depreciation	2,635	7,610
Particulars of Segment Assets and Liabilities		
Segment Assets	981,000	889,006
Investments	1,027,619	1,049,041
Bank Deposits	16,048	1,605
Other Assets	82,954	97,648
Total Assets	2,107,621	2,037,299
Segment Liabilities	158,372	128,448
Other Liabilities	75,098	87,902
Total Liabilities	233,469	216,350

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule 'N' (Contd.)

Notes to Accounts (Contd.)

Geographic Segment

Revenue attributable to the location of the customers is as follows:

(Rs. In 000's)

Geographic Location	31.03.2008	31.03.2007
USA	1,235,552	1,253,014
Europe	160,713	180,691
Others	47,606	53,030
Total	1,443,871	1,486,735

3. Related party disclosures:

(i) As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India the disclosures of Related Parties and transactions during the year as deemed in the Accounting Standard are given below:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(A) Associate Companies and Joint Ventures</p> <ul style="list-style-type: none"> Datamatics Limited Datamatics Infotech Limited | <p>(C) Relatives Of Key Managerial Personnel</p> <ul style="list-style-type: none"> Mr. Sameer Kanodia (upto 30.01.08) Mrs. Asha Kanodia Mrs. Anju Kanodia Datamatics Staffing Services |
| <p>(B) Key Managerial Personnel</p> <ul style="list-style-type: none"> Dr. L. S. Kanodia Mr. Rahul Kanodia Mr. Vidur Bhogilal Mr. Micheal Thuleweit Mr. Sameer Kanodia (w.e.f. 31.01.08) Mr. Anand Mahurkar (upto 31.12.07) Mr. Manish Modi (P. Y. upto 21.02.07) Mr. John Wilson (P. Y. upto 31.10.06) | |

(ii) Details of transactions with the related parties stated in (i) above:

Nature of transaction	Refer to (i) A above		Refer to (i) B above		Refer to (i) C above	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Sales						
Technical Services	3,123,005	2,109,369	—	—	—	—
Datamatics Limited	3,123,005	—	—	—	—	—
Datamatics Infotech Limited	—	2,109,369	—	—	—	—
Expenses						
Knowledge Associates/Vendor Charges	10,253,125	—	—	—	—	—
Datamatics Limited	10,253,125	—	—	—	—	—
Expenses Incurred by Related Parties	1,524	—	—	—	—	—
Datamatics Ltd.	1,524	—	—	—	—	—
Expenses Incurred for Related Parties	3,844	—	—	—	—	—
Datamatics Ltd.	3,844	—	—	—	—	—
Managerial Remuneration	—	—	36,337,566	33,067,087	—	—
Dr. L. S. Kanodia	—	—	3,419,517	1,728,400	—	—
Mr. Rahul Kanodia	—	—	2,646,000	275,625	—	—
Mr. Vidur Bhogilal	—	—	5,994,060	7,263,408	—	—
Mr. Sameer Kanodia	—	—	310,901	—	—	—

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule 'N' (Contd.)

Notes to Accounts (Contd.)

Nature of transaction	Refer to (i) A above		Refer to (i) B above		Refer to (i) C above	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Mr. Micheal Thuleweit	—	—	9,440,554	9,005,380	—	—
Mr. Anand Mahurkar	—	—	14,526,534	1,166,511	—	—
Mr. Manish Modi	—	—	—	6,632,727	—	—
Mr. John Wilson	—	—	—	6,995,036	—	—
Commission	—	—	270,000	4,757,700	54,000	64,000
Dr. L. S. Kanodia	—	—	135,000	2,378,850	—	—
Mr. Rahul Kanodia	—	—	135,000	247,650	—	—
Mr. Manish Modi	—	—	—	2,131,200	—	—
Mrs. Asha Kanodia	—	—	—	—	54,000	64,000
Proposed Dividend	—	—	46,209	—	—	—
Interim Dividend Paid	—	—	—	41,418	—	—
Sitting Fee	—	—	—	—	20,000	20,000
Mrs. Asha Kanodia	—	—	—	—	20,000	20,000
Salaries	—	—	—	—	2,109,007	1,708,261
Mr. Sameer Kanodia	—	—	—	—	2,109,007	1,515,508
Ms. Anju Kanodia	—	—	—	—	—	192,753
Recruitment Expenses	—	—	—	—	192,250	2,861,483
Datamatics Staffing Services	—	—	—	—	192,250	2,861,483
Outstandings						
Payables	4,269,494	53,626	270,000	4,757,700	54,000	64,000
Datamatics Ltd.	4,269,494	53,626	—	—	—	—
Dr. L. S. Kanodia	—	—	135,000	2,378,850	—	—
Mr. Rahul Kanodia	—	—	135,000	247,650	—	—
Mr. Manish Modi	—	—	—	2,131,200	—	—
Mrs. Asha Kanodia	—	—	—	—	54,000	64,000
Receivables	3,466,339	—	—	—	—	—
Datamatics Ltd.	3,466,339	—	—	—	—	—

Note:

Related parties are being recognized/identified by the management and relied upon by the auditors.

4. Employee Stock Option Scheme (ESOP):

The Company has two ESOP Schemes in operation. They are:

(A) General Employees Stock Option Plan, 2005:

Under the General Employees Stock Option Plan, 2005, 238,000 options were granted during the financial year 2006-07 and the first vesting period falls during the current year. Originally granted shares were revised to 158,000 shares due to conditions which restrict the entitlement to the employees. Out of the shares vested, Nil shares were exercised and allotted.

(B) Key Employees Stock Option Plan, 2006:

Under the Key Employees Stock Option Plan, 2006, 180,000 options were granted during the financial year 2006-07 and the first vesting period falls during the financial year 2008-09. Originally granted shares were revised to 115,000 shares due to conditions which restrict the entitlement to the employees.

During the year, an amount of Rs. 1,435,939 has been reversed due to Employee Stock Option Plan, 2004 becoming non operational. In the previous year Rs. 3,587,026 was expensed out considering the proportionate vesting period, which was included in Salaries, Wages Bonus & Allowances and the balance was disclosed under "Reserve and Surplus" as a reduction from Employee Stock Option Outstanding.

5. Portfolio Management services are provided by the Portfolio Manager – Reliance Capital Asset Management Ltd (RCAML) registered with SEBI vide registration No.INP000000423. The portfolio Manager is engaged in investing funds in accordance with SEBI (Portfolio Managers) Regulations, 1993 of its client – Datamatics Technologies Ltd in Securities and providing portfolio management services to its clients.

Schedules forming part of the Consolidated Financial Statements for the Year Ended March 31, 2008

Schedule ' N ' (Contd.)

Notes to Accounts (Contd.)

RCAML has been appointed as the Portfolio Manager for managing the investments of its funds on a discretionary basis to avail of investment advisory and portfolio management services for the purpose of investment to be made in securities. RCAML also holds the Power of Attorney to hold investments in its name for investments made on behalf of company. Investments made by RCAML under the Portfolio Management Services are made in a pool account and therefore are not held in the name of the company.

6. Earning Per Share

The Components of basic and diluted earnings per share were as follows:

	As at 31.03.2008	As at 31.03.2007
a. Net Profit after Taxation (Rs.)	91,940,695	130,740,040
b. Weighted average number of Outstanding equity shares		
Considered for basic EPS	40,716,837	40,678,755
Add: Weighted number of Stock Options outstanding and allotted during the year	—	38,082
Add: Weighted number of stock options outstanding as on 31.3.2008	258,774	167,299
Considered for diluted EPS	40,975,611	40,884,136
c. Earnings per share		
(Nominal value per share Rs. 5 each)		
Basic (Rs.)	2.26	3.21
Diluted (Rs.)	2.24	3.20

7. Leases:

Datamatics Technologies Limited and DTI have entered into operating lease arrangements for several premises. The future minimum lease payments in respect of such non-cancellable operating leases of these companies are summarized below:

	Amount in Rs.	
	March 31, 2008	March 31, 2007
Amount due within one year from the balance sheet date	17,211,615	22,291,407
Amount due in the period between one year and five years	13,650,915	21,074,949
Amount due later than five years	—	—

The Following Lease payments are recognized in Profit and Loss Account:

Lease Rent	37,084,471	38,519,901
------------	------------	------------

8. Prior period Comparatives:

Figures for the corresponding year wherever necessary have been regrouped, recast, rearranged to confirm to those for the current year.

For Kanu Doshi Associates
Chartered Accountants

Arati Parmar
Partner
Membership No. 102888
Place : Mumbai
Dated : May 29, 2008

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Rahul Kanodia
Vice Chairman & CEO

Consolidated Cash Flow Statement for the Year Ended March 31, 2008

	2008 Rupees	2007 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax	125,643,505	141,638,650
Adjusted for:		
Exchange fluctuation on Translation	(1,250,037)	1,912,400
Depreciation and amortization	55,370,182	53,453,691
(Profit)/Loss on sale of Fixed Assets	845,680	736,935
Sundry Balances Written (back)/off	3,224,760	3,285,673
Interest Received	(12,728,180)	(4,430,066)
Dividend Received	(10,469,341)	(45,243,072)
(Profit)/Loss on sale of Investments	(59,518,705)	(8,131,211)
Employee Stock Option Expenses	(1,435,939)	3,587,026
Operating Profit before Working Capital Changes	99,681,925	146,810,026
Adjusted for:		
(Increase)/Decrease in Sundry Debtors	(35,160,402)	10,534,142
(Increase)/Decrease in Loans and Advances	(73,727,186)	47,914,011
(Increase)/Decrease in Inventories	7,490,098	(481,997)
(Decrease)/Increase in Current Liabilities	(42,596,944)	62,132,030
Cash Generated from Operations	(44,312,509)	266,908,212
Tax Paid	6,686,208	15,331,892
Net Cash From Operating Activities	(50,998,717)	251,576,320
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale/(Purchase) of Fixed Assets	(129,036,490)	(65,628,090)
Exchange Fluctuation on Fixed Assets	9,664,814	891,516
Sale/(Purchase) of Investments	25,622,143	(88,725,431)
Exchange fluctuation on Investment	(1,574,916)	(3,018,909)
Interest on Fixed Deposit & Others	12,728,180	4,430,066
Profit on sale of Investment	59,518,705	8,131,211
Dividend Received	10,469,341	45,243,072
Net Cash from Investing Activities	(12,608,224)	(98,676,565)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of share capital	—	500,000
Final Dividend Paid	—	(50,771,046)
Tax paid on dividend	—	(7,120,639)
Interim Dividend paid	—	(61,075,256)
Tax paid on interim dividend	—	(8,565,805)
Net Cash Flow from Financing Activities	—	(127,032,746)
Net Increase in Cash and Cash Equivalent during the Year	(63,606,941)	25,867,009
Cash and Cash equivalents as at beginning of the period	117,635,494	91,768,485
Cash and Cash equivalents as at the End of the period	54,028,553	117,635,494

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Auditors' Report

To The Members of
DATAMATICS TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of DATAMATICS TECHNOLOGIES LIMITED as at 31st March, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) The Company has an investment of Rs. 711,894,640/- in wholly owned subsidiaries and has also extended loans and advances of Rs. 6,541,832/- to these subsidiaries. As discussed in Note No. 20 of Schedule M, the net worth of these subsidiaries has declined. These investments are for long term and of strategic nature. In view of this, we are unable to comment on whether provision, if any, for the diminution in the value of investments is required to be made.
 - (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Note No. (vi) above and the other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For Kanu Doshi Associates
Chartered Accountants

Arati Parmar
Partner

Membership No.: 102888

Place: Mumbai
Date : May 29, 2008

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our Report of even date on the accounts of DATAMATICS TECHNOLOGIES LIMITED for the year ended 31st March, 2008)

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a policy of physically verifying its fixed assets periodically, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its business. During the year, some of the fixed assets have been physically verified by the management and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of the fixed assets during the year.
- (ii) There are no inventories hence this clause is not applicable.
- (iii) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clauses (iii) (a) to (iii) (g) of paragraph 4 of the order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, the Company has not entered into any contract or arrangement referred to in section 301 of the Act. Hence clause (v) (b) of paragraph 4 of the order is not applicable to the Company.
- (vi) The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provision of the Companies Act, 1956 and rules made thereunder. Hence, the clause 4 (vi) of the order is not applicable.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and nature of its business.
- (viii) We have been informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
- (ix) (a) According to the information and explanations given to us and on the basis of records produced before us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.
- (b) The disputed statutory dues aggregating Rs. 8,975,128 pending before the appropriate authorities are as under:

Sr. No.	Name of the Statute	Nature of the dues	Forum where the dues is pending	Amount in Rs.
1	Income Tax Act, 1961	Income Tax	Appellate Tribunal	4,753,277
2	Income Tax Act, 1961	Income Tax	Commissioner of Income tax (Appeals)	4,221,851
			Total	8,975,128

- (x) The Company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investment and timely entries have generally been made therein. All shares, securities, debentures and other investment have been held by the Company in its own name except in respect of investments made under the Portfolio Management Scheme (PMS) as disclosed in Note No. 19 of Schedule 'M' of the accounts. Further, the investments made under PMS by Reliance Capital Asset Management Ltd. were in a pool account, therefore those investments are not held by the Company in its own name.
- (xv) According to the information and explanations given to us and the record examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) On the basis of an overall examination of the Balance Sheet of the Company and according to the information and explanations given to us, in our opinion there are no funds raised on short term basis which have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued debentures during the financial year and hence, the question of creating securities in respect thereof does not arise.
- (xx) We have verified the end use of money raised by public issue as disclosed by the Management in Note No. 23 of Schedule 'M' to the Financial Statements.
- (xxi) On the basis of our examination and according to the information and explanation given to us, no fraud, on or by the Company, has been noticed or reported during the course of our audit.

For Kanu Doshi Associates
Chartered Accountants

Arati Parmar
Partner
Membership No.: 102888

Place : Mumbai
Date : May 29, 2008

Balance Sheet

	Schedule	March 31, 2008 Rupees	March 31, 2007 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	203,584,185	203,584,185
Reserves and Surplus	B	2,290,891,681	2,187,198,469
		<u>2,494,475,866</u>	<u>2,390,782,654</u>
Deferred Tax Liability (Net) (Refer Note No. 14 in Schedule 'M')		32,855,037	24,319,793
		<u>2,527,330,903</u>	<u>2,415,102,447</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	C	543,024,286	453,883,444
Less : Accumulated Depreciation		197,803,204	155,168,055
Net Block		<u>345,221,082</u>	<u>298,715,389</u>
Advance against capital expenditure		37,814,943	5,000,000
Investments	D	1,735,813,511	1,680,189,864
Current Assets, Loans and Advances			
(a) Sundry Debtors	E	392,276,104	418,934,424
(b) Cash and Bank Balance	F	14,544,540	66,410,744
(c) Loans and Advances	G	122,228,525	69,690,143
		<u>529,049,169</u>	<u>555,035,311</u>
Current Liabilities and Provisions	H		
(a) Current Liabilities		60,795,415	110,722,095
(b) Provisions		59,772,387	13,116,022
		<u>120,567,802</u>	<u>123,838,117</u>
Net Current Assets		<u>408,481,367</u>	<u>431,197,194</u>
		<u>2,527,330,903</u>	<u>2,415,102,447</u>
Significant Accounting Policies	L		
Notes to Accounts	M		

The Schedules referred to above form an integral part of the accounts

As per our report of even date

For Kanu Doshi Associates
Chartered Accountants

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Profit and Loss Account

	Schedule	For 2007 - 08 Rupees	For 2006 - 07 Rupees
INCOME			
Services:			
Export		674,423,635	684,227,521
Other Income	I	79,019,668	59,342,093
		753,443,303	743,569,614
EXPENDITURE			
Operational Expenses	J	469,726,740	421,923,856
Administration & Other Overheads	K	68,755,588	63,953,473
Depreciation and amortization		43,783,467	39,828,991
		582,265,795	525,706,320
Profit before tax		171,177,508	217,863,294
Provision for Direct Tax		19,151,000	3,600,000
Provision for Deferred Tax (Refer Note No. 14 of Schedule 'M')		8,535,244	4,447,686
Provision for Fringe Benefit tax		2,578,000	2,300,000
Profit after tax		140,913,264	207,515,608
Tax Adjustment of earlier years		(56,615)	—
		140,856,649	207,515,608
Balance brought forward from last year		232,688,459	244,813,912
Amount Available for Appropriations		373,545,108	452,329,520
APPROPRIATIONS:			
Interim Dividend on Equity Shares		—	61,075,256
Tax on Interim Dividend		—	8,565,805
Proposed Dividend on Equity Shares		30,537,628	—
Tax on Dividend		5,189,870	—
Transfer to General Reserve		50,000,000	150,000,000
Amount Carried Forward		287,817,610	232,688,459
		373,545,108	452,329,520
Earnings per share (Face value Rs. 5 each) in Rs.			
Basic (Annualised)		3.46	5.10
Diluted (Annualised)		3.44	5.08
(Refer Note No. 13 of Schedule 'M')			
Significant Accounting Policies	L		
Notes to Accounts	M		

The Schedules referred to above form an integral part of the accounts

As per our report of even date

For Kanu Doshi Associates
Chartered Accountants

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Schedules forming part of Financial Statements for the year ended March 31, 2008

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'A'		
Share Capital		
AUTHORISED		
48,000,000 (P. Y. 48,000,000) Equity shares of Rs. 5/- each	240,000,000	240,000,000
30,000,000 (P. Y. 30,000,000) Redeemable Preference Shares of Rs. 5/- each.	150,000,000	150,000,000
	<u>390,000,000</u>	<u>390,000,000</u>
ISSUED, SUBSCRIBED & PAID UP		
40,716,837 (P. Y. 40,716,837) Equity Shares of Rs. 5/- each fully paid up	203,584,185	203,584,185
	<u>203,584,185</u>	<u>203,584,185</u>
Notes:-		
1. Out of the above, 28,480,000 (P. Y. 28,480,000) Equity Shares of Rs. 5/- each have been allotted as fully paid Bonus Shares by capitalisation of General Reserve and Share Premium.		
2. Employee Stock Option Scheme – Refer Note No. 16 in Schedule 'M'		
SCHEDULE 'B'		
Reserves and Surplus		
CAPITAL RESERVE		
Balance as per last Balance Sheet	3,524,880	3,524,880
	<u>3,524,880</u>	<u>3,524,880</u>
CAPITAL REDEMPTION RESERVE		
Balance as per last Balance Sheet	37,781,250	37,781,250
	<u>37,781,250</u>	<u>37,781,250</u>
SHARE PREMIUM		
Balance as per last Balance Sheet	1,076,192,966	1,067,927,966
Add : Received during the year	—	8,265,000
	<u>1,076,192,966</u>	<u>1,076,192,966</u>
EMPLOYEE STOCK OPTION OUTSTANDING		
Employee Stock Option Outstanding	—	3,333,800
Less: Deferred Employee Compensation	—	(1,897,861)
(Refer Note No. 16 in Schedule 'M')	—	1,435,939
GENERAL RESERVE		
Balance as per last Balance Sheet	835,574,975	685,574,975
Add: Transferred from Profit and Loss Account	50,000,000	150,000,000
	<u>885,574,975</u>	<u>835,574,975</u>
Surplus in Profit and Loss Account	287,817,610	232,688,459
TOTAL	<u>2,290,891,681</u>	<u>2,187,198,469</u>

Schedules forming part of Financial Statements

SCHEDULE 'C'

Fixed Assets

(Rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	Balance as on 1-Apr-07	Additions During the year 1-Apr-07 To 31-Mar-08	Deletions/ Adjustment During the year 1-Apr-07 To 31-Mar-08	Balance as on 31-Mar-08	Balance as on 1-Apr-07	For the year 1-Apr-07 To 31-Mar-08	Deletions/ Adjustment During the year 1-Apr-07 To 31-Mar-08	Balance as on 31-Mar-08	Balance as on 31-Mar-08	Balance as on 31-Mar-07
BUILDING	144,254,390	25,860,150	—	170,114,540	15,868,046	2,632,109	—	18,500,155	151,614,385	128,386,344
COMPUTER	103,252,468	20,271,736	—	123,524,204	47,041,117	14,642,143	—	61,683,260	61,840,944	56,211,351
AIR CONDITIONERS	12,301,301	4,027,040	—	16,328,341	4,107,434	651,349	—	4,758,783	11,569,558	8,193,867
ELECTRICAL FITTINGS	25,507,007	7,380,514	—	32,887,521	7,150,033	1,410,743	—	8,560,776	24,326,745	18,356,974
OFFICE EQUIPMENTS	24,066,281	1,585,537	—	25,651,818	6,620,761	1,149,730	—	7,770,491	17,881,327	17,445,520
VEHICLE	5,288,317	3,830,187	2,489,111	6,629,393	1,677,613	613,510	1,148,315	1,142,808	5,486,585	3,610,704
FURNITURE & FITTINGS	55,374,957	13,412,554	—	68,787,511	24,587,078	3,594,599	—	28,181,677	40,605,834	30,787,879
PLANT & MACHINERY	3,073,073	5,061,603	—	8,134,676	228,321	231,406	—	459,724	7,674,952	2,844,752
INTANGIBLE ASSETS COMPUTER SOFTWARE INTERNAL DEVELOPED SOFTWARE	9,563,000			9,563,000	4,617,067	3,187,348		7,804,415	1,758,585	4,945,933
OTHER SOFTWARE	71,202,651	10,200,632		81,403,282	43,270,585	15,670,531		58,941,116	22,462,166	27,932,066
TOTAL	453,883,444	91,629,953	2,489,111	543,024,286	155,168,055	43,783,467	1,148,315	197,803,204	345,221,082	298,715,389
PREVIOUS YEAR	403,748,817	55,239,339	5,104,710	453,883,444	119,264,267	39,828,991	3,925,202	155,168,055	298,715,389	—

Notes:

- Building includes Capitalized expenditure amounting Rs. 2,355,967 upto March 31, 2008 incurred on Business Premises situated on land taken on lease from SEEPZ authority and Rs. 1,195,947 incurred on other premises taken on lease.
Land is owned by the SEEPZ authority and others and not by the company.
- Building includes premium paid for the leasehold land of Rs. 287,850 paid to MIDC upto March 31, 2008.

SCHEDULE 'D'

Investments (At Cost)

Long Term Investments

Investment in Government Securities

National Savings Certificates

— 3,000

Investments in Bonds

Nil (P. Y. 1,000) 5.15% Rural Infrastructure Bonds of Rs. 10,000 each

— 10,000,000

6,580 (P. Y. 6,580) 5.50% Rural Electrification Bonds of Rs. 10,000 each

65,800,000 65,800,000

(Above Bonds are with benefits under section 54 EC of Income Tax Act, 1961 for Long Term Capital Gain)

Investments in Debentures

125,000 (P. Y. Nil) debentures of Rs. 100 each of Edelweiss Securities Pvt. Ltd.

12,750,000 —

500,000 (P. Y. Nil) debentures of Rs. 100 each of Reliance Capital Assets Management Ltd.

50,750,000 —

Current Investments (At Cost or Market Value, whichever is less)

Investments in Portfolio Management Services ** (Refer Note No. 19 of Schedule 'M')

Reliance Capital Asset Management Limited

9,482,428 —

As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
—	3,000
—	10,000,000
65,800,000	65,800,000
12,750,000	—
50,750,000	—
9,482,428	—

Schedules forming part of Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'D' (Contd.)		
Investments (At Cost) (Contd.)		
Long Term Investments		
A. UNQUOTED (Trade)		
<i>In subsidiary Companies</i>		
<i>Investment in shares</i>		
50,000 (P.Y. 50,000) fully paid equity shares of Datamatics Softworld Limited of Rs. 10 each	500,000	500,000
300,001 (P.Y. 300,001) fully paid equity shares of Datamatics Technologies UK Limited, a company incorporated in United Kingdom of Pound 1 each	23,886,584	23,886,584
1,000 (P.Y. 1,000) no par value fully paid common stock in Datamatics Technologies Inc., a company incorporated in USA (Refer Note No. 17 in Schedule 'M')	630,665,966	571,734,716
Share Capital held in Datamatics Technologies GmbH, a company incorporated in Germany (Refer Note No. 17 in Schedule 'M')	57,342,090	35,027,550
<i>Unquoted (Non-Trade) (In Other Companies)</i>		
3,500 (P.Y. 3,500) Fully paid Equity Shares of Matrix Advisors (India) Pvt. Limited of Rs. 10 each	175,000	175,000
Aggregate value of Unquoted Investments	712,569,640	631,323,850
B. QUOTED (Non-Trade)		
<i>In shares</i>		
(a) 900 (P.Y. 900) fully paid Equity Shares of Rs. 10 each of Cybertech Ltd.	510,767	510,767
(b) 1,800 (P.Y. 1,800) fully paid Equity Shares of Rs. 2 each of Wipro Ltd.	2,117,268	2,117,268
<i>In units of Mutual funds</i>		
14,154,748 (P.Y. 13,068,000) units of Prudential ICICI Mutual Funds	143,119,855	134,140,500
2,135,355 (P.Y. Nil) units of HDFC Mutual Funds	21,353,549	—
3,388,490 (P.Y. 1,131,181) units of JM Mutual Funds	36,146,975	11,399,507
4,287,076 (P.Y. 12,774,727) units of Reliance Mutual Funds	62,917,308	127,747,270
6,500,234 (P.Y. 13,584,746) units of UTI Mutual Funds	65,002,336	135,900,850
6,153,056 (P.Y. 15,093,038) units of Kotak Mutual Funds	65,000,000	150,930,800
Nil (P.Y. 3,017,340) units of Standard Chartered Mutual Funds	—	30,173,400
3,035,265 (P.Y. Nil) units of Lotus Mutual Funds	30,352,650	—
2,500,000 (P.Y. Nil) units of Principal Mutual Funds	25,000,000	—
2,537,338 (P.Y. 3,019,338) units of Tata Mutual Funds	30,000,000	30,193,500
485,213 (P.Y. Nil) units of Fidelity Equity Mutual Funds	4,824,469	—
12,355,601 (P.Y. 10,244,243) units of ABN Amro Mutual Funds	129,805,584	102,446,565
2,027,455 (P.Y. 283,202) units of Franklin India Mutual Funds	24,000,000	8,961,497
5,082,843 (P.Y. 6,784) units of SBI Mutual Funds	52,291,671	250,000
61,365 (P.Y. 42,011) units of Sundaram BNP Paribas Mutual Funds	4,992,962	4,000,000
Nil (P.Y. 5,000,000) units of DWS Mutual Funds	—	50,000,000
709,213 (P.Y. Nil) units DSP Merrill Lynch Mutual Funds	10,616,445	—

Schedules forming part of Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'D' (Contd.)		
B. Quoted (Non-Trade) (Contd.)		
Liquid Funds – Current Investment (At Cost or Market Value, whichever is less)		
641,758 (P.Y. 15,394,699) units of LIC Mutual Funds	6,875,930	184,291,090
6,956,365 (P.Y. Nil) units of Birla Mutual Funds	165,630,879	—
370,981 (P.Y. Nil) units of DWS Mutual Funds	3,902,796	—
<i>Aggregate of Quoted Investment</i>	884,461,444	973,063,014
TOTAL	1,735,813,511	1,680,189,864
<i>Market Value of Quoted Investment</i>	908,099,359	985,910,526
Note: - Includes Rs. 50.55 Crores (P. Y. Rs. 62.14 Crores) of Unutilised Balance of IPO fund, invested in Mutual Funds (Refer Note No. 23 in Schedule 'M')		

Notes: -

1. During the year, the company had purchased:

	As at 31st March, 2008 No. of units
(a) ICICI Funds	62,938,278
(b) HDFC Funds	5,631,244
(c) JM Funds	6,075,177
(d) Reliance Funds	51,851,911
(e) UTI Funds	16,736,669
(f) Kotak Funds	11,705,161
(g) Standard Chartered Funds	175,281
(h) Lotus Funds	11,028,575
(i) Principal Funds	21,454,851
(j) Tata Funds	24,641,522
(k) Fidelity Funds	971,642
(l) ABN Amro Funds	68,443,131
(m) Templeton Funds	13,331,639
(n) SBI Funds	7,082,843
(o) Sundaram Funds	7,778,290
(p) DWS Funds	30,477,325
(q) DSP Funds	994,253
(r) LIC Funds	22,193,131
(s) Birla Funds	22,030,505
(t) HSBC Funds	18,898,590
(u) ING Funds	6,240,000

Schedules forming part of Financial Statements

SCHEDULE 'D' (Contd.)

2. During the year, the company had sold:-

	As at 31st March, 2008 No. of units
(a) ICICI Funds	61,851,530
(b) HDFC Funds	3,495,889
(c) JM Funds	3,817,868
(d) Reliance Funds	60,339,561
(e) UTI Funds	23,821,181
(f) Kotak Funds	20,645,143
(g) Standard Chartered Funds	3,192,621
(h) Lotus Funds	7,993,310
(i) Principal Funds	18,954,851
(j) Tata Funds	25,123,522
(k) Fidelity Funds	486,429
(l) ABN Amro Funds	66,331,773
(m) Templeton Funds	11,587,386
(n) SBI Funds	2,006,784
(o) Sundaram Funds	7,758,937
(p) DWS Funds	35,106,343
(q) DSP Funds	285,040
(r) LIC Funds	36,946,072
(s) Birla Funds	15,074,140
(t) HSBC Funds	18,898,590
(u) ING Funds	6,240,000

3. During the year, the company had purchased under PMS Scheme:-**

	No. of shares
(a) Jindal Saw Pipe	3,959
(b) SKF India	6,268
(c) Punj Lloyds Ltd.	2,222
(d) Sai Rayalaseema Paper Mills	103,124
(e) SSIPL Retail Pvt. Ltd.	6,118
(f) Aksh Optifibre	11,083
(g) Aurionpro Solutions Ltd.	1,074
(h) Balrampur Chini	7,172
(i) Bajaj Electricals Ltd.	23
(j) Bata India	3,120
(k) Sundaram Finance Ltd.	2,149
(l) Asian Granito India	5,317
(m) Fulford India	323
(n) CCL Products	2,057
(o) Asahi Songwon Colors	3,507
(p) Nicco Corpn.	961
(q) Indiabulls Finance	717
(r) Pfizer	50
(s) Hitachi Home and Life Solutions	71

Schedules forming part of Financial Statements

SCHEDULE 'D' (Contd.)

(t) Reliance Liquid Fund	No. of units 915,492	
4. During the year, the company had sold under PMS Scheme:- **	No. of shares	
(a) Jindal Saw Pipe	1,521	
(b) SKF India	3,134	
(c) Punj Lloyds Ltd.	2,222	
(d) Sai Rayalaseema Paper Mills	51,562	
(e) Balrampur Chini	3,586	
(f) Bajaj Electricals Ltd.	23	
(g) Bata India	1,560	
(h) Sundaram Finance Ltd.	2,149	
(i) Asian Granito India	1,543	
(j) CCL Products	868	
(k) Indiabulls Finance	717	
(l) Pfizer	36	
(m) Reliance Liquid Fund	No. of units 667,903	
5. During the year, the company has made the following investments: -		
Datamatics Technologies Inc. (Refer Note No. 17 of Schedule 'M')		
Datamatics Technologies GmbH (Refer Note No. 17 of Schedule 'M')		

SCHEDULE 'E'

Sundry Debtors

Unsecured

Outstanding for a period exceeding six months

Considered Good

Considered Doubtful

Others, Considered Good

Less : Provision for Doubtful Debts

TOTAL

As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
155,982,226	218,924,478
8,377,283	8,377,283
236,293,878	200,009,946
400,653,387	427,311,707
8,377,283	8,377,283
392,276,104	418,934,424

Schedules forming part of Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'F'		
Cash & Bank Balances		
Cash on Hand	16,838	22,290
Cheques on Hand	—	437,061
Foreign Currency on Hand	96,236	154,691
Balance with Scheduled Banks		
In Current Accounts	4,897,017	569,143
In Fixed Deposit Accounts	1,715,839	1,592,295
In Margin Accounts *	5,368,674	12,424
In Exchange Earner's Foreign Currency Account	41,809	47,677
In Unclaimed Dividend Accounts	1,466,327	1,509,363
In Unpaid Dividend Account	—	61,080,000
In Share Refund Accounts	941,800	985,800
TOTAL	14,544,540	66,410,744
SCHEDULE 'G'		
Loans & Advances		
(Unsecured, considered good for value to be received in Cash or in Kind, unless otherwise specified)		
Loans and Advances to Subsidiaries (Refer Note No. 22 of Schedule 'M')	13,973,395	17,645,487
Advance Income Tax (net)	—	8,953,944
Advance Tax – FBT (net)	374,000	422,000
Deposits	19,215,291	11,429,000
Other advances	5,578,875	6,657,563
Other Receivables	83,086,964	24,582,149
TOTAL	122,228,525	69,690,143
SCHEDULE 'H'		
Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
a. Sundry Creditors		
– for Capital Goods	4,448,178	2,233,922
– for Vendors	3,321,999	3,666,862
– for Expenses (Refer Note No. 24 of Schedule 'M')	118,019	2,107,003
b. Advance received from Customer	1,786,124	—
c. Unclaimed Dividend **	1,335,055	1,382,837
d. Unpaid Dividend **	—	61,075,256
e. Share Application Money**	941,800	985,800
f. Other Payables	7,673,290	13,295,751
Employees Liabilities	41,170,950	25,974,664
(Includes Rs. 270,000 (P.Y. 4,757,700) due as commission to Chairman, Managing Director and Whole-time Director)		
(Refer Note No. 18 of Schedule 'M')		
TOTAL	60,795,415	110,722,095

Schedules forming part of Financial Statements

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SCHEDULE 'H' (Contd.)		
Current Liabilities and Provisions (Contd.)		
B. PROVISIONS		
For Proposed Dividend	30,537,628	—
For Tax on Dividend	5,189,870	—
For Direct Taxes (Net)	6,672,634	—
For Gratuity	6,888,253	5,838,055
For Leave Encashment	10,484,002	7,277,967
TOTAL	59,772,387	13,116,022
* These are marked as Lien for Guarantees issued by Banks on behalf of the Company.		
** There is no amount due and outstanding as at balance sheet date to be credited to the Investor Education and Protection Fund.		
	For 2007-08 Rupees	For 2006-07 Rupees
SCHEDULE 'I'		
Other Income:		
Interest from banks [TDS Rs. 63,097 (P.Y. Rs. 9,753)]	534,534	99,539
Interest from others [TDS 687,720 (P.Y. Rs. Nil)]	11,264,731	3,433,589
Dividend on Investments – Non-Trade (Trade Nil)	10,404,726	45,243,072
Profit on Sale of Investments – Non-Trade (Net)	55,307,123	8,131,211
Exchange Fluctuation (Net)	364,011	1,821,390
Sundry Balances Written back (Net)	344,629	419,042
Miscellaneous Income	799,914	194,250
TOTAL	79,019,668	59,342,093
SCHEDULE 'J'		
Operational Expenses		
Knowledge Associates/Vendor Charges	34,993,711	66,857,445
Electricity	20,360,581	16,816,628
Payments to and expenditure for employees		
a. Salaries, Wages, Bonus & allowances (Refer Note No. 16 in Schedule 'M')	332,095,829	252,069,014
b. Contribution to Provident Fund and other funds	11,085,966	9,056,608
c. Welfare Expenditure	14,870,393	16,823,588
d. Directors Remuneration (Refer Note No. 18 in Schedule 'M')	12,964,478	19,581,680
Travelling Expenses	28,106,819	30,557,344
Link Charges	15,248,963	10,161,549
TOTAL	469,726,740	421,923,856

Schedules forming part of Financial Statements

	For 2007-08 Rupees	For 2006-07 Rupees
SCHEDULE 'K'		
Administration & Other Overheads		
Rent	15,710,137	12,723,144
Rates and Taxes	1,217,922	1,088,834
Communication Expenses	4,845,044	5,246,049
Legal and Professional charges	6,380,289	6,442,129
Remuneration to Auditors	873,193	997,005
Repairs and Maintenance :		
— Building	1,636,504	1,089,013
— Plant & Machinery	5,860,684	4,822,543
— Others	5,496,166	6,415,392
Insurance Premium	1,683,048	1,834,991
Sales Commission	—	1,034,122
Board Sitting Fees	195,000	210,000
Advertisement and Sales Promotion Expenses	701,128	1,127,885
Subscription Charges	625,806	574,656
Lease Rent & Hire Charges	1,140,896	1,070,545
Entertainment Expenses	898,778	746,989
Miscellaneous Expenses	6,848,129	5,149,774
Loss on sale of Fixed Assets	845,680	439,508
Bad Debts written Off	940,265	—
Bank & Other Charges	768,024	1,592,724
Recruitment Expenses	6,317,374	5,926,650
Printing & Stationery	2,507,908	3,294,605
Photocopying Charges	473,588	380,203
Security Charges	2,790,025	1,746,712
TOTAL	68,755,588	<u>63,953,473</u>

Schedules forming part of financial statements for the year ended March 31, 2008

Schedule 'L'

1. Company Overview

Datamatics Technologies Limited (DTL) was incorporated on 3rd November, 1987 as Interface Software Resources Private Limited. The name of the company was changed to Datamatics Technologies Private Limited on 18th December, 1992 giving birth to the ITES/BPO arm of the Datamatics group. On December 27, 1999, the company converted itself from a Private Limited company into a Public Limited Company.

DTL owns 100% equity in Datamatics Softworld Limited incorporated in India, Datamatics Technologies Inc, incorporated in USA, Datamatics Technologies GmbH a company registered under the laws of Germany and Datamatics Technologies UK Limited, a company incorporated in United Kingdom.

DTL has, over the years, developed competencies in the ITES/BPO segment and moved up in the value chain by providing a suite of services to become one of the leading third party ITES/BPO players in India. DTL offers end-to-end services in back office processing, content management and consulting practice areas. Its back office processing services covers document processing and finance and accounting services including accounts payable, accounts receivable, tax preparation, book-keeping and financial transaction processing. Its content management services covers total digital publishing solutions to publishing industry giants and online information providers encompassing online, hand-held and print delivery. Its consulting practice services focuses on providing consulting and turnkey projects implementation in the domain of data migration and integration, data analysis, document management, business process management, records management and enterprise portal technologies.

2. Significant Accounting Policies

I. System of Accounting:

The accounts have been prepared on the basis of Going Concern concept and under the historical cost convention. The Company adopts accrual basis in preparation of its accounts to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

II. Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of the assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results get materialized.

III. Revenue Recognition:

Revenue from services is recognized based on time and material and billed to the clients as per the terms of the contract. In the case of fixed price contracts, revenue is recognized on periodical basis based on units executed and delivered.

Revenue/Income from sale of traded goods is recognized on dispatch of goods. Sales are exclusive of taxes, wherever applicable.

Interest on deployment of funds is recognized on accrual basis. Dividend income is recognized on receipt. Profit on sale of investment is recognized on sale of investments.

IV. Valuation of Fixed and Intangible Assets:

Fixed Assets are valued at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct Costs are capitalised until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets. Intangible assets consists of expenses incurred/paid for development and acquisition of computer software.

V. Depreciation and amortization:

Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Individual assets cost of which doesn't exceed Rs. 5,000/- each are depreciated in full in the year of purchase. Intangible assets including internally developed intangible assets are amortized over a period of three years for which the company expects the benefits to accrue.

VI. Valuation of Inventories:

Traded goods are valued at cost or net realizable value, whichever is lower.

VII. Investments:

Investment in Subsidiary companies:

Investments in Subsidiary companies are valued at cost inclusive of all expenses incidental to their acquisition. The dividends, if any, declared by such subsidiaries are recognised as income. The decline if any, other than of a temporary nature in value of such investments arising as a result of losses is adequately provided for in the accounts.

Other Investments:

Investments other than the current investments are valued at cost inclusive of all expenses incidental to their acquisition. Accordingly, all investments which are long term are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments. The current investments are valued at cost or market price whichever is lower.

Overseas Investments are carried at their original rupee cost.

VIII. Retirement and Other Employee Benefits:

Retirement benefit in the form of Company's contribution to Provident Fund, which is a defined contribution scheme, is charged to the Profit and Loss account on accrual basis.

Gratuity liability, which is a defined benefit scheme and Provision for Leave Encashment is accrued and provided for on the basis of an actuarial valuation made using Projected Unit Credit Method at the end of each financial year.

Actuarial gains and losses are immediately taken to Profit and Loss account and are not deferred.

IX. Leave Travel Allowances:

Encashment of Leave Travel Allowances is accounted on cash basis.

X. Foreign Currency Transactions:

(i) Transactions in foreign currency are recorded at the rates of exchange prevailing at the date of the transactions.

(ii) Monetary items denominated in foreign currencies at the balance sheet date are translated at the balance sheet date rates.

(iii) Any income or expense on account of exchange difference either on settlement or on translation at the balance sheet date is recognized in Profit & Loss Account in the year in which it arises.

XI. Derivative Instruments and Hedge Accounting:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such forward contracts are utilised against the inflow of funds under firm commitments and the profit/loss arising thereon is accounted in the year of settlement of forward contract. The Company does not use the forward contract for speculative purposes.

XII. Lease Rent Transactions:

Lease Rentals are accounted for on accrual basis as per the terms of the agreement. Lease transactions in respect of all assets leased after April 1, 2001 are classified as either finance lease or operating lease as the case may be in accordance with AS 19 issued by the Institute of Chartered Accountants of India and the accounting treatment and disclosure given/made as prescribed therein.

XIII. Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

The company comprises of business units established under the Software Technology Park Scheme & Special Economic Zone Act. These units enjoy a tax holiday as per the rules framed under the above schemes. The tax holidays for each of these units expires at various times from April 1, 2005 to April 1, 2010.

Temporary differences between the tax basis and carrying values of assets and liabilities as on March 31, 2008 that reverses after the holiday period are recognized if they result in taxable amounts. Deferred tax assets or liabilities are established at the enacted tax rates. Changes in the enacted rates are recognized in the period of enactment. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.

Fringe benefit tax is recognized in accordance with the relevant provisions of the Income Tax Act, 1961 and the Guidance Note on Fringe Benefit Tax issued by the Institute of Chartered Accountants of India.

XIV. Borrowing Cost:

Interest accrued on Term Loan for acquiring assets is capitalised till the date the assets are put to use.

XV. Earnings per share:

In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

XVI. Employee Stock Option Scheme:

Employee Compensation in the form of stock options, granted under various schemes have been charged to Profit & Loss Account, based on Intrinsic value method, over the vesting period.

XVII. Impairment of Assets:

The carrying value of assets is reviewed for impairment, when events or changes in circumstance indicate that the carrying values may not be recoverable. In addition, at each balance sheet date, the Company assesses whether there is any indication that an assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and Value-in-Use. In assessing Value-in-use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Schedules forming part of financial statements for the year ended March 31, 2008

Schedule 'M'

Notes to the Accounts

1. Export of services include Loss of Rs. 7.03 Million (P. Y. Loss of Rs. 9.20 Million) towards difference in the rate due to exchange fluctuation on realization of Exports/revaluation of debtors at the end of the year.

2. Contingent Liability:

These, if any, are disclosed in the notes to the accounts, provision is made in the accounts if it becomes probable that an outflow of resources embodying benefits will be required to settle the obligation.

Contingent Liabilities to the extent not provided for:

	31.03.2008 (Rs.)	31.03.2007 (Rs.)
(a) Details of guarantees and sureties outstanding as at		
(i) Guarantees given by Banks to Sales Tax Authority	5,000	5,000
(ii) Guarantees given by Banks to the Customs Authority	706,250	—
(iii) Guarantees given by Banks to UNFCCC, BONN, Germany for Euro 84,398.70	4,650,000	—
(iv) Surety given under Customs Act, 1962 for Other Company	3,031,000	3,031,000
(b) Disputed Income Tax Liability	8,975,128	8,082,614
(c) Others	329,500	—
3. Capital and other commitments:		
Estimated amount of contracts on capital account remaining to be executed and not provided for Rs. 33.23 Million (P. Y. Rs. 0.08 Million).		
4. Forward Contracts Outstanding as on 31.03.2008 is USD 6.30 million (P. Y. USD 3.60 million) [equivalent to Rs. 252.63 million (P. Y. Rs. 156.53 million)]. The foreign currency exposures that are not hedged by a derivative instrument or otherwise is Rs. 150.00 million (P. Y. Rs. 263.74 million).		
5. Auditor's remuneration includes		
Audit Fees	450,000	450,000
Tax Audit fees	—	60,000
For Taxation Matters	70,000	120,000
Certification/Others	340,476	337,500
Out of Pocket Expenses	12,717	29,505
	873,193	997,005

6. Additional Information pursuant to the provisions of Part II of Schedule VI of the Companies Act 1956 (Wherever applicable)

	2008 (Rs. in 000's)	2007 (Rs. in 000's)
(i) FOB Value of Exports of ITES/BPO Segment	674,424	684,228
(ii) Income in foreign currency – Interest	301	271
(iii) Expenditure in foreign currency (on accrual basis)		
CIF value of Import of capital goods	8,156	29,895
Commission	—	1,034
Foreign Travel	11,028	13,076
Others	2,208	4,501
TOTAL	21,392	48,506

7. In the opinion of the Company, the Current Assets, Loans and Advances are approximately of the value stated, if realized in the ordinary course of business. The provision for all known Liabilities and for Depreciation is adequate and not in excess of the amount reasonably necessary.
8. The company has received confirmations from few debtors and for majority of loans and advances. Remaining debtors, creditors and loans and advances are subject to confirmation and reconciliation if any.

9. Employee Benefits

Defined Benefit Plans:

	31.03.2008
	(Rs.)
	Gratuity (Non-funded)
I. Expenses recognised during the year ended 31st March, 2008	
1. Current Service Cost	1,440,082
2. Interest Cost	414,072
3. Actuarial Losses/(Gains)	3,400,510
Total Expenses	5,254,664
II. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2008	
1. Present value of defined benefit obligation	6,888,253
2. Net Asset/(Liability)	(6,888,253)
III. Recognition of Net Asset/(Liability) recognised in the Balance Sheet during the year ended 31st March, 2008	
1. Net Asset/(Liability) at the beginning of the year	5,838,055
2. Expenses as per I above	5,254,664
3. Employer contributions	4,204,466
Net Asset/(Liability) at the end of the year	6,888,253
IV. Actuarial Assumption	
1. Discount Rate	8.00%
2. Salary Escalation	3.50%
3. Mortality	LIC (1994-96) Ultimate

Note:

- a. Provision towards liability for Leave Encashment made on the basis of actuarial valuation as per Accounting Standard 15 (Revised). Actuarial value liability is Rs. 10,484,002 based upon following assumptions:

Discount Rate	8.00%
Salary Escalation	3.50%
- b. As Accounting Standard 15 (Revised 2005) "Employee Benefits" issued by the Institute of Chartered Accountants of India is applicable only in respect of accounting periods commencing on or after 1st April 2007, figures for the previous year are not readily available and hence not disclosed.
- c. In accordance with the transitional provision in the revised Accounting Standard 15, Rs. Nil has been adjusted to the General Reserve.

10. The Management information system of the company identifies and monitors ITES/BPO as its business segment. In the opinion of the management, the company is primarily engaged in business of ITES/BPO as the basic nature of these activities are governed by the same set of risks and returns. These constitute and have been grouped as single segment as per AS17 dealing with segmental reporting. All the assets of the company are located in India and hence secondary segmental reporting is on the basis of geographical location of customers.

Performance of Business Segment is as follows:

	31.03.2008 (Rs. in 000's)	31.03.2007 (Rs. in 000's)
Revenue		
Sale to external customers	674,424	684,228
Segment result profit	92,158	158,521
Other Income	79,020	59,342
Direct Taxes	30,264	10,348
Profit from Ordinary Activities	140,913	207,516
Net Profit	140,913	207,516
Other Segment Information		
Capital Expenditure	91,630	55,239
Depreciation and amortization	43,783	39,829
Non Cash Expenses other than depreciation	5	4,027
Particulars of Segment Assets and Liabilities:		
Segment Assets	815,683	817,142
Investments	1,735,814	1,680,190
Bank Deposits	7,085	1,605
Other Assets	89,318	40,004
Total Assets	2,647,899	2,538,941
Segment Liabilities	75,891	60,394
Other Liabilities	77,532	87,764
Total Liabilities	153,423	148,158

Geographic Segment

Revenue attributable to the location of the customers is as follows

	31.03.2008	31.03.2007
USA	573,160	557,349
Europe	70,405	103,465
Others	30,858	23,414
TOTAL	674,424	684,228

Fixed assets in India used in the company's business or liabilities contracted in India cannot be identified to any geographical segment as the fixed assets and services are used interchangeably between geographical segments and a meaningful segregation is not possible.

11. (i) Related party disclosures:

As per Accounting Standard 18, issued by the Institute Of Chartered Accountants Of India the disclosures of Related Parties and transactions during the year as deemed in the Accounting Standard are given below:

(A) Subsidiary Companies:

Datamatics Technologies Inc.
Datamatics Technologies GmbH.
Datamatics Technologies UK Limited.
Datamatics Softworld Limited.

(B) Associate Companies and Joint Ventures:

Datamatics Limited
Datamatics Infotech Ltd.

(C) Key Managerial Personnel:

Dr. L. S. Kanodia.
Mr. Rahul Kanodia
Mr. Vidur Bhogilal
Mr. Sameer Kanodia (w. e. f. 31.01.08)
Mr. Manish Modi (P. Y. upto 21.02.07)

(D) Relatives of Key Managerial Personnel:

Mr. Sameer Kanodia
Mrs. Asha Kanodia
Mrs. Anju Kanodia
Datamatics Staffing Services

(ii) Details of transactions with the related parties stated in (i) above :

Nature of transaction	Refer to (i) A above		Refer to (i) B above		Refer to (i) C above		Refer to (i) D above	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Sales								
Technical Services	349,989,464	425,972,767	—	2,109,369	—	—	—	—
Datamatics Technologies Inc.	325,117,255	361,823,251	—	—	—	—	—	—
Datamatics Technologies GmbH	20,560,488	13,789,512	—	—	—	—	—	—
Datamatics Technologies UK Ltd.	4,311,721	50,360,004	—	—	—	—	—	—
Datamatics Infotech Ltd.	—	—	—	2,109,369	—	—	—	—
Expenses Incurred by Related Parties	4,449,825	5,101,742	—	—	—	—	—	—
Datamatics Technologies Inc.	4,164,052	5,038,710	—	—	—	—	—	—
Datamatics Technologies GmbH	—	63,032	—	—	—	—	—	—
Datamatics Softworld Ltd.	284,249	—	—	—	—	—	—	—
Datamatics Ltd.	1,524	—	—	—	—	—	—	—
Expenses Incurred for Related Parties	3,520,142	24,934,755	—	—	—	—	—	—
Datamatics Technologies Inc.	26,845	—	—	—	—	—	—	—
Datamatics Technologies UK Ltd.	388,886	21,298,279	—	—	—	—	—	—
Datamatics Softworld Ltd.	3,100,567	3,636,476	—	—	—	—	—	—
Datamatics Ltd.	3,844	—	—	—	—	—	—	—
Managerial Remuneration	—	—	—	—	12,370,478	14,229,980	—	—
Dr. L. S. Kanodia	—	—	—	—	3,419,517	1,728,400	—	—
Mr. Rahul Kanodia	—	—	—	—	2,646,000	275,625	—	—
Mr. Vidur Bhogilal	—	—	—	—	5,994,060	5,593,228	—	—
Mr. Sameer Kanodia	—	—	—	—	310,901	—	—	—
Mr. Manish Modi	—	—	—	—	—	6,632,727	—	—
Commission	—	—	—	—	270,000	4,757,700	54,000	64,000
Dr. L. S. Kanodia	—	—	—	—	135,000	2,378,850	—	—
Mr. Rahul Kanodia	—	—	—	—	135,000	247,650	—	—
Mr. Manish Modi	—	—	—	—	—	2,131,200	—	—
Mrs. Asha Kanodia	—	—	—	—	—	—	54,000	64,000
Proposed Dividend	—	—	—	—	46,209	—	—	—
Interim Dividend Paid	—	—	—	—	—	41,418	—	—
Sitting Fee	—	—	—	—	—	—	20,000	20,000
Mrs. Asha Kanodia	—	—	—	—	—	—	20,000	20,000
Salaries	—	—	—	—	—	—	2,109,007	1,708,261
Mr. Sameer Kanodia	—	—	—	—	—	—	2,109,007	1,515,508
Ms. Anju Kanodia	—	—	—	—	—	—	—	192,753
Recruitment Expenses	—	—	—	—	—	—	192,250	2,861,483
Datamatics Staffing Services	—	—	—	—	—	—	192,250	2,861,483
Interest income	301,278	271,262	—	—	—	—	—	—
Datamatics Technologies GmbH	301,278	271,262	—	—	—	—	—	—
Loans and Advances Refunded during the year	18,305,659	14,882,715	—	—	—	—	—	—
Datamatics Technologies Inc.	10,775,495	7,846,737	—	—	—	—	—	—

Nature of transaction	Refer to (i) A above		Refer to (i) B above		Refer to (i) C above		Refer to (i) D above	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Datamatics Technologies UK Ltd.	6,478,856	3,375,978	—	—	—	—	—	—
Datamatics Softworld Limited	860,700	3,660,000	—	—	—	—	—	—
Datamatics Technologies GmbH	190,608	—	—	—	—	—	—	—
Loans and Advances Given during the year	10,564,506	13,405,537	—	—	—	—	—	—
Datamatics Technologies Inc.	10,238,944	8,335,949	—	—	—	—	—	—
Datamatics Technologies UK Ltd.	262,842	5,069,588	—	—	—	—	—	—
Datamatics Technologies GmbH	62,720	—	—	—	—	—	—	—
Investment in Equity Shares	81,245,790	67,935,000	—	—	—	—	—	—
Datamatics Technologies Inc.	58,931,250	67,935,000	—	—	—	—	—	—
Datamatics Technologies GmbH	22,314,540	—	—	—	—	—	—	—
Payables	—	—	58,994	53,626	270,000	4,757,700	54,000	64,000
Datamatics Ltd.	—	—	58,994	53,626	—	—	—	—
Dr. L. S. Kanodia	—	—	—	—	135,000	2,378,850	—	—
Mr. Rahul Kanodia	—	—	—	—	135,000	247,650	—	—
Mr. Manish Modi	—	—	—	—	—	2,131,200	—	—
Mrs. Asha Kanodia	—	—	—	—	—	—	54,000	64,000
Receivables	174,180,368	206,361,583	—	—	—	—	—	—
Datamatics Technologies Inc.	138,939,876	157,952,489	—	—	—	—	—	—
Datamatics Technologies GmbH	27,808,929	16,326,558	—	—	—	—	—	—
Datamatics Technologies UK Ltd.	—	26,606,591	—	—	—	—	—	—
Datamatics Softworld Limited	7,431,563	5,475,945	—	—	—	—	—	—

Note:

(1) Related parties are being recognized/identified by the management and relied upon by the auditors.

12. The Company has entered into operating lease arrangements for several premises. The future minimum lease payments in respect of such non-cancellable operating leases are summarized below:

	Amount in Rs.	
	March 31, 2008	March 31, 2007
Amount due within one year from the balance sheet date	1,314,090	1,314,090
Amount due in the period between one year and five years	4,010,675	5,256,360
Amount due later than five years	—	—

The Following Lease payments are recognized in Profit and Loss Account:

Lease Rent	15,710,137	12,678,730
------------	------------	------------

13. Earning Per Share

The Components of basic and diluted earnings per share were as follows:

	As of 31.03.2008	As of 31.03.2007
(a) Net Profit after taxation (Rs.)	140,856,649	207,515,608
(b) Weighted average number of Outstanding equity shares Considered for basic EPS	40,716,837	40,678,755
Add: Weighted number of Stock Options allotted during the year	—	38,082
Add: Weighted number of Stock Options outstanding as on 31.3.2008 Considered for diluted EPS	258,774	167,299
	40,975,611	40,884,136
(c) Earnings per share (Nominal value per share Rs. 5 each)		
Basic (Rs.)	3.46	5.10
Diluted (Rs.)	3.44	5.08

14. Deferred Tax:

- (i) During the year ended 31st March, 2008, the company has recognized deferred tax liability of Rs. 8,535,244 in the Profit & Loss Account.
- (ii) The break up of deferred tax assets and liabilities as at 31st March, 2008 is as under:

Deferred Tax Liability/(Asset)	As at 31.03.2008	Amounts (In Rs.)	
		April 07 - Mar 08	As at 31.03.2007
Timing difference on account of Depreciation	41,535,050	8,221,996	33,313,054
Provision for Doubtful debts	(2,913,607)	—	(2,913,607)
Others	(5,766,405)	313,248	(6,079,653)
Net deferred tax liability/(Asset)	32,855,037	8,535,244	24,319,793

15. The Company had provided Working Capital Loan of Euro 100,000 to its subsidiary Datamatics Technologies GmbH at a variable interest rate of 1% above the LIBOR rate.

16. Employee Stock Option Scheme (ESOP):

The Company has two ESOP Schemes in operation. They are:

(A) General Employees Stock Option Plan, 2005:

Under the General Employees Stock Option Plan, 2005, 238,000 options were granted during the financial year 2006-07 and the first vesting period falls during the current year. Originally granted shares were revised to 158,000 shares due to conditions which restrict the entitlement to the employees. Out of the shares vested, Nil shares were exercised and allotted.

(B) Key Employees Stock Option Plan, 2006:

Under the Key Employees Stock Option Plan, 2006, 180,000 options were granted during the financial year 2006-07 and the first vesting period falls during the financial year 2008-09. Originally granted shares were revised to 115,000 shares due to conditions which restrict the entitlement to the employees.

Accordingly equity share capital is Rs. 203,584,185 (40,716,837 shares).

During the year, an amount of Rs. 1,435,939 has been reversed due to Employee Stock Option Plan, 2004 becoming non operational. In the previous year Rs. 3,587,026 was expensed out considering the proportionate vesting period, which was included in Salaries, Wages Bonus & Allowances and the balance was disclosed under "Reserve and Surplus" as a reduction from Employee Stock Option Outstanding.

17. During the year, the company invested in additional share capital of USD 1,500,000 (P.Y. USD 1,500,000) in Datamatics Technologies Inc. and of Euro 393,000 (P.Y. Nil) in Datamatics Technologies GmbH.

18. Managerial Remuneration under section 198 of the Companies Act, 1956 paid or payable during the year, to the directors is as under:

	31.03.2008 (Rs.)	31.03.2007 (Rs.)
Salaries and Allowances **	11,041,103	11,279,815
Contribution to Provident and Other Funds	—	432,396
Commission Payable *	594,000	5,351,700
Approximate money value of perquisites and benefits	1,329,375	2,517,769
TOTAL	12,964,478	19,581,680

* The amount of commission payable includes Rs. 324,000 payable to non-wholetime directors.

** Since the employee wise break up of liabilities on account of retirement schemes based on actuarial valuation is not ascertainable, the amount relatable to Directors could not be included in above.

Statement of Computation of Net Profit under Section 198(1) of the Companies Act, 1956

	2008 (Rs.)
Profit Before Tax as per Profit and Loss Account	171,177,508
Add: Directors Remuneration paid/provided	12,964,478
Loss on sale of Fixed Assets	845,680
Less: Profit on Sale of Investments	55,307,123
Net Profit in accordance with Section 198(1)/349	129,680,543
Maximum remuneration payable, subject to the overall ceiling of sections 198 and 309	
To Whole time Directors @ 10% of Profit computed above	12,968,054
To Other Directors @ 1% of Profit computed above	1,296,805

19. Portfolio Management services are provided by the Portfolio Manager – Reliance Capital Asset Management Ltd (RCAML) registered with SEBI vide registration No. INP000000423. The portfolio Manager is engaged in investing funds in accordance with SEBI (Portfolio Managers) Regulations, 1993 of its client – Datamatics Technologies Ltd in Securities and providing portfolio management services to its clients.

RCAML has been appointed as the Portfolio Manager for managing the investments of its funds on a discretionary basis to avail of investment advisory and portfolio management services for the purpose of investment to be made in securities. RCAML also holds the Power of Attorney to hold investments in its name for investments made on behalf of company. Investments made by RCAML under the Portfolio Management Services are made in a pool account and therefore are not held in the name of the company.

20. The Company has invested Rs. 81,245,790 (P. Y. Rs. 67,935,000) during the year into Equity of two of its 100% subsidiaries. Further the Company has Rs. 6,541,832 (P. Y. Rs. 12,169,542) as outstanding Loans and Advances and Rs. 711,894,640 (P. Y. Rs. 630,648,850) as investment in three of its 100% Subsidiaries at the year end (Refer note 17 above and note 22 below). The net worth of these subsidiaries has declined. The company has assured Financial Support. As the management is confident of turning around the subsidiaries in the near future provision for diminution in the value, if at all required, is not made.

21. Sundry Debtors includes the following due from subsidiaries:

	Balance Outstanding as on 31.03.2008	Maximum amount outstanding during the year	Balance Outstanding as on 31.03.2007	Maximum amount outstanding during the year
Datamatics Technologies Inc.	138,912,253	188,608,853	157,394,641	239,646,264
Datamatics Technologies GmbH	21,294,719	21,294,719	10,541,992	10,636,562
Datamatics Technologies UK Ltd.	—	20,779,464	20,779,463	29,575,962
Total	160,206,972	230,683,036	188,716,096	279,858,788

22. Loans and advances to Subsidiaries consist of follows:

	Balance Outstanding as on 31.03.2008	Maximum amount outstanding during the year	Balance Outstanding as on 31.03.2007	Maximum amount outstanding during the year
Datamatics Technologies UK Ltd.	—	5,827,128	5,827,128	24,199,992
Datamatics Technologies Inc.	27,622	3,901,527	557,848	(4,322,137)
Datamatics Technologies GmbH	6,514,210	6,514,210	5,784,566	9,044,579
Datamatics Softworld Limited	7,431,563	13,019,650	5,475,945	7,405,357
Total	13,973,395	29,262,515	17,645,487	36,327,791

23. IPO funds raised and utilized till date

Rs. in 000's

Description	31.03.2008		31.03.2007	
Funds Raised		935,000		935,000
Funds Utilized				
Expenses Relating to IPO	60,865		60,865	
Investment in Subsidiaries (Refer Note No. 17 of Schedule 'M')	146,000		140,994	
Repayment of Secured Loans	64,738		64,738	
Investment in Fixed Assets	47,000		47,000	
Corporate purposes including strategic initiatives and acquisitions **	110,856		—	
Total		429,459		313,597
Balance unutilized (Invested in Mutual Funds)		505,541		621,403

** During the year the Company has capitalised property at Nashik and its infrastructure development cost. The commercial production at Nashik has commenced during the mid of the current financial year. The above amount includes advance against capital expenditure of Rs. 37,814,943.

24. In terms of Section 22 of Micro, Small and Medium Enterprises Development Act, 2006, the outstanding to these enterprises are required to be disclosed. However, these enterprises are required to be registered under the Act. In the absence of the information about registration of the Enterprises under the above Act, the required information could not be furnished. In view of above and in absence of relevant informations, the Auditors have relied upon the same.

25. Prior period comparative:

Previous year figures have been appropriately reclassified/recast to confirm to the current year's presentations.

26. Figures are rounded off to the nearest of rupee.

As per our report of even date

For Kanu Doshi Associates
Chartered Accountants

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Cash Flow Statement for the year ended March 31, 2008

	2008 Rupees	2007 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax	171,177,508	217,863,294
Adjusted for:		
Depreciation and amortization	43,783,467	39,828,991
(Profit)/Loss on sale of Fixed Assets	845,680	439,508
Sundry Balances Written (back)/off	(344,629)	(419,042)
Interest Received	(11,799,265)	(3,533,127)
Dividend Received	(10,404,726)	(45,243,072)
(Profit)/Loss on sale of Investments	(55,307,123)	(8,131,211)
Employee Stock Option Expenses	(1,435,939)	3,587,026
	(34,662,535)	(13,470,927)
Operating Profit before Working Capital Changes	136,514,973	204,392,367
Adjusted for:		
(Increase)/Decrease in Sundry Debtors	26,658,320	6,395,566
(Increase)/Decrease in Loans and Advances	(61,540,327)	45,758,444
(Decrease)/Increase in Current Liabilities	(45,325,815)	72,626,319
	(80,207,822)	124,780,329
Cash Generated from Operations	56,307,151	329,172,696
Tax Paid	6,111,037	12,312,774
Net Cash From Operating Activities	50,196,114	316,859,922
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale/(Purchase) of Fixed Assets	(123,949,785)	(57,406,889)
Sale/(Purchase) of Investments	(55,623,647)	(156,660,431)
Interest on Fixed Deposit & Others	11,799,265	3,533,127
Profit on sale of Investment	55,307,123	8,131,211
Dividend Received	10,404,726	45,243,072
Net Cash from Investing Activities	(102,062,318)	(157,159,910)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of share capital	—	500,000
Final Dividend Paid	—	(50,771,046)
Tax paid on dividend	—	(7,120,639)
Interim Dividend paid	—	(61,075,256)
Tax paid on interim dividend	—	(8,565,805)
Net Cash Flow from Financing Activities	—	(127,032,746)
Net Increase in Cash and Cash Equivalent during the Year	(51,866,204)	32,667,266
Cash and Cash equivalents as at beginning of the period	66,410,744	33,743,478
Cash and Cash equivalents as at the End of the period	14,544,540	66,410,744

For Kanu Doshi Associates
Chartered Accountants

Arati Parmar
Partner
Membership No. 102888

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details		
Registration No.		45205
State Code		11
Balance Sheet Date		3/31/2008
II. Capital Raised during the year		
Public Issue (including premium)		NIL
Rights Issue		NIL
Bonus Issue		NIL
Private Placement on Preferential allotment basis		NIL
III. Position of Mobilisation and Deployment of Funds		
Total Liabilities		2,527,330,903
Total Assets		2,527,330,903
a. Sources of Funds		
Paid up Capital		203,584,185
Reserves and Surplus		2,290,891,681
Secured Loans		—
Unsecured Loans		—
Deferred Tax Liability		32,855,037
b. Application of Funds		
Net Fixed Assets		383,036,025
Net Current Assets		408,481,367
Investments		1,735,813,511
IV. Performance of the Company		
Turnover		674,423,635
Other Income		79,019,668
Total Expenditure		582,265,795
Profit Before Tax		171,177,508
Profit After Tax		140,856,649
Earning Per Share		
Basic		3.46
Diluted		3.44
Dividend %		15%
V. Generic Names of Two Principal Products of the Company (as per monetary terms)		
Item Code No. (ITC) Code		8524.9
Description		Computer Software

For and on behalf of the Board
For Datamatics Technologies Ltd.

Dr. Lalit S. Kanodia
Chairman

Divya Kumat
Vice President – Legal &
Company Secretary

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai
Dated : May 29, 2008

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Name of the Subsidiary Company	Datamatics Technologies Inc.	Datamatics Technologies UK Limited	Datamatics Technologies GmbH	Datamatics Softworld Limited
1. Financial Year of the Company	31-03-2008	31-03-2008	31-03-2008	31-03-2008
2. Shares of the Subsidiary Company held by Datamatics Technologies Limited	1,000 Common Stock 100%	300,001 Ordinary Shares 100%	Nil 100%	50,000 Equity Shares 100%
3. The Net aggregate amount of the subsidiaries Profit/(Loss) so far as it concerns the members of the Holding Company and is not dealt within the Company accounts.	USD (898,596) USD (3,744,663)	GBP 3,797 GBP (219,341)	Euro (214,644) Euro (743,961)	Rs. 417,831 Rs. 1,737,664
a. For the Financial year/period since it became subsidiary	Nil	Nil	Nil	Nil
b. For the previous financial years of subsidiaries since it became the Holding Company's Subsidiary	Nil	Nil	Nil	Nil
4. The Net aggregate amount of the subsidiaries Profit/(Loss) so far as it concerns the members of the Holding Company and is dealt within the Company accounts.				
a. For the Financial year/period since it became subsidiary	Nil	Nil	Nil	Nil
b. For the previous financial years of Subsidiaries since it became the Holding Company's Subsidiary	Nil	Nil	Nil	Nil

Note: Section 212(5) of the Companies Act, 1956 is not applicable as the accounting year of the Holding Company and Subsidiaries are the same.

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Divya Kumrat
Vice President – Legal &
Company Secretary

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai

Dated : May 29, 2008

Financial Details of the Subsidiary Companies for the Year Ended March 31, 2008

	Datamatics Technologies Inc	Datamatics Technologies GmbH	Datamatics Technologies UK Limited	Datamatics Softworld Limited
Closing Exchange rate against Indian Rupee as on March 31, 2008	40.10	63.37	79.53	—
(a) Paid up capital	1,117,538,960	66,538,500	23,859,080	500,000
(b) Reserves	(1,040,632,474)	(60,746,749)	(17,142,215)	2,155,495
(c) Total Assets	280,499,941	47,165,705	7,826,786	13,441,619
(d) Total Liability	203,593,454	41,373,954	1,109,921	10,786,124
(e) Details of Investment (except in case of investment in the subsidiaries)	4,200,234	—	—	—
(f) Turnover	987,508,826	88,349,935	26,829,484	16,748,300
(g) Profit/(Loss) before taxation	(34,109,000)	(13,601,952)	308,735	618,185
(h) Provision for taxation	1,924,800	—	6,760	200,354
(i) Profit/(Loss) after taxation	(36,033,800)	(13,601,952)	301,975	417,831
(j) Proposed dividend	—	—	—	—

For and on behalf of the Board

Dr. Lalit S. Kanodia
Chairman

Vidur Bhogilal
Executive Director &
Chief Financial Officer

Divya Kumat
Vice President – Legal &
Company Secretary

Rahul Kanodia
Vice Chairman & CEO

Place : Mumbai

Dated : May 29, 2008

The Year at a Glance

Rs. in Million

	Consolidated		
	Current Year	Previous Year	Growth (%)
For the year			
Operating Revenue	1,443.87	1,486.74	(2.88)
Total revenue	1,527.75	1,545.49	(1.15)
Operating Profit	241.51	296.61	(18.58)
Operating Profit % Revenue	16.73	19.95	—
Profit before tax	124.39	143.55	(13.35)
PBT as % to Total revenue	8.14	9.29	—
PAT	92.00	130.74	(29.63)
PAT as % to Total revenue	6.02	8.46	—
Earnings per share			
Basic	2.26	3.21	(29.66)
Diluted	2.24	3.20	(29.88)
Dividend per share	0.75	1.50	—
Dividend amount including tax	35.73	69.64	(48.70)
Average net worth	1,847.55	1,789.87	3.22
PAT % to average net worth	4.98	7.30	—
At the end of the year			
Total assets	1,907.20	1,845.41	3.35
Fixed assets (net)	402.61	334.23	20.46
Cash and cash equivalents	937.65	1,024.50	(8.48)
Total debt	—	—	—
Net worth	1,874.15	1,820.95	2.92
Equity	203.58	203.58	—



A delegation of 20 high-level management executives brought by Handelsbanken, a Swedish bank, visited DATAMATICS TECHNOLOGIES LIMITED as part of its trip to India in November 2007. The executives handle investments across the globe and they were here to better understand our business.

SAMEER L. KANODIA, Executive Director, DATAMATICS TECHNOLOGIES LIMITED, and an alumni of Bryant University, Rhode Island, USA, shared the dais with former PRESIDENT GEORGE H. W. BUSH, the 41st President of the United States of America. Sameer is a member of the Board of Trustees at Bryant University.



DATAMATICS TECHNOLOGIES LIMITED made its presence felt in international industry events, showcasing its technology-driven BPO solutions to its target audiences like the Online Retail Business Show in London in January 2008.



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