



DATAMATICS TECHNOLOGIES LIMITED

(On November 3, 1987, the Company was incorporated as Interface Software Resources Private Limited, a private limited company under the Companies Act, 1956. The Company was subsequently renamed Datamatics Technologies Private Limited on December 18, 1992.

On January 14, 1999, the Company became a deemed public company and on December 27, 1999, the Company became a public company. The Company was renamed Datamatics Technologies Limited with effect from January 13, 2000.)

Registered Office: Unit No. 117-120 SDF-IV, Santacruz Electronics Export Processing Zone (SEEPZ), Andheri (E), Mumbai 400 096. Tel. No.: (+91-22) 5697 5300, Fax. No.: (+91-22) 2829 2475



Corporate Office: Knowledge Centre, Street No. 17, MIDC, Andheri (E), Mumbai 400 093
Tel. No.: (+91-22) 5697 1177, Fax. No.: (+91-22) 2834 3669, Email: ipo@datamatics.com, Website: www.datamaticstech.com

Public Issue of 10,300,000 Equity Shares comprising Fresh Issue of 8,500,000 Equity Shares of Rs. 5/- each at a price of Rs. 110/- for cash aggregating to Rs. 935 million and Offer for Sale of 1,800,000 Equity Shares of Rs. 5/- each at a price of Rs. 110/- for cash aggregating to Rs. 198 million (collectively referred to as the “Issue”).

THE ISSUE WOULD CONSTITUTE 25.39% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

RISKS IN RELATION TO FIRST ISSUE	
This being the first Issue of the Equity Shares of Datamatics Technologies Limited, there has been no formal market for the shares of the Company. The Issue price (as will be determined by the Selling Shareholders and the Company in consultation with the Book Running Lead Manager on the basis of assessment of market demand for the Equity Shares by way of book-building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.	
GENERAL RISKS	
Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the statement of Risk Factors on page No. i of this Prospectus.	
ISSUER'S ABSOLUTE RESPONSIBILITY	
The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.	
LISTING	
The Equity Shares are proposed to be listed on The Stock Exchange, Mumbai and the National Stock Exchange of India Limited. The Company has received in-principle approval from these Stock Exchanges for the listing of the Equity Shares pursuant to letters dated February 21, 2004 and March 4, 2004 respectively.	

BOOK RUNNING LEAD MANAGER	REGISTRARS TO THE ISSUE
 ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED 801/802, Dalamal Tower, Nariman Point, Mumbai - 400 021 India Tel: (+91-22) 5638 1800, Fax: (+91-22) 2284 6824 Email: dtl.ipo@enam.com	 INTIME SPECTRUM REGISTRY LIMITED C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai - 400 078. Tel.: (022) 5555 5454, Fax : (+91-22) 5555 5353 Email: isrl@intimespectrum.com

ISSUE PROGRAM

BID/ISSUE OPENS ON	April 12, 2004	BID/ISSUE CLOSES ON	April 19, 2004
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DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires the following expressions and terms shall have following meanings:

Articles / Articles of Association	Articles of Association of Datamatics Technologies Limited.
Auditors	The statutory auditors of the Company, Kanu Doshi Associates.
Banker(s) to the Issue	The banks in which the Public Issue Account will be opened and which will act as such, in terms of this Prospectus.
Bid	An indication to make an offer by a prospective investor to subscribe for Equity Shares of the Company at a designated price, during the Bidding Period and includes all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid / Issue Closing Date	The date after which the Syndicate Members to the Issue will not accept any bids; any such date shall be notified through a notice in an English national newspaper, Hindi national newspaper and Regional language newspaper (where the registered office of the Company is situated) with wide circulation.
Bid-cum-Application Form/ Bid cum Application Form	The form in terms of which the Bidder shall Bid for the Equity Shares of the Company and shall, upon allocation of the Equity Shares by the BRLM and filing of the Prospectus with the RoC, be considered as the application for allotment of the Equity Shares in terms of this Prospectus.
Bid / Issue Opening Date	The date on which the Syndicate Members to the Issue will start accepting Bids; such date shall be the date notified and communicated through a notice in an English national newspaper, Hindi national newspaper and Regional language newspaper (where the registered office of the Company is situated) with wide circulation.
Bidder	Any prospective investor who makes a Bid for Equity Shares in terms of this Prospectus through the Book Building Process.
Bidding Period	The period between the Bid / Issue Opening Date and the Bid / Issue Closing Date inclusive of both days and during which period prospective investors can submit their Bids.
Board / Board of Directors	Board of directors of Datamatics Technologies Limited or a committee thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM	Book Running Lead Manager, in this case being Enam Financial Consultants Private Limited.
BSE	The Stock Exchange, Mumbai.
CAGR	Compounded Annual Growth Rate.
CAN / Confirmation of Allocation Note	Means the note, advice or intimation for allocation of Shares to the Bidders who have been allocated Shares in the Issue.
CDSL	Central Depository Services Limited.
CEPS	Cash Earning per Equity Share.
Co-BRLM	IL&FS Investsmart Limited
Companies Act	The Companies Act, 1956, as amended from time to time.



CEO	Chief Executive Officer
CorPay	CorPay Solutions Inc, a company incorporated on March 5, 1999 under the laws of Delaware, USA, and having its principal place of business at 31557, School Craft Road, Ste. 100, Livonia, MI 48150-1825.
Cut-off / Cut-off Price	The Issue Price finalised by the Company in consultation with the BRLM.
Company / or Datamatics Technologies Limited / the Issuer	Datamatics Technologies Limited, a public company limited by shares incorporated under the Companies Act.
Datamatics Group	A group comprising all companies promoted by Dr. Lalit S. Kanodia.
Deemed Date of Allotment	Date of allotment for the Issue.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the Securities & Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended from time to time.
DP / Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders.
Designated Stock Exchange	The Stock Exchange, Mumbai.
DFSSL	Datamatics Financial Software & Services Limited.
Director(s)	Director(s) of Datamatics Technologies Limited, unless otherwise specified.
EGM	Extraordinary General Meeting.
Enam	Enam Financial Consultants Private Limited.
EPS	Earnings Per share.
Equity Shares	Equity shares of the Company.
Escrow Account	Account opened with the Escrow Collection Bank and in whose favour the Bidder will issue cheques in respect of the Bid and in which account the cheques/demand drafts will be deposited by the Syndicate Members.
Escrow Agreement	Agreement entered into between the Syndicate Members, the Company, the Selling Shareholders, the Registrars and BRLM for collection of the Bid Amounts and refunds of the amounts collected to the Bidders.
Escrow Collection Bank(s)	The banks in which the Escrow Account will be opened and which will act as such, in terms of this Prospectus and the Escrow Agreement.
ESOP Scheme	Employees Stock Option Plan of the Company
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder.
FII(s) / Foreign Institutional Investors	Foreign institutional investor (as defined under Securities & Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year (unless otherwise specified).



FIPB	Foreign Investment Promotion Board, Government of India.
First Bidder	The bidder whose name appears first in the bid cum application form or revision form.
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted.
Fresh Issue	The issue of 8,500,000 new Equity Shares of Rs. 5 each by the Company under this Prospectus.
GIR Number	General Index Registry Number.
GoI	Government of India.
HUF	Hindu Undivided Family.
IL&FS	IL&FS Investsmart Limited
Income-tax Act	The Income-tax Act, 1961, as amended from time to time.
Issue	The Fresh Issue and the Offer for Sale, collectively.
Issue Price	Price determined by the Company in consultation with BRLM on the Pricing Date after the bidding period and which shall be set forth in the Prospectus to be filed with RoC.
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date and including both these dates.
Latasha	Latasha Advisory Services Private Limited
Ligure	Ligure Management Consultancy Services Private Limited
Linium	Linium Management Consultancy Services Private Limited
Lonicera	Lonicera Management Consultancy Services Private Limited
Lusitania	Lusitania Management Consultancy Services Private Limited
Margin Amount	The amount paid by the bidder at the time of submission of his/her bid, being 0% to 100% of the bid amount.
Memorandum of Understanding	The Memorandum of Understanding dated February 3, 2004 entered into between the BRLM, the Co-BRLM, the Selling Shareholders and the Company.
Memorandum / Memorandum of Association	The Memorandum of Association of Datamatics Technologies Limited.
MIDC	Maharashtra Industrial Development Corporation.
MRTP	Monopolies and Restrictive Trade Practices Act, 1969.
MRTPC	Monopolies and Restrictive Trade Practices Commission.
NAV	Net asset value
Net Issue to the Public	The aggregate offer of Equity Shares pursuant to the Fresh Issue and the Offer for Sale.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders.
Non-Insitutional Portion	The portion of the Issue being 2,537,500 Equity Shares of Rs. 5/- each available for allocation to Non-Institutional Bidders.
Non Residents	All Bidders who are not persons resident in India.
NRE Account	Non-Resident External Account.
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.



NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
OCB/ Overseas Corporate Body	Overseas corporate body, is a Company, partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRIs and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OECD	Organization for Economic Co-operation & Development.
Offer for Sale	The offer for sale of 1,800,000 Equity Shares of Rs. 5/- each by the Selling Shareholders.
Offer for Sale Equity Shares	1,800,000 Equity Shares of Rs. 5/- each offered for sale by the Selling Shareholders.
Pay-in Date	Bid / Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	Pay-in-Period means the period commencing on the Bid / Issue Opening Date and extending till the Bid / Issue Closing Date, during which the Bidders have to pay the maximum bid amount into the Escrow Account arising during the Bidding Period, unless such requirement is waived by the Syndicate Members for Bidders. In case of requirement of payment during the Bidding Period is waived by the Syndicate Members for Bidders, the closure of the Pay-in-Period for such Bidders, for payment into the Escrow Account, shall be within four calendar days of communication of the allocation list of respective Syndicate Member to them by the BRLM.
PAN	Permanent Account Number.
PAT	Profits After Taxation.
PBT	Profits Before Taxation.
P/E Ratio	Price/Earnings Ratio.
Permanent Employees	The permanent employees of the Company as on the cut-off date of February 1, 2004 being 583 in number, who are eligible to apply in this Issue under reservation for employees on a competitive basis pursuant to a resolution of the Board of Directors dated January 29, 2004.
Preference Shares	Preference Shares of the Company.
Price Band	Price Band of a minimum price (floor of the price band) of Rs. 101 and the maximum price (cap of the price band) of Rs. 110 and includes revision thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price.
Promoters	Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, Delta Infosolutions Private Limited, Latasha, Ligure, Linium, Lonicera and / or Lusitania, as the case may be.
Prospectus	The Prospectus to be filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information.
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Bid / Issue Opening Date.
QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI and state industrial development corporations.



QIB Portion	The portion of the Issue being 5,075,000 Equity Shares of Rs. 5/- each available for allocation to QIB Bidder(s).
RBI	The Reserve Bank of India.
Red Herring Prospectus	This Red Herring Prospectus which is not a Prospectus under Section 60 of the Companies Act which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing.
Registered Office of the Company	Unit No. 117-120 SDF-IV, Santacruz Electronics Export Processing Zone (SEEPZ), Andheri (E), Mumbai 400 096.
Registrars / Intime	Registrars to the Issue, Intime Spectrum Registry Limited.
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for more than 1,000 Equity Shares in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being 2,537,500 Equity Shares of Rs. 5/- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
RoC	Registrar of Companies, Maharashtra at Mumbai.
RONW	Return on net worth.
Saztec	Saztec International Inc, a company incorporated on April 4, 1986 under the laws of California, USA, and having its principal place of business at 900 Middlesex Turnpike Building 5, Billerica Massachusetts 01821
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The Securities and Exchange Board of India Guidelines for Disclosure and Investor Protection 1999 as amended from time to time along with related clarifications issued by SEBI from time to time
SEEPZ	Santacruz Electronics Export Processing Zone.
Selling Shareholder	Dr. Lalit Kanodia, Mrs. Asha Kanodia, Mr. Sameer Kanodia, and / or Dr. Lalit Kanodia (HUF), as the case may be.
Stock Exchanges	The BSE and the NSE
Syndicate	The BRLM and Syndicate Member(s).
Syndicate Agreement	The agreement between the Syndicate Members and the Company to be entered into on the Pricing Date.
Syndicate Members	Collectively the BRLM and the Syndicate Members as disclosed in this Prospectus and are persons who are registered with SEBI and are eligible to act as Underwriters.
TRS or Order confirmation note	Transaction Registration Slip, means the slip or document registering the Bids, issued by the Syndicate Member to the Bidder as proof of registration of the Bid upon submission of the Bid-cum-Application Form in terms of this Prospectus.
Underwriters	The BRLM, the Co-BRLM and Syndicate Members.
Underwriting Agreement	The agreement between the Syndicate Members and the Company entered into on the Pricing Date.



GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

ICR	Intelligent Character Recognition
KA	Knowledge Associate
OCR	Optical Character Recognition
TJAM	Telestaff Job Assignment and Monitoring System



SECTION I: RISK FACTORS

CERTAIN CONVENTIONS

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lakh” or “Lac” means “one hundred thousand” and the word “million” means “ten lac” and the word “Crore” means “ten million”. In this Prospectus, references to “allotment” of Equity Shares in this Issue, unless the context otherwise requires, shall also include a reference to “transfer” of Equity Shares. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Prospectus, all figures have been expressed in million, except in the sections relating to group companies and subsidiaries at page 113 and 108 of this Prospectus, where the same has been expressed in thousands.

All references to “India” contained in this Prospectus are to the Republic of India, all references to the “US” or the “U.S.” or the “USA”, or the “United States” are to the United States of America, and all references to “UK” are to the United Kingdom.

For additional definitions used in this Prospectus, see the section “Definitions and Abbreviations” on page A of this Prospectus. In the section entitled “Main Provisions of Articles of Association of Datamatics Technologies Limited” at page 338 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.



FORWARD-LOOKING STATEMENTS; MARKET DATA

The Company has included statements in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with the Company’s expectations with respect to, but not limited to, the Company’s ability to successfully implement the Company’s strategy, the Company’s growth and expansion, technological changes, the Company’s exposure to market risks, general economic and political conditions in India which have an impact on the Company’s business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause the Company’s actual results to differ, see the section entitled “Risk Factors” beginning on page i of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Syndicate Members, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that the Prospectus is up-to-date and that investors are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Market data used throughout this Prospectus has been obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.



CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India, all references to “U.S. Dollars”, “Dollars”, “US\$” and “\$” are to the legal currency of the United States, all references to “Pounds”, “£” and “U.K. Pound” are to the legal currency of the United Kingdom, all references to “Euro” and “€” are to the legal currency of the European Union, all references to “Deutsche Mark” and “DM” are to the legal currency of the Federal Republic of Germany and all references to “DKK” are to the legal currency of the Kingdom of Denmark.

In this Prospectus, U.S. Dollar and DKK amounts have been translated into Rupees for each period, and presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US\$ or DKK could be exchanged at the rate given by the Reserve Bank of India. The Company has translated the statements of income and balance sheet data for each period at the rate on the last business day of such period. The translations should not be considered as a representation that such US\$ or DKK amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	2000	2001	2002	2003
Inter-Bank Rate (US\$) as at December 31	Rs. 46.74	Rs. 48.16	Rs. 47.995	Rs. 45.59
Inter Bank Rate (DKK) as at March 31	Rs.5.62	Rs. 5.49	Rs. 5.74	Rs. 6.93

Investors are cautioned to not rely on such translated amounts. The translations should not be considered as a representation that such US\$ or DKK amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated in this Prospectus, or at all.



RISK FACTORS

An investment in equity shares involves a high degree of risk. Investors should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares of the Company. If any of the following risks actually occur, the Company's business, results of operations and financial condition could suffer, the trading price of the Equity Shares could decline, and investors may lose all or part of their investment.

INTERNAL RISK FACTORS

The Company's revenues are highly dependent on a small number of clients. The loss of any one of its major clients, a decrease in the volume of work the clients outsource to the Company or a decrease in the price at which the Company offers its services to them may adversely impact its revenues and profitability.

The Company derives a significant portion of its revenues from a limited number of clients. In 2002, 2003 and the nine months ended December 31, 2003, the Company's largest client accounted for 19%, 17% and 26% of its revenues, respectively on a consolidated basis. During the same periods, the Company's top five clients accounted for 72%, 63% and 49% of its revenues, respectively. As a result of its reliance on a limited number of clients, the Company may face pricing pressure. The volume of work performed for specific clients is likely to vary from year to year, especially since the Company is not the exclusive external service provider for its clients. In addition, there are a number of factors, other than the Company's performance, that could cause the loss of a client and that may not be predictable. The loss of any one of the major clients, a decrease in their volume of work they outsource to the Company or a decrease in the price at which the Company offers its services to them may adversely impact the Company's revenues and profitability.

In order to enhance its capabilities and address gaps in industry expertise, technical expertise and geographic coverage, the Company may undertake strategic acquisitions, which may prove to be difficult to integrate and manage or may not be successful.

The Company may pursue strategic acquisition opportunities to enhance its capabilities and address gaps in industry expertise, technical expertise and geographic coverage. It is possible that the Company may not identify suitable acquisition or investment candidates or joint venture partners, or if it does identify suitable candidates or partners, it may not complete those transactions on terms commercially acceptable to the Company or at all. Further, the amount of funds required for acquisition is uncertain. The inability to identify suitable acquisition targets or investments or joint ventures or the inability to complete such transactions may adversely affect the Company's competitiveness or its growth prospects. If it acquires another company, it could have difficulty in assimilating that company's personnel, operations, technology, and software. In addition, the key personnel of the acquired company may decide not to work with the Company. In some cases, it could have difficulty in integrating the acquired products, services or technologies into its operations. These difficulties could disrupt the Company's ongoing business, distract the Company's management and employees and increase its expenses. As at the date of this Prospectus, the Company has not entered into a letter of intent or any definitive commitment or agreement for any material acquisition, investment or joint venture transaction.

The Company's success depends in large part upon its skilled and experienced employees and its ability to attract and retain these personnel.

The Company's ability to execute projects and to obtain new clients depends largely on its ability to attract, train, motivate and retain skilled and experienced employees. The Company's attrition rates have been stable at 11% and 12% in 2002 and 2003, respectively. However, the Company's attrition rates in the future could be adversely affected due to highly competitive labour markets. The Company defines attrition as the ratio of the number of employees that have left the Company during a defined period to the total number of employees that are on its payroll at the end of such period. If the Company cannot hire and retain additional qualified personnel, its ability to bid on and obtain new projects will be impaired and its revenues could decline. In addition, the Company may not be able to expand its business effectively. The Company believes that there is significant competition for the skills necessary to perform the services it offers. Additionally, the Company may not be able to redeploy and retrain employees to keep pace with continuing changes in technology, evolving standards and changing



client preferences. The Company's inability to attract and retain employees may have a material adverse effect on its business, results of operations and financial condition.

The Company depends to a certain degree upon Knowledge Associates for some of its projects.

There is no contractual obligation on any Knowledge Associates for performing any job. This could have an adverse effect on the Company's performance.

The Company's success depends in large part upon its senior management and key personnel and its ability to attract and retain them.

The Company is highly dependent on the senior management of the Company and its subsidiaries, including Dr. Lalit S. Kanodia, its Chairman and Mr. Manish Modi, its Managing Director & CEO. The Company's future performance will be affected by the continued service of these persons.

The Company does not maintain key man life insurance for any of the senior members of its management team or other key personnel. Competition for senior management in the industry is intense, and the Company may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of its senior management or other key personnel may adversely affect the Company's business, results of operations and financial condition.

The Company's profitability is highly dependent on proprietary processes and technologies.

The Company's delivery model is built upon a combination of its developed expertise in the areas of automated workflow and its human resource talent pool. It has built up a mix of in-house as well as virtual employees to facilitate quality delivery of services to its clients. It utilizes various proprietary processes and technologies such as TJAM to enable effective and efficient dissemination of information throughout the organization, to its virtual employees, and to its customers as required for its business, while ensuring confidentiality, integrity and availability. None of its proprietary processes and technologies are registered with any authority. If similar processes and technologies are developed and / or utilized by the Company's competitors, the Company's competitive advantage could stand diminished, which may adversely impact the Company's profitability.

No bank or financial institution has appraised the use of proceeds of the Fresh Issue and therefore, no independent body will be monitoring the use of proceeds.

The deployment of funds of the Fresh Issue is entirely at the discretion of the Company and is not subject to monitoring by any independent agency.

The Company has not entered into any definitive agreements nor is any fixed project proposed for utilisation of proceeds of the Fresh Issue.

For further details, please see "Objects of the Issue" at page 27 of this Prospectus.

The Company plans to spend a portion of the Fresh Issue proceeds for setting up overseas marketing offices in USA, UK and Germany. The Company is in the process of finalizing the details and will start the requisite process soon. The Company has not finalized the suppliers for software and plant and machinery (computers and equipments) for its facility at Mumbai and Chennai. These orders pending placement amount to Rs. 38 million, which is 100% of the total computer and equipment required.

The Company faces a possible risk on account of export obligation

As per SEEPZ space norms, the Company is required to be a positive foreign exchange earner failing which its lease agreements with SEEPZ may be terminated. The Company currently has 30,419 sq. ft. of property in SEEPZ. In the event of a termination of the lease agreement, the Company's general administrative cost may increase. Further, for the Company's STP units at Mumbai and Chennai, the Company has availed of customs duty benefits which are subject to compliance with certain export obligations. In the event of the Company failing to meet such export obligations, it would be required to pay the customs duties on the duty free imports.



The lease agreements pertaining to the properties of the Company situated at 110 and 118-120 SDF IV, SEEPZ, Andheri (E) have expired. The Company has submitted renewed lease agreements pertaining to these properties for adjudication before the stamp authorities and is still awaiting adjudication of the same.

The Company has a number of subsidiaries and group companies which may adversely affect the performance of the Company. Three entities out of twenty-six entities in the group companies of the Promoters have a negative book value as at March 31, 2003. Three wholly owned subsidiaries out of seven subsidiaries of the Company have a negative book value as at December 31, 2003.

For further details, please refer to page 113 and page 108 of this Prospectus.

There are a number of legal proceedings by and against one subsidiary and five group companies. There is also one case filed by the Company jointly with Datamatics Limited. There are also two cases filed against a Director and one case against a Promoter of the Company.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

Litigation in respect of the Company, Promoters and Directors

a. Criminal Proceedings

Two cases have been filed under the Negotiable Instruments Act, 1881 against Chemox Laboratories Limited, a company of which a Director, Mr. M.G. Diwan, was a non-executive director until March 7, 1998. In these cases, Mr. Diwan was named as a party, in his capacity a non-executive director of Chemox Laboratories. The total liability in both cases is Rs. 430,000/-.

b. Civil proceedings

The Company, along with Datamatics Limited, has filed a suit against Innovative Datamatics Limited for use of the word “Datamatics” by the latter in its name, seeking an injunction against such usage and payment of damages of Rs. 5,000,000/-

One of the promoters of the Company, Mr. Lalit S. Kanodia has been made a party to the suit filed by Officetiger Database Systems Private Limited against Datamatics Information Technology Limited, a group company, for an injunction restraining certain of its employees from joining Datamatics Information Technology Limited in breach of their contracts. There are no pecuniary amounts involved.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

Litigation in respect of the Group Companies and Subsidiaries

a. CorPay

Complaints have been filed against CorPay by former employees with the Equal Employment Commission in the United States on the ground that it had subjected them to unfair treatment. An adverse decision in these matters could result in costs and back pay being awarded to such employees. The liability that may arise out of these cases cannot be quantified.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

b. Datamatics Direct Marketing Limited

i. Criminal proceedings

Datamatics Direct Marketing Limited has filed a complaint against Jai Mahalaxmi Foods Limited and others under Section 138 of the Negotiable Instruments Act, 1881. The amount under consideration is Rs. 130,000.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.



c. Datamatics Staffing Services

i. Civil Proceedings

A suit has been filed by Officetiger Database Systems Private Limited against Datamatics Information Technology Limited and Datamatics Staffing Services for an injunction restraining certain of its employees from joining Datamatics Information Technology Limited in breach of their contracts. There is no pecuniary amounts involved.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

d. Datamatics Financial Software and Services Limited

Datamatics Financial Software & Services Limited (DFSSL) formerly known as Datamatics Financial Services Limited, a group company is registered with SEBI as Category I Registrars to Issue and Share Transfer Agents. There are a total of 640 cases pending for disposal in various courts and 312 cases in consumer fora. If all the liability devolves on DFSSL, the total value in terms of the present market value of the securities would be approximately Rs. 2.6 million.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

e. Datamatics Information Technology Limited

i. Criminal proceedings

A criminal complaint has been filed by Datamatics Information Technology Limited for forgery and criminal breach of trust and on charges of stealing Rs. 800,000 against Mr. Prashant Belwalkar.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

ii. Civil proceedings

A suit has been filed by Officetiger Database Systems Private Limited against Datamatics Information Technology Limited and Datamatics Staffing Services for an injunction restraining certain of its employees from joining Datamatics Information Technology Limited in breach of their contracts. There are no pecuniary amounts involved.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

f. Datamatics Limited

i. Civil proceedings

Datamatics Limited has filed suits against several companies for usage of the word “Datamatics” in the name of such companies, seeking injunctions against such usage, and payment of damages. There is no assurance that Datamatics Limited will be successful in such matters. Datamatics Limited has also filed various suits before various courts in India and abroad seeking payment of various amounts in relation to liquidated damages for breach of contract and / or recovery of sums unpaid on invoices raised. All of the legal proceedings / claims are pending at different levels of adjudication before various courts, tribunals, appellate tribunals, etc.

For further details in this regard, please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

ii. Labour disputes

Datamatics Limited is a party to a labour dispute filed by an ex-employee for wrongful termination of service, and seeking reinstatement. Another complaint has been filed by employee alleging that the company terminated his employment illegally due to his inability to move to Noida on being transferred by the company. Adverse decisions in these matter could result in Datamatics Limited having to pay back wages to the employees. The liability that may arise out of these cases cannot be quantified.

For further details, in this regard please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.



The Company has received a notice of demand for payment of income tax. In addition, one group company, Datamatics Limited has filed sales tax and income tax revisions / appeals.

The Company has received a notice of demand from the Income Tax department for a sum of Rs. 6,065,031 for the assessment year 2001-2002 pursuant to the assessment order of the Deputy Commissioner of Income Tax. The Company has also received a notice for payment of penalty.

Datamatics Limited is a party to certain sales tax and income tax revision applications / appeals, where the sales tax and income tax departments have sought to recover additional tax allegedly payable by Datamatics Limited. These matters are pending before various courts / authorities. An adverse decision could result in increased tax liability of Rs. 28,273,528.

For further details, in this regard please refer to the section on “Outstanding Litigation” at page 150 of this Prospectus.

Latasha, Lonicera, Linium, Lusitania, Ligure, Delta Infosolutions Pvt. Limited and Nishant Securities Private Limited which hold shares in the Company and other group companies, had applied to the RBI seeking registration as non-banking financial companies. The RBI rejected such applications. However, these companies still continue to hold their investments in such shares.

Any future equity offerings by the Company or the issue of Equity Shares pursuant to exercise of stock options under the employee stock option plan may lead to dilution of investor shareholding in the Company or affect the market price of the Equity Shares.

The Company had, by a resolution dated November 6, 2003, adopted an employee stock option plan as a means to reward and motivate its employees. As a purchaser of Equity Shares in this Issue, the investors may experience dilution of their shareholding to the extent of 0.67% of the total post Issue paid up equity share capital of the Company owing to the initial grant of options on January 23, 2004. Further, investors may experience dilution of their shareholding upon grant of the balance 65,000 options under the employee stock option plan and to the extent that the Company makes future equity offerings or issues Equity Shares pursuant to the exercise of stock options under employee stock option plans.

As at December 31, 2003, the Company had contingent liabilities as disclosed in its unconsolidated statement of assets and liabilities under Indian GAAP.

As at December 31, 2003, the Company's contingent liabilities as disclosed in its unconsolidated statement of assets and liabilities, as restated under Indian GAAP, were as follows: The Company has obligations under a number of contracts relating to capital expenditure. Estimated amounts of contracts on capital account remaining to be executed and not provided for aggregated Rs. 1.05 million as at December 31, 2003; Guarantees given by a bank on behalf of the Company were Rs. 0.52 million as at December 31, 2003; and Corporate guarantees issued by the Company to banks and financial institutions against credit facilities extended to subsidiaries and associate company were Rs. 27.38 million as at December 31, 2003 out of which Rs.18.22 million pertain to Saztec and Rs. 9.11 million to CorPay for working capital finance. The surety given under the Customs Act, 1962 for its subsidiaries and associate companies were Rs. 30.28 million as at December 31, 2003 out of which Rs. 5.02 million pertain to DFSSL, Rs. 3.03 million pertain to KnowledgeWorks Global Limited and Rs. 22.23 million pertain to Datamatics Infosolutions Limited.

The Company's revenues and profits are difficult to predict and can vary significantly from quarter to quarter. This could cause its share price to decline.

The Company's quarterly operating results may fluctuate from quarter to quarter. Therefore, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as an indication of the Company's future performance. It is possible that in the future some of the Company's quarterly results of operations may be below the expectations of market analysts and its investors, which could lead to a significant decline of the share price of the Equity Shares. Factors which affect the fluctuation of the Company's revenues and profits include: fixed rate transaction contracts or time and material basis contracts; the size, timing and profitability of its contracts, particularly with its major clients; changes in its pricing policies or those of its clients; the proportion of services that it performs in India or outside India. In addition, the Company's tax processing business is seasonal in nature and varies according to the particular tax jurisdiction.



Any inability to manage the Company's growth could disrupt its business and reduce its profitability.

The Company has experienced significant growth in total income in recent years. Its total income has grown at a compound annual growth rate of 38% from Rs 297.4 million in 2001 to Rs. 727.3 million for the nine-month ended December 31, 2003. The Company expects this growth to place significant demands on both its management and its resources. This will require the Company to continuously evolve and improve its operational, financial and internal controls across the organisation. In particular, continued expansion increases the challenges involved in: recruiting, training and retaining sufficient skilled technical, sales and management personnel; adhering to its high quality and process execution standards; maintaining high levels of client satisfaction; preserving its culture, values and entrepreneurial environment; and developing and improving its internal administrative infrastructure, particularly its financial, operational, communications and other internal systems.

Any inability to manage growth may have an adverse effect on the Company's business, results of operation and financial condition.

The Company's fixed-rate contracts may expose it to additional risks, many of which are beyond the Company's control, which could reduce its profitability.

In the nine month period ended December 31, 2003, the Company derived a majority of its revenues from fixed-rate contracts, including service level driven agreements. In certain service level driven agreements, revenues are conditional upon predetermined performance levels, which, if unsatisfactory, could result in lower revenue than anticipated. Many of these risks may be beyond the Company's control. Any failure to accurately estimate the resources and time required for the performance of the contract or any failure to complete the Company's contractual obligations within the performance levels committed could adversely affect its profitability.

The Company's revenues are highly dependent on clients located in the United States. Economic slowdowns and other factors that affect the economic health of the United States may affect the Company's business.

A significant proportion of the Company's revenue is derived from clients located in the United States. The calculation of revenues by client geography is based on the location of the specific client entity for which services are performed, irrespective of the location where a billing invoice may be rendered. Consequently, if an economic slowdown continues and / or non tariff barriers increasing in the United States, the Company's clients may reduce or postpone their outsourcing significantly, which may in turn lower the demand for the Company's services and negatively affect its revenues and profitability.

The Company operates in a highly competitive environment and this competitive pressure on the business of the Company is likely to continue.

The market for information technology enabled services is rapidly evolving and highly competitive. The Company expects that competition will continue to intensify. The Company faces competition from Indian companies, international companies, and in-house departments / subsidiaries of large corporations.

Clients who presently outsource a significant proportion of their outsourcing requirements to vendors in India may seek to reduce their dependence on one country. The Company expects that future competition will increasingly include firms with operations in other countries, especially those countries with labour costs similar to or lower than India. A significant part of the Company's competitive advantage has historically been the cost advantage relative to service providers in the United States and OECD countries.

Since wage costs in this industry in India may be presently increasing at a faster rate than those in the United States and OECD countries, the Company's ability to compete effectively will become increasingly dependent on its reputation, the quality of its services and its expertise in specific markets. Many of the Company's competitors have significantly greater financial, technical and marketing resources and generate greater revenues than the Company. Clients may prefer vendors that have delivery centres located globally. Therefore, the Company cannot assure investors that it will be able to retain its clients while competing successfully against such competitors. The Company believes that its ability to compete also depends in part on a number of factors beyond its control, including the ability of its competitors to attract, train, motivate and retain highly skilled technical employees, the price at which its competitors offer comparable services and the extent of its competitors' responsiveness to client needs.



In the business process outsourcing, certain segments are low in complexity and therefore, have low entry barriers to deter competition. Therefore, the Company may face competition in these segments.

The Company may be liable to its clients for damages caused by system failures. This could damage its reputation and lead to the loss of clients.

Many of the Company's contracts involve projects that are critical to the operations of its clients' businesses. They also provide benefits that may be difficult to quantify. Any failure in a client's system or breach of security could result in a claim for substantial damages against the Company. Although the Company attempts to limit its contractual liability for damages arising from negligent acts, errors, mistakes or omissions in rendering its services, it cannot assure the investors that the limitations of liability set forth in its service contracts will be enforceable in all instances or will otherwise protect the Company from liability for damages. While the Company maintains insurance coverage for errors and omissions, it may not be covered for such claims or damages. Assertions of one or more large claims against the Company could have an adverse effect on the Company's business, results of operation and financial condition.

The Company's client contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact its revenues and profitability.

The Company's clients typically retain it through master services agreements. Most client project contracts of the Company, including those that are on a fixed-rate and service level driven fixed-rate agreements, can be terminated with or without cause, with thirty to ninety days notice and without termination-related penalties. Additionally, the Company's Agreements with clients are typically without any commitment to a specific volume of business or future work. The Company's business is dependent on the decisions and actions of its clients, and there are a number of factors relating to its clients that are outside the Company's control that might result in the termination of a project or the loss of a client. The Company's clients may demand price reductions and / or change their outsourcing strategy by moving more work in-house or to the Company's competitors. Any of these factors could adversely affect the Company's revenues and profitability.

The Company may face difficulties in providing new and existing service offerings, which could lead to clients discontinuing or delaying their work with it.

The Company has been expanding the nature and scope of its engagements by extending the breadth of services it offers. The Company has recently added new service offerings such as tax processing. The success of these new service offerings is dependent, in part, upon continued demand for such services by its existing and new clients and the Company's ability to meet this demand in a cost-competitive and effective manner. The Company cannot be certain that it will be able to attract existing and new clients for such new services or effectively meet its clients' needs. The increased breadth of the Company's service offerings may result in larger and more complex projects for its clients. This will require the Company to establish closer relationships with its clients, which may increase the Company's sales costs, and also requires a thorough understanding of their operations. The Company's ability to establish such relationships will depend on a number of factors including the proficiency of its management personnel and its professionals as well as the Company's ability to compete effectively and win large engagements in competition with larger or well-established firms. Larger projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain the Company for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of the Company's clients or the general economy, as opposed to factors related to the quality of the Company's services. Such cancellations or delays make it difficult to plan for project resource requirements, and inaccuracies in such resource planning may have a negative impact on the Company's profitability.

The Company's business may suffer if it fails to keep pace with the rapid changes in technology and the service offerings on which it focuses. The Company needs to anticipate and develop new services and enhance existing services in order to keep its clients satisfied.

The information technology enabled services market is characterised by rapid technological changes, evolving industry standards, changing client preferences and new product and service introductions. The Company's future success will depend on its ability to anticipate these advances and develop new service offerings to meet client needs. The Company may not be successful in anticipating or responding to these advances on a timely basis or, if it does respond, the services or technologies



the Company develops may not be successful in the marketplace. Furthermore, services or technologies that are developed by the Company's competitors may render its services non-competitive or obsolete.

After the Issue, the Promoters will collectively own 68.78% of the Company's post Issue equity share capital and will continue to control the Company.

After the Issue, the Promoters consisting of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, Latasha, Ligure, Linium, Loncera and Lusitania will collectively own 68.78% of the Company's post Issue equity share capital. Under the Articles of Association, so long as Dr. Lalit S. Kanodia and family hold not less than 26% of the total issued, subscribed and paid-up share capital of the Company, they have the right to appoint or remove a Director as Chairman of the Board of Directors of the Company and another director as the vice-chairman of the Board of Directors of the Company. Further, by virtue of their shareholding and certain other rights under the Articles of Association, the Promoters have the ability to exercise significant control over the Company. Their interests may conflict with the investors' interests as shareholders.

Proprietary rights of clients of the Company may be misappropriated by the Company's employees in violation of applicable confidentiality agreements. The Company may also be subject to third party claims of intellectual property infringement. Unauthorized parties may infringe upon or misappropriate the Company's intellectual property.

The Company requires its employees, Knowledge Associates and subcontractors to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of the client's proprietary and confidential information as well as the Company's own. However, the Company can give no assurance that the steps taken by it in this regard will be adequate to enforce the clients' or the Company's intellectual property in this regard. If the client's proprietary rights are misappropriated by the Company's employees, subcontractors, or their employees, in violation of any applicable confidentiality agreements, the clients may consider the Company liable for that act and seek damages and compensation from the Company. In addition to these confidentiality agreements, the client contracts may require the Company to comply with certain security obligations including maintenance of network security, back-up of data, ensuring its network is virus free and ensuring the credentials of those employees that work with the clients. The Company cannot assure the investors that it will be able to comply with all such obligations and that it will not incur liability or have a claim for substantial damages against it. Although the Company believes that its intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against it in the future. There are currently no material pending or threatened intellectual property claims against the Company. However, if it becomes liable to third parties for infringing their intellectual property rights, the Company could be required to pay substantial damages and be forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. The Company may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all. The Company relies on a combination of copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect its intellectual property, including its brand identity. However, the laws of India may not protect proprietary rights as effectively as laws in the United States. Therefore, the Company's efforts to protect its intellectual property may not be adequate. Unauthorized parties may infringe upon or misappropriate the Company's services or proprietary information.

The insurance coverage taken by the Company may be inadequate to meet any claims for breach of a contract.

Many of the Company's contracts involve projects that are critical to the operations of its clients' businesses and provide benefits that may be difficult to quantify. Any failure / breach in performance by the Company could result in a claim for substantial damages against the Company. No assurance can be given that the 'error and omission' and 'public liability' insurance policies taken by the Company will be sufficient to cover one or more large claims.

The Company faces a possible risk of competition from DFSSL in one of its business segments.

One of the group companies of the Promoters, Datamatics Financial Software and Services Limited (DFSSL) is registered with SEBI as a Registrar & Transfer Agent. DFSSL also provides business process outsourcing services relating only to maintenance of investor service records, both for Indian as well as overseas companies. In future, if the Company provides these business process outsourcing services, it may face competition from DFSSL.



Diminution in the market value of long term quoted investments.

The Company has not provided for diminution in the market value of long term quoted investments, as the decline in market value is considered temporary.

Payment on a promissory note issued by Saztec is overdue since January 25, 2003

Saztec issued a promissory note on September 25, 2000 to Maida Vale Limited, a company based in Jersey, which was a shareholder of Saztec, before the Company acquired 100% of Saztec. Under the promissory note, Saztec has promised to pay US\$ 350,000/- together with interest at 2% above the Wall Street Journal Prime Rate. The note was to be repaid on January 25, 2003 and payment for the same is overdue although no default interest is payable on this overdue note.

Valuations in the software / information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.

The Company is in the business process outsourcing / information technology enabled services industry and there is no directly comparable listed company in this industry. The industry closest to the business process outsourcing / information technology enabled services industry is the software / information technology. Valuations in the software / information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.

Loan agreements between the Company and its lenders contain standard restrictive covenants relating to rights of the Company.

Loan agreements between the Company and its lenders contain standard restrictive covenants relating to rights of the Company such as the right to effect material changes in the composition of the board of directors, to amend its constitutive documents, to declare dividend upon a failure to make payments under the loan agreements, etc. This may affect the rights of the shareholders of the Company.

EXTERNAL RISK FACTORS**The Company's net income would decrease if the GoI reduces or withdraws tax benefits and other incentives it currently provides to the Company.**

Under Section 10A of the Income-tax Act, the Company is eligible to certain benefits with respect to its profits. These benefits are available subject to fulfillment of certain terms and conditions stipulated by the section. However, no deduction under this section shall be allowed to any undertaking for the assessment year beginning on the first day of April 2010 and any subsequent year.

For the assessment year 2003-2004, the tax holiday under section 10A of the Income-tax Act has been limited to 90% of the eligible profits instead of 100% of such profits. As a consequence, 10% of the eligible profits of the undertakings would be taxable at the normal corporate tax rate of 36.75% (including surcharge of 5%) for the assessment year 2003-2004. However, no deduction under this section shall be allowed to any undertaking for the Assessment Year beginning on the first day of April 2010 and any subsequent year.

In respect of all undertakings not entitled to the benefits under Section 10 of the Income-tax Act, the Company is entitled to a deduction of the profits derived in accordance with and subject to the conditions and to the extent specified in Section 80 HHE of the Income-tax Act. The Finance Act 2001 has amended this section as per which this deduction would be gradually phased out over a period of four years starting from the assessment year 2002-2003.

For further details on tax implications, please see page 182 of this Prospectus.

The Company is heavily dependent on satellite and telephone communication systems.

Any significant loss of the Company's ability to transmit data through satellite and telephone communications could have a material adverse affect on the Company's results of operations and financial conditions.



An economic downturn may negatively impair the Company's operating results.

In an economic downturn, the Company's utilisation and billing rates for its service offerings could be adversely affected which may result in lower gross and operating profits.

Immigration restrictions could limit the Company's ability to expand its operations in the United States and other countries.

The Company derives a portion of its related software services revenues from onsite operations for clients located in the United States and some other countries. Such revenues may be affected by immigration restrictions in such jurisdictions.

Offshore outsourcing has come under increased scrutiny by governments in the United States and some other countries.

Recently, offshore outsourcing has come under increased government scrutiny within the United States and other countries due to its perceived association with loss of jobs in such countries. In the last one year, certain states in the United States have passed or proposed legislation restricting government agencies from outsourcing processes to companies outside the United States. It is also possible that private sector companies in the United States that work with these states may be restricted from outsourcing their work related to government contracts. The Company currently does not provide any significant outsourcing services to federal or state government entities in the United States, and does not have any significant contracts with such entities. However, there can be no assurance that these restrictions will not extend to private companies, such as the Company's clients. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact the Company's ability to do business in the United States and other countries and thus adversely affect the Company's revenues and profitability.

Wage pressures in India may prevent the Company from sustaining its competitive advantage and may reduce its profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of the Company's competitive strengths. However, wage increases in India may prevent the Company from sustaining this competitive advantage and may negatively affect the Company's profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. The Company may need to continue to increase the levels of its employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on the Company's business, results of operation and financial condition.

The Company is subject to risks arising from exchange rate fluctuations.

The exchange rate between the Rupee and the U.S. Dollar is variable and may continue to fluctuate in the future. 94 % of the Company's revenue for the period ended December 2003 was denominated in US Dollars and it expects that a majority of its revenues will continue to be generated in U.S. Dollars for the foreseeable future and that a significant portion of its expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Rupees. Operating profits are therefore, subject to foreign currency rate fluctuations. While the Company enters into forward contracts to minimize the impact of fluctuating exchange rates, the Company cannot assure investors that it will be able to effectively mitigate the adverse impact of currency fluctuations on the results of its operations.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of client confidence, and adversely affect the Company's business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001 and New Delhi on December 13, 2001 and Bali on October 12, 2002 and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect the Company's business, results of operations and financial condition. Travel restrictions as a result of such attacks may have adverse impact on the Company's ability to operate effectively. More generally, any of these events could adversely affect client confidence in India as an outsourcing base and increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.



Regional conflicts in South Asia could adversely affect the Indian economy, disrupt the Company's operations and cause its business to suffer.

South Asia has, from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. The potential for hostilities between the two countries is higher due to recent terrorist incidents in India, recent troop mobilisations along the border, and the aggravated geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including the Equity Shares and on the market for the Company's services.

The Company's performance is linked to the stability of policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Since 1996, the Government of India has changed five times. The current Government of India, which was formed in October 1999, has announced policies and taken initiatives that support the continued economic liberalisation policies that had been pursued by the previous governments. The Company cannot assure the investors that these liberalization policies will continue in the future. Recent government corruption scandals and protests against privatisation could slowdown the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in the Company's securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India thus, affecting the Company's business. The current Indian government is a coalition of several parties. The withdrawal of one or more of these parties could result in political instability. In addition, general elections will be held in 2004, and different parties may be elected to the Indian government. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for the Equity Shares and on the market for the Company's services.

After this Issue, the price of the Equity Shares may be highly volatile, or an active trading market for the Equity Shares may not develop.

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; the Company's results of operations and performance; performance of the Company's competitors, the Indian information technology industry, information technology enabled services industry and the perception in the market about investments in the information technology sector; adverse media reports on the Company or the Indian information technology enabled services industry; changes in the estimates of the Company's performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies; and significant developments in India's fiscal and environmental regulations.

There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

Any disruption in the supply of power, information technology infrastructure and telecom lines could disrupt the Company's business process or subject it to additional costs.

Any disruption in basic infrastructure could negatively impact the Company's business since it may not be able to provide timely or adequate services to its clients.

Such disruptions may also cause harm to its clients' business. The Company does not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, information technology infrastructure or telecom lines is disrupted. This may result in the loss of a client and a substantial claim for damages against the Company, impose additional costs on the Company and have an adverse effect on the Company's business, results of operations and financial condition.



Notes:

1. The Investors are advised to refer to “Basis for Issue Price” on page 52 of this Prospectus before making an investment in this Issue.
2. The present Issue is a public issue of 10,300,000 Equity Shares comprising Fresh Issue of 8,500,000 Equity Shares of Rs. 5/- each at a price of Rs. 110 for cash aggregating to Rs. 935 million and Offer for Sale of 1,800,000 Equity Shares of Rs. 5/- each at a price of Rs. 110 for cash aggregating to Rs. 198 million
3. The net worth of the Company was Rs. 985.29 million and Rs. 648.80 million as at December 31, 2003 and as at March 31, 2003, respectively, as per the restated unconsolidated financial statements under Indian GAAP. The net worth of the Company was Rs. 640.70 million and Rs. 563.47 million as at December 31, 2003 and as at March 31, 2003, respectively, as per the consolidated financial statements under Indian GAAP.
4. For related party transactions, please refer to the section entitled “Related Party Transactions” on page 132 of this Prospectus.
5. Trading in Equity Shares of the Company for all the investors shall be in dematerialized form only.
6. The average cost per share of the Company for the Promoters - Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, Latasha, Lonicera, Linium, Lusitania, Ligure is Rs. 0.16, Rs. 0.12, Rs. 1.43, Rs. 1.67, Rs. 1.59, Rs. 1.76 and Rs. 1.56 per share of Rs. 5/- each and the book value per share is 31.88 as on December 31, 2003.
7. Investors may note that in case of over-subscription in the Issue, allotment to Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see “Basis of Allotment” on page 333 of this Prospectus.
8. Investors are free to contact the BRLM/Co-BRLM for any clarification or information relating to the Issue who will be obliged to provide the same to the investor.
9. Investors may contact the BRLM/Co-BRLM for any complaints pertaining to the Issue.



SECTION II: INTRODUCTION

THE ISSUE

Equity Shares offered:

Fresh Issue	8,500,000 Equity Shares of Rs. 5 each
Offer for Sale by Selling Shareholders	1,800,000 Equity Shares of Rs. 5 each
Total Equity Shares	10,300,000 Equity Shares of Rs. 5 each

Of Which:

Reserved For Allotment To Permanent Employees Of The Company (out of the Fresh Issue)	150,000 Equity Shares of Rs. 5 each
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Therefore,

Net Issue to the Public	10,150,000 Equity Shares of Rs. 5 each
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Of which:

Qualified Institutional Buyers portion (Allocation on a discretionary basis)	5,075,000 Equity Shares of Rs. 5 each
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Non-Institutional Portion (Allocation on a proportionate basis)	2,537,500 Equity Shares of Rs. 5 each
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Retail portion (Allocation on a proportionate basis)	2,537,500 Equity Shares of Rs. 5 each
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Equity Shares outstanding prior to the Issue	32,073,137 Equity Shares of Rs. 5 each
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Equity Shares outstanding after the Issue	40,573,137 Equity Shares of Rs. 5 each
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Objects of the Issue

The net proceeds of the Fresh Issue will be used for investments in subsidiaries and associates, repayment of working capital / term loan, capital expenditure and corporate purposes including strategic initiatives and acquisitions and other general corporate purposes.

For more information, please see the section on “Objects of the Issue” at page 27 of this Prospectus.



SUMMARY

Overview

Industry

Information Technology Enabled Services / Business Process Outsourcing Scenario: The global market for information technology enabled services / business process outsourcing which was around US\$ 120 billion is expected to reach US\$ 234 billion by 2005. (Source: NASSCOM Press Release dated July 23, 2003)

The Indian information technology enabled services / business process outsourcing industry has garnered a share of about 2% of the global outsourcing pie. This share is expected to increase to 4.8% by 2008 by expanding the offerings in new areas such as engineering/research and development, logistics and sales. The information technology enabled services / business process outsourcing segment contributed 25% of the total information technology software and service exports from India and has witnessed a growth of 59% in 2002-03 to reach Rs. 11,300 crore (US\$ 2.3 billion). This segment is projected to register a growth of 50% to clock revenues of US\$ 3.6 billion during the fiscal year 2003-04 and reach US\$ 24 billion by 2008.

(Source: NASSCOM Press Release dated June 12, 2003.)

Growth Drivers: Large global corporations have been outsourcing their non-core activities for several years by now. This trend is accelerating with: (a) more corporations joining this bandwagon and (b) deciding that far fewer of their activities are core to their businesses. Rapid technological challenges have resulted in smoother delivery and input channels, which have resulted in a strong case for outsourcing. The Indian outsourcing industry will benefit from both of these trends and in addition, the off-shoring of these outsourced processes will gather momentum driving the growth of the Indian industry.

The Company

Background: The Company is a Datamatics Group company, promoted by Dr. Lalit S. Kanodia. The Company has been spearheading the Datamatics Group's business activities in the information technology enabled services / business process outsourcing sector for over 10 years. The Company has well developed business operations in the country through well-trained human resources, adequate infrastructure and international clients.

Business Offerings: The Company's principal objective is to be the largest third party pure-play business process outsourcing company in India.

The Company has, over the years, developed competencies in the business process outsourcing segment and has moved up the value chain by offering end-to-end services in content management, back office processing in finance and accounts, human resource & claims processing and related software services to its customers worldwide.

Competitive Advantages

Certified Client track record: The Company's client profile includes companies among the Fortune 100 corporations. Its major clientele include world leaders like Lexis-Nexis (a division of Reed Elsevier Inc.), Computer Sciences Corporation, Unisys Inc., CCH Inc., Ford Motor Company and DaimlerChrysler Corporation. The Company's roster of over 80 clients provides it with an enormous referral base easing its subsequent selling efforts.

Delivery model & proprietary process and technology: The Company's delivery model is built upon a combination of its developed expertise in the areas of automated workflow and its human resource talent pool. It has built up a mix of in-house as well as virtual employees to facilitate quality delivery of services to its clients. It utilizes various proprietary processes and technologies to enable effective and efficient dissemination of information throughout the organization, to its virtual employees, and to its customers as required for its business, while ensuring confidentiality, integrity and availability. This model, amongst other benefits, enables the Company to scale up its operations and cater to variations in volumes in business without impacting its fixed cost.

Infrastructure & Human Resources: The Company has a total area of 73,085 square feet at two different locations in Mumbai and in one location in Chennai. This includes 30,419 square feet of long-term leased premises in SEEPZ, 40,000 square feet independent building at MIDC and 2,666 square feet of leased premises at Chennai both registered with Software Technology



Park of India. The Company has over 900 full time employees, 600 of them being in India and 300 in overseas subsidiaries along with over 1200 virtual employees (Knowledge Associates).

Quality Standard: The Company is an ISO9001: 2000 certified organization and has embarked upon the 6-sigma quality program. Content management & back office processing divisions of the Company today can offer 99.997% accuracy in their deliverables. Further, the Company has been certified for the security standard BS 7799 by STQC Certification Services.

Partnership/Alliances: The Company has partnerships and alliances with a number of strategically important companies like FileNET Corporation USA & Hummingbird (document management and workflow solutions), Computer Sciences Corporation (data migration services to insurance industry), Ascential Software (data warehousing), and CCH Inc. (tax processing). The Company has been awarded FileNET US - Service Provider of the year 2002 and the Hummingbird, Asia Pte Limited - Best Implementation partner 2002-2003.

Growth Strategy

The Company is well positioned in the business process outsourcing industry and has strong management capabilities. These are backed by a good historical track record and excellent infrastructure (physical, technological and human resources). These characteristics have, over the years, transformed many a customer-vendor relationships to preferred partnerships and also grown to strategic partnerships. Its investments in marketing infrastructure, acquisitions and building strong alliances and partnerships should help it in the future.

The Company has been following a focused growth strategy to realise its principal objective, which includes:

- **Penetrating and growing strategic accounts:** The Company has million dollar relationships with several large customers. The Company aims to forge strategic relationships with these customers globally. Account management for these customers will be driven by key account relationship managers whose task are to mine and grow these accounts by offering other Company services and to sell to other divisions/companies within the customer group.
- **Marketing and Sales led growth:** The Company has over the last two years focused on increasing its marketing infrastructure in existing as well as in newer markets. The Company has formed subsidiaries in USA, Germany and UK for marketing and account relationship management, in addition to increasing its India based marketing and sales team.
- **Enhanced services:** Within the broad services offered by the Company in content management and back office processing, the Company will keep on adding new service offerings which are complementary and higher up in the value chain.
- **Inorganic** growth prospects, by way of acquisition of suitable companies. The Company has integrated its investment in Saztec and has initiated a similar exercise for CorPay. These experiences have given the Company the confidence to look at acquisitions as a key growth strategy.
- **Alliances** led growth, by tying-up with industry leaders to address untapped markets, verticals and providing end-to-end solutions.



GENERAL INFORMATION

DATAMATICS TECHNOLOGIES LIMITED

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

Corporate Office: Knowledge Centre, Street No. 17, MIDC, Andheri (E), Mumbai 400 093

Public Issue of 10,300,000 Equity Shares comprising a Fresh Issue of 8,500,000 Equity Shares of Rs. 5/- each at a price of Rs. 110/- for cash aggregating to Rs. 935 million and an Offer for Sale by the Selling Shareholders of 1,800,000 Equity Shares of Rs. 5/- each at a price of Rs. 110 for cash aggregating to Rs. 198 million.

CORPORATE AUTHORITY FOR THE PRESENT ISSUE

The Issue has been authorized by a special resolution passed, pursuant to Section 81(1A) of the Companies Act, at the EGM of the Company held on January 21, 2004.

The Offer for Sale has been approved by the Board of Directors at its meeting held on December 17, 2003. By their letter dated December 17, 2003, Dr. Lalit Kanodia, Mrs. Asha Kanodia, Mr. Sameer Kanodia, and Dr. Lalit Kanodia (HUF), have given their consent for the Offer for Sale of 350,000, 490,000, 830,000 and 130,000 Equity Shares of Rs. 5/- each held by them respectively, through this Issue.

PROHIBITION BY SEBI

The Company, the Directors, the Promoters, the directors of the Promoter Companies and persons in control of the Promoters, the subsidiaries, the associates, the group companies, companies promoted by promoters and companies or entities with which the Company's directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

The Company, the Promoters, their relatives, group companies and associate companies have not been detained as willful defaulters by RBI / Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

ELIGIBILITY FOR THE ISSUE

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under, with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- The Company has net tangible assets of atleast Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets;
- The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years;
- The Company has a pre-issue net worth of not less than Rs. 10 million in each of the three preceding full years; and
- The proposed Issue size is not expected to exceed five times the pre-Issue net worth



The net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Prospectus under the section "Unconsolidated Financial Statements under Indian GAAP" at page 215, as at and for the last five years ended March 31, 2003 and the nine-month period ended December 31, 2003 are set forth below:

(Rs. million)

	As at and for year ended March 31, 1999	As at and for year ended March 31, 2000	As at and for year ended March 31, 2001	As at and for year ended March 31, 2002	As at and for year ended March 31, 2003	As at and for nine months ended December 31, 2003
Net tangible assets	212.36	442.76	538.05	649.62	724.77	1,100.57
Monetary assets	125.93	139.87	94.61	56.20	140.27	238.77
Net profits, as restated	62.28	98.38	77.04	124.28	161.44	203.77
Net worth	185.94	352.11	449.67	503.31	648.81	985.30
Distributable Profits	63.84	93.83	82.47	127.40	161.36	203.63

- (1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)
- (2) Monetary assets include cash on hand and bank and quoted investments. Quoted investments other than investments in associates and subsidiaries.
- (3) Net worth includes equity share capital and reserves (net of miscellaneous expenditure not written off)
- (4) The above distributable profits as per Section 205 of the Companies Act have been calculated from the audited financial statements of the respective year / period after making adjustments for restatement of financial statements

GOVERNMENT APPROVALS

The Company does not require any letter of intent or industrial license from the GoI for carrying out its current operations or those proposed in this Prospectus.

The Company does not require any permission or approval from the GoI and various GoI agencies for proceeding with the proposed capital expenditure from the proceeds of the Issue except those mentioned in this Prospectus. The Company does not require any further approval from any GoI authority or RBI to undertake the proposed activities save and except those consents and approvals which it may require to take in the normal course of business from time to time.

The Company has received all the necessary consents, licenses, permissions and approvals from the GoI and various GoI agencies / private certification bodies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the Company. It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the GoI does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

The Company has received approval from the GoI, Ministry of Finance and Company Affairs, FIPB Unit, pursuant to its letter dated February 23, 2004 for the transfer of the Offer for Sale Equity Shares in this Issue to eligible non-resident investors including NRIs, FIIs and Foreign Venture Capital Investors. The Company, has received approval from the RBI pursuant to letter dated March 27, 2004 for transfer of Offer for Sale of Equity Shares in the Issue to Non Resident Investors including NRI's, FIIs and Foreign Venture Capital Investors.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY



ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 12, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- “(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE;
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
- (a) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - (b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - (c) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.”

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE ROC, MUMBAI, MAHARASHTRA IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE ACT.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.



CAUTION

The Company, the Directors and the BRLM accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at the instance of the Company. Anyone placing reliance on any other source of information, including the website of the Company, would be doing so at his/her/its own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into by the Company and itself and the Underwriting Agreement entered into by the Company, the BRLM and the Syndicate members.

All information shall be made available by the Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, or any other trust law and who are authorized under their constitution to hold and invest in shares and to non-resident investors including NRIs and FIIs as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about, and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE BSE

As required, a copy of this Prospectus has been submitted to the BSE.

BSE has given vide its letter dated February 21, 2004 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

- i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever"



DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this Prospectus has been submitted to the NSE.

NSE has give vide its letter ref.:NSE/LIST/63678 dated March 4, 2004 permission to the Issuer to use the Exchange's name in this Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed subject to the issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e. the paid up capital shall not be less than 10 crores and market capitalization shall not be less than Rs.25 crores at the time time of listing). The Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever."

FILING

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with the RoC. A copy of this Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

LISTING

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The Company has chosen the BSE as the designated stock exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Issue. If such money is not repaid within 8 days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closing of the subscription list, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15 per cent per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the basis of allotment for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who

- (a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years."



MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the Fresh Issue amount including devolvement of Syndicate Members, if any, within 60 days from the Bid / Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. For delay beyond 8 days from the Bid / Issue Closing Date, if any, in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act.

WITHDRAWAL OF THE ISSUE

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid / Issue Opening Date, without assigning any reason therefor.

LETTERS OF ALLOCATION/REFUND ORDERS

The Company shall give credit to the beneficiary account with Depository Participants within two working days of finalization of the basis of allotment of Equity Shares. The Company shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder’s sole risk.

In accordance with the Companies Act, the Stock Exchange requirements and SEBI Guidelines, the Company further undertakes that:



1. Allocation/allotment/transfer of securities shall be made only in dematerialized form within 15 days of the Bid / Issue Closing Date;
2. Despatch of refund orders will be done within 15 days from the Bid / Issue Closing Date;
3. The Company shall pay interest @15% per annum (for any delay beyond the 15 day time period as mentioned above), if transfer is not made, refund orders are not despatched and/or dematerialized credits are not made to investors within the 15 day time prescribed above.
4. The Company will provide adequate funds required for despatch of refund orders or allotment advice to the Registrars to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as an Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

ISSUE PROGRAM	
BID / ISSUE OPENS ON	: April 12, 2004
BID / ISSUE CLOSES ON	: April 19, 2004

Bids and any revision in bids shall be accepted **only between 10 a.m. and 5 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid / Issue Closing Date.



BOOK RUNNING LEAD MANAGER	CO BOOK RUNNING LEAD MANAGER
 ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED 801/802, Dalamal Tower, Nariman Point Mumbai - 400 021 India Tel: (+91-22) 5638 1800 Fax: (+91-22) 2284 6824 Email: dtlipo@enam.com	 IL&FS INVESTSMART LIMITED The IL&FS Financial Centre, Plot C-22, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 India Tel: (+91-22) 2653 3333 Fax: (+91-22) 2653 3093 Email: datamatics.ipo@investsmartindia.com

SYNDICATE MEMBERS

Enam Securities Private Limited

2A & 2B Hari Chambers
Shahid Bhagatsingh Road
Opp. Custom House
Mumbai - 400 023.
Tel: (+91-22) 5638 1800
Fax: (+91-22) 2284 6824

REGISTRARS TO THE ISSUE

INTIME SPECTRUM REGISTRY LIMITED

C 13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.
Tel.: (022) 5555 5454, Fax: (+91-22) 5555 5353

LEGAL ADVISOR TO THE COMPANY

Crawford Bayley & Co.

Solicitors & Advocates
4th Floor, State Bank of India Building,
Horniman Circle, Fort, Mumbai – 400 023.
Tel: (+91-22) 2266 3713
Fax: (+91 -22) 2266 0355/986

LEGAL ADVISOR TO THE BOOK RUNNING LEAD MANAGER

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Advocates & Solicitors
Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013.
Tel: (+91-22) 2496 4455
Fax: (+91-22) 2496 3666

AUDITORS

Kanu Doshi Associates

Chartered Accountants
24, Morvi House, 30, Dr. Sunderlal Behl Marg,
Ballard Estate, Mumbai 400 038.
Tel: (+91-22) 2267 5583
Fax: (+91-22) 2267 5577



ESCROW COLLECTION BANKS / BANKERS TO THE ISSUE

HDFC Bank Limited

Trade World, New Building,
2nd Floor, Kamla Mills, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Tel: (+91-22) 2498 8484
Fax: (+91-22) 2496 3871

Deutsche Bank AG,

Kodak House, 222, Dr. D.N. Road,
Fort, Mumbai 400 001
Tel: (+91-22) 5658 4000
Fax: (+91-22) 2208 0137

ICICI Bank Limited

Capital Markets Division,
30, Mumbai Samachar Marg,
Fort, Mumbai 400 001
Tel: (+91-22) 2265 5285
Fax: (+91-22) 2265 5206

BANKERS TO THE COMPANY

State Bank of India

SEEPZ Branch, New Bank Building,
Andheri (E), Mumbai 400 096
Tel: (+91-22) 2829 0393
Fax: (+91-22) 2829 0266

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Kumar Gidwani
Datamatics Technologies Limited,
Knowledge Center,
Plot No. 58, Street No. 17, MIDC, Andheri (East),
Mumbai – 400 093
Tel: (+91-22) 5697 1121
Fax: (+91-22) 2834 3669
Email: kumar_gidwani@datamatics.com

Note: The investors' attention is invited to contact the Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of letters of allotment/ credit of allotted shares in the respective beneficiary accounts/refund orders, etc.

REGISTERED OFFICE OF THE COMPANY

Unit No. 117-120 SDF-IV,
Santacruz Electronics Export Processing Zone (SEEPZ),
Andheri (E), Mumbai 400 096.
Tel: (+91-22) 5697 5300
Fax: (+91-22) 2829 2475

CORPORATE OFFICE OF THE COMPANY

Knowledge Centre,
Street No. 17, MIDC,
Andheri (E), Mumbai 400 093.
Tel.: (+91 -22) 5697 1177
Fax.: (+91 -22) 2834 3669
Email: ipo@datamatics.com



STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

The responsibilities and co-ordination for various activities in relation to the Issue have been distributed between the BRLM and the Co-BRLM as under:

No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam	Enam
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Prospectus. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	Enam	Enam
3.	Assisting the Company for the FIPB and RBI approvals.	Enam	Enam
4.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.	Enam	Enam
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.	Enam	Enam
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (5) above including corporate advertisement, brochure, etc.	Enam	Enam
7.	Appointing the Registrars	IL&FS	IL&FS
8.	Appointing Bankers to the Issue	Enam IL&FS	Enam
9.	Appointing other intermediaries viz. printers and advertising agency.	Enam	Enam
10.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> ● Formulating marketing strategies, preparation of publicity budget, ● Finalizing media & public relations strategy, ● Finalizing centers for holding conferences for press and brokers, etc., ● Finalizing collection centers, ● Following-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Issue material, and ● Preparing all roadshow presentations. 	Enam IL&FS	Enam
11.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Selling Shareholders/Company, finalizing the Prospectus and RoC filing.	Enam IL&FS	Enam
12.	Co-ordinating post bidding activities including management of escrow accounts, coordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc. The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing the listing of instruments and despatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company	IL&FS	IL&FS

CREDIT RATING

Since the present issue is of equity shares, credit rating is not required.

TRUSTEES

Since the present issue is of equity shares, appointment of Trustees is not required.



BOOK BUILDING PROCESS

Book Building refers to the collective bids from investors, which is based on the Price Band, the Issue Price being fixed after the Bid / Issue Closing Date. The principal intermediaries involved in a Book Building Process are:

- (1) The Company
- (2) BRLM (Enam)
- (3) Co-BRLM (IL&FS)
- (4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchanges and eligible to act as underwriters. Syndicate Members are appointed by the BRLM.

SEBI, through its SEBI Guidelines, has permitted an offer of securities to the public through the 100% book building facility wherein up to 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed Enam as the BRLM and IL&FS as the Co-BRLM to the Issue, to procure subscription to the Issue.

The Book Building Process under SEBI Guidelines is relatively new and Investors are advised to make their own judgement about investment through this process prior to making a Bid or application in the Issue. Pursuant to recent amendments to the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. See page 32 for the section on “Terms of the Issue” in this Prospectus.

OFFER FOR SALE

The Offer for Sale has been approved by the Board of Directors at its meeting held on December 17, 2003. By their letter dated December 17, 2003, Dr. Lalit S. Kanodia, Mrs. Asha Kanodia, Mr. Sameer Kanodia and Dr. Lalit Kanodia (HUF) have given their consent to the Offer for Sale of 350,000, 490,000, 830,000 and 130,000 Equity Shares of Rs. 5 each held by them respectively, through this Issue. Pursuant to this, the Selling Shareholders will submit a valid form of acceptance and tender their shares through a delivery instruction to its depository participant to debit its beneficiary account and credit a special escrow account opened by the Registrars to the Issue, who will act as the escrow agent. The escrow agent would hold the Offer for Sale Equity Shares of the Selling Shareholders in trust and the Selling Shareholders would be entitled to receive dividend, rights and bonus shares, if any, on the Offer for Sale Equity Shares held by the escrow agent. Following the Bid / Issue Closing Date, and after the basis of allocation is finalized, the Company and the BRLM would jointly instruct the escrow agent to debit the escrow account to the extent of the Offer for Sale Equity Shares sold to the successful Bidders.

Steps to be taken by the Bidders for Bidding




- Check whether he/she/it is eligible for Bidding
- Open a dematerialization account
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given at page 43 of this Prospectus

UNDERWRITING AGREEMENT

After the determination of the Issue Price and prior to filing the Prospectus with the RoC, the Company, on its behalf and on behalf of the Selling Shareholders, has entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. In terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.



The Underwriters have indicated their intention to underwrite the following numbers of shares:

Name and Address of the Underwriter	Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
 ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED 801/802, Dalamal Tower, Nariman Point, Mumbai - 400 021 India Tel: (+91-22) 5638 1800 Fax: (+91-22) 2284 6824 Email: dtl.ipo@enam.com	8,239,900	906.39
 IL&FS INVESTSMART LIMITED The IL&FS Financial Centre, Plot C-22, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 India Tel: (+91-22) 2653 3333 Fax: (+91-22) 2653 3093 Email: datamatics.ipo@investsmartindia.com	2,060,000	226.60
 ENAM SECURITIES PRIVATE LIMITED 2nd floor, Khatau Bldg, 44, Bank Street, Off SB Road, Fort, Mumbai - 400 023	100	0.01

The above Underwriting Agreement is dated April 22, 2004 .

In the opinion of the Board of the Company (based on a certificate given to it by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge the respective underwriting obligations in full. All the above mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of the Company at their meeting held on April 20, 2004 on behalf of the Company, and the Selling Shareholders and the Company have issued letters of acceptance to the Underwriters.

Allocation amongst the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, Co-BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure or subscribe to the extent of the defaulted amount. Allocation to QIBs may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.



UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- (i) all monies received out of issue of shares to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73;
- (ii) details of all monies utilized out of the issue referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- (iii) details of all unutilized monies out of the issue of shares referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the Company certify that:

- i) the utilization of monies received under reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- ii) the details of all unutilized monies out of the fund received from reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have access to the Fresh Issue proceeds till approvals are received for dealing in Equity Shares from all Stock Exchanges where listing is sought.



CAPITAL STRUCTURE OF THE COMPANY

(in Rs. Million)

	Nominal Value	Aggregate Value
Share Capital as on the date of this Prospectus		
A. Authorized Capital		
48,000,000 Equity Shares of Rs. 5/- each	240.00	
30,000,000 Preference Share of Rs 5/- each	150.00	
B. Issued, Subscribed And Paid Up Capital		
32,073,137 Equity Shares of Rs. 5/- each fully paid up	160.36	
C. Present Issue to the Public in Terms of this Prospectus		
Fresh Issue		
8,500,000 Equity Shares of Rs. 5/- each fully paid up	42.50	935.00
Offer for Sale		
1,800,000 Equity Shares of Rs. 5/- each fully paid up	9.00	198.00
Out of which		
150,000 Equity Shares of Rs. 5/- each fully paid up are reserved for allotment to Permanent Employees on a competitive basis (out of Fresh Issue)	0.75	16.50
D. Net Issue to the Public in Terms of this Prospectus		
Fresh Issue		
8,350,000 Equity Shares of Rs. 5/- each fully paid up	41.75	918.50
Offer for Sale		
1,800,000 Equity Shares of Rs. 5/- each fully paid up	9.00	198.00
E. Post Issue Paid Up Equity Share Capital		
40,573,137 Equity Shares of Rs. 5/- each fully paid up	202.86	4463.05
F. Share Premium Account		
Before the Issue	245.64	
After the Issue	1138.14	

The authorized share capital of the Company was increased to Rs. 390 million divided into 48,000,000 Equity Shares of Rs. 5 each and 30,000,000 Preference Shares of Rs. 5 each from Rs. 290 million divided into 48,000,000 Equity Shares of Rs. 5 each and 5,000,000 Preference Shares of Rs. 10 each, which was approved by the shareholders of the Company at the EGM of the members of the Company held on November 6, 2003.

A share split was approved at the EGM of the members of the Company held on December 27, 1999 resulting in 24,000,000 Equity Shares of Rs. 10/- each being subdivided into 48,000,000 Equity Shares of Rs. 5 each.

On November 6, 2003, the shareholders of the Company approved the issue of up to 340,000 Equity Shares to eligible employees and Directors of the Company and its subsidiaries under the ESOP Scheme. On January 23, 2004, an initial grant of options to acquire an aggregate of 275,000 Equity Shares was made to certain employees and the Managing Director & CEO of the Company and its subsidiaries. The equity capital of the Company upon completion of the Issue, assuming full exercise of all the outstanding options issued under the ESOP Scheme, will comprise 40,848,137 Equity Shares. For details, please refer to “Notes to the Capital Structure” at page 16 of this Prospectus.



The current authorized capital is sufficient to meet the requirements of the Fresh Issue and the ESOP Scheme.

The addition to the Share Premium Account on account of the Issue and the balance in the Share Premium Account after the Issue can be determined only after the Issue Price is known, after the Book Building Process.

Pursuant to the respective authorizations, the following shareholders have offered for sale 1,800,000 Equity Shares of Rs. 5 each under the Offer for Sale:

Offeror	Authority	Number of Shares *	Date of Allotment/Transfer
Dr. Lalit S. Kanodia	Consent Letter dated December 17, 2003	350,000	January 19, 1996 Bonus shares- nil consideration (11,520 shares) January 2, 1997 Bonus shares- nil consideration (24,030 shares) August 30, 1999 Bonus shares- nil consideration (96,120 shares) November 26, 1999 Bonus shares- nil consideration (43,330 shares)
Mrs. Asha L. Kanodia	Consent Letter dated December 17, 2003	490,000	January 19, 1996 Bonus shares- nil consideration (10,630 shares) January 2, 1997 Bonus shares- nil consideration (31,990 shares) August 30, 1999 Bonus shares- nil consideration (127,960 shares) November 26, 1999 Bonus shares- nil consideration (74,420 shares)
Mr. Sameer Kanodia	Consent Letter dated December 17, 2003	830,000	January 19, 1996 Bonus shares- nil consideration (31,000 shares) January 2, 1997 Bonus shares- nil consideration (48,000 shares) August 30, 1999 Bonus shares- nil consideration (192,000 shares) November 26, 1999 Bonus shares- nil consideration (1,44,000 shares)
Dr. L. S. Kanodia (HUF)	Consent Letter dated December 17, 2003	130,000	January 19, 1996 Bonus shares- nil consideration (1,320 shares) January 2, 1997 Bonus shares- nil consideration (7960 shares) August 30, 1999 Bonus shares- nil consideration (31,840 shares) November 26, 1999 Bonus shares- nil consideration (23,880 shares)

* A share split was approved at the EGM of the members of the Company held on December 27, 1999 resulting in 24,000,000 equity share of Rs.10/- each being subdivided into 48,000,000 equity shares of Rs. 5/- each. The number of shares reflected in the "Date of Allotment/Transfer" column above are pre-split figures and the number of Equity Shares reflected as being sold through the Offer For Sale are post-split figures.



NOTES TO CAPITAL STRUCTURE

1. Share Capital History of the Company

(i) Equity Shares

Date Of Allotment	No. Of Equity Shares Of The Face Value Of Rs. 10/- Each (Type)	Face Value (Rs.)	Issue Price (Rs.)	No. Of Equity Shares Post Sub-Division Of The Face Value Into Rs. 5/- Per Equity Share	No. Of Equity Shares Post Sub -Division Of The Face Value Into Rs. 5/- Per Equity Share. (cumulative)	Consideration (only cash or bonus)	Reason for Allotment	Cumulative Paid up Share Capital (Rs. in million)	Cumulative Share Premium (Rs. In million)
November 4, 1987	20	10	10	40	40	Cash At Par	Subscribers Shares	.0002	
November 23, 1988	3,980	10	10	7,960	8,000	- Do -	Further Allotment	.04	
December 7, 1988	98,000	10	10	196,000	204,000	- Do -	Further Allotment	1.02	
December 21, 1988	24,500	10	10	49,000	253,000	- Do -	Further Allotment	1.265	
January 16, 1989	98,000	10	10	196,000	449,000	- Do -	Further Allotment	2.245	
March 17, 1989	24,850	10	10	49,700	498,700	- Do -	Further Allotment	2.4935	
February 28, 1995	1,50,650	10	10	301,300	800,000	- Do -	Further Allotment	4.00	
January 19, 1996	12,00,000	10	Nil	2,400,000	3,200,000	Bonus	In The Ratio Of 3 Shares As Bonus For Every 1 Share Held	16.00	
January 2, 1997	16,00,000	10	Nil	3,200,000	6,400,000	- Do -	In The Ratio Of 1 Share As Bonus For Every 1 Share Held	32.00	
May 27, 1998	20,000	10	20	40,000	6,440,000	Cash At A Premium Of Rs. 10/- Per Share	Further Allotment	32.20	.20
August 30, 1999	64,40,000	10	Nil	12,880,000	19,320,000	Bonus	In The Ratio Of 2 Shares As Bonus For Every 1 Share Held	96.60	
September 10, 1999	3,40,000	10	10	680,000	20,000,000	Cash At Par	Rights shares	100.00	
November 26, 1999	50,00,000	10	Nil	10,000,000	30,000,000	Bonus	In The Ratio Of 1 Share As Bonus For Every 2 Shares Held	150.00	
March 24, 2000	-	5	175	440,000	30,440,000	Cash At A Premium Of Rs. 170/-	Shares to Employees, Employees Of Group Companies, Promoter, Business Associates, Friends And Others	152.20	75.00
November 3, 2000	-	5	175	247,000	30,687,000	Cash at a premium of Rs. 170	Private placement on a preferential basis to Infologix BVI	153.435	116.99
November 13, 2003	-	5	101	2,000	30,689,000	Cash at a premium of Rs. 96	Private placement on a preferential basis to SARA Fund and IT Fund	153.445	117.182
January 27, 2004	-	5	101	1,384,137	32,073,137	Cash at a premium of Rs. 96	Conversion of redeemable optionally convertible cumulative Preference Shares to Equity Shares allotted to SARA Fund and IT Fund	160.365685	250.059152

Note: Out of the total Equity Shares of 32,073,137 of the face value of Rs. 5/- each, 28,480,000 Equity Shares have been issued as bonus shares and the balance 3,593,137 Equity Shares have been issued for cash.



2. Promoters Contribution & Lock-in period - 20% of the post-issue capital of the Company held by the Promoters will be locked-in as under:

Name of the Promoter	Date of Allotment / Acquisition	Date when made fully paid up (Rs.)	Consideration (Cash/ Bonus)	No. of Equity Shares	% of Pre Issue paid up capital	% of Post Issue paid up capital*	Lock in period
Lusitania Management Consultancy Services Private Limited	October 29, 2002 December 20, 2001 October 4, 2001 November 26, 1999 September 10, 1999 August 30, 1999	October 29, 2002 December 20, 2001 October 4, 2001 November 26, 1999 September 10, 1999 August 30, 1999	Cash Cash Cash Bonus Cash Bonus	22,200 1,100 15,200 1,939,000 138,800 2,492,800			
A				4,609,100	14.37	11.28	3 years
Linium Management Consultancy Services Private Limited	March 20, 2002 December 20, 2001 December 6, 2001 November 26, 1999 September 10, 1999 August 30, 1999	March 20, 2002 December 20, 2001 December 6, 2001 November 26, 1999 September 10, 1999 August 30, 1999	Cash Cash Cash Bonus Cash Bonus	11,150 2,200 23,850 1,939,000 138,800 1,445,527			
B				3,560,527	11.10	8.72	3 years
Total (A + B)				8,169,627	25.47	20.00	

* Assuming all the options granted are exercised.

* Lock-in period for these Equity Shares would commence from the date of allotment of the shares in the Issue.

Other than the above shares which are locked in for three years and the Equity Shares being offered in the Offer for Sale which are exempt from lock in, the entire pre-Issue equity share capital of the Company comprising 22,517,373 Equity Shares shall be locked in for a period of one year from the date of allotment in this Issue. Under the existing SEBI guidelines, shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to the continuation of lock in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable. Under the SEBI Guidelines, shares held by promoters which are locked in, may be transferred to and among promoter/promoter group or to a new promoter or persons in control of the Company, subject to the continuation of lock in with the transferees for the remaining period and in compliance with the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed from banks or financial institutions.

Two shareholders of the Company viz., Sara Fund Trustee Company Limited and Development Investment Trustee Company Private Limited are venture capital funds registered with SEBI under the SEBI (Venture Capital Funds) Regulations, 1996. The pre-Issue share capital of the Company held by these shareholders would be locked-in as per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and amendments thereto. For details of investments by these shareholders, please refer to page 26 of this Prospectus.



3. Details of the capitalization of the reserves by the Company in the past.

Date of Allotment of Bonus Shares	Date of approval to the Bonus Issue	Ratio of Bonus Issue	Number of Equity Shares of Rs 10/- each Issued as Bonus	Amount of Reserves Capitalized
January 19, 1996	September 22, 1995	3 Bonus shares for every 1 Equity Share held	1,200,000	Rs. 12,000,000
January 2, 1997	September 20, 1996	1 Bonus share for every 1 Equity Share held	1,600,000	Rs. 16,000,000
August 30, 1999	August 30, 1999	2 Bonus shares for every 1 Equity Share held	6,440,000	Rs. 64,400,000
November 26, 1999	November 22, 1999	1 Bonus share for every 2 Equity Shares held	5,000,000	Rs. 50,000,000
Total			14,240,000 *	Rs. 142,400,000

* A share split was approved at the EGM of the members of the Company held on December 27, 1999 resulting in 24,000,000 Equity Shares of Rs. 10/- each being subdivided into 48,000,000 Equity Shares of Rs. 5/- each. The pre-split total of 14,240,000 Equity Shares of Rs. 10/- each corresponds to 28,480,000 Equity Shares of Rs. 5/- each post-split.

4. Shareholding Pattern - The current shareholding pattern of the Company and expected post-issue shareholding pattern is given below:

Category	Pre -issue		Post-issue	
	No. of Shares	%	No. of Shares	%
Promoter Group	29,774,506	92.83	27,974,506	68.95
Dr. Lalit S. Kanodia	375,040	1.17	25,040	0.06
Mrs. Asha L. Kanodia	516,820	1.61	26,820	0.07
Dr. Lalit S. Kanodia HUF	143,280	0.45	13,280	0.03
Delta Infosolution Private Limited	-	-	-	-
Latasha Advisory Services Private Limited	5,803,350	18.09	5,803,350	14.30
Lonicera Management Consultancy Services Private Limited	5,864,100	18.28	5,864,100	14.45
Linium Management Consultancy Services Private Limited	5,861,350	18.27	5,861,350	14.45
Lusitania Management Consultancy Services Private Limited	5,867,100	18.29	5,867,100	14.46
Ligure Management Consultancy Services Private Limited	4,460,300	13.91	4,460,300	10.99
Relatives of Promoters*	883,166	2.75	53,166	0.13
Shareholding of other Directors	122,450	0.38	122,450	0.30
Employees	56,800	0.18	206,800	0.51
Others / Public	2,119,381	6.61	12,269,381	30.24
Total	32,073,137	100.00	40,573,137	100.00

* This includes a holding of 864,000 Equity Shares by Mr. Sameer Kanodia and 72 Equity Shares by Mr. Rahul Kanodia, who are also directors of Delta Infosolution Private Limited, a promoter company.



5. Top 10 shareholders information on the following dates -

(i) As on the date of filing of Prospectus with SEBI

Name of the Shareholder	Equity Shares held	% holding
Lusitania Management Consultancy Services Private Limited	5,867,100	18.29
Lonicera Management Consultancy Services Private Limited	5,864,100	18.28
Linium Management Consultancy Services Private Limited	5,861,350	18.27
Latasha Advisory Services Private Limited	5,803,350	18.09
Ligure Management Consultancy Services Private Limited	4,460,300	13.91
SARA Fund Trustee Company Limited	1,188,118	3.7
Mr. Sameer L. Kanodia	864,000	2.69
Mrs. Asha L. Kanodia	516,820	1.61
Dr. Lalit S. Kanodia	375,040	1.17
Infologix BVI	247,000	0.77

(ii) 10 days prior to date of filing of Prospectus with SEBI

Name of the Shareholder	Equity Shares held	% holding
Lusitania Management Consultancy Services Private Limited	5,867,100	18.29
Lonicera Management Consultancy Services Private Limited	5,864,100	18.28
Linium Management Consultancy Services Private Limited	5,861,350	18.27
Latasha Advisory Services Private Limited	5,803,350	18.09
Ligure Management Consultancy Services Private Limited	4,460,300	13.91
SARA Fund Trustee Company Limited	1,188,118	3.7
Mr. Sameer L. Kanodia	864,000	2.69
Mrs. Asha L. Kanodia	516,820	1.61
Dr. Lalit S. Kanodia	375,040	1.17
Infologix BVI	247,000	0.77

(iii) 2 years prior to date of filing of Prospectus with SEBI

Name of the Shareholder	Equity Shares held	% holding
Linium Management Consultancy Services Private Limited	5,837,600	19.01
Lusitania Management Consultancy Services Private Limited	5,833,300	19.01
Lonicera Management Consultancy Services Private Limited	5,830,300	19.00
Latasha Advisory Services Private Limited	5,819,850	18.97
Ligure Management Consultancy Services Private Limited	4,434,850	14.45
Mr. Sameer L. Kanodia	864,000	2.82
Mrs. Asha L. Kanodia	533,320	1.74
Dr. Lalit S. Kanodia	390,040	1.27
Infologix BVI	247,000	.805
Dr. Lalit. S. Kanodia (HUF)	133,280	.43



6. None of the Promoters, members of the Promoter Group or Directors of Promoter Companies have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Prospectus has been filed with SEBI, except as stated below:

Sr. No	Date of Transfer	Transferor	Transferee	No. of equity Shares	Price per Equity Share
1.	September 25, 2003	Mr. Nandkumar Kesarkar	Latasha Advisory Services Private Limited	50	Rs. 175/-
2.	September 25, 2003	Mr. Jitendra Palande	Latasha Advisory Services Private Limited	50	Rs. 175/-
3.	September 25, 2003	Mr. Ravichandran S. Iyer	Latasha Advisory Services Private Limited	100	Rs. 175/-
4.	September 25, 2003	Mr. Rajesh Jain	Latasha Advisory Services Private Limited	100	Rs. 175/-
5.	September 25, 2003	Mr. Sunil Krishnan	Latasha Advisory Services Private Limited	50	Rs. 175/-
6.	September 25, 2003	Mr. Vinod Kumar V. P.	Latasha Advisory Services Private Limited	100	Rs. 175/-
7.	September 25, 2003	Ms. Varsha Chandrakant Pujari	Latasha Advisory Services Private Limited	100	Rs. 175/-
8.	September 25, 2003	Mr. Umesh Vijay Gawade	Latasha Advisory Services Private Limited	50	Rs. 175/-
9.	September 25, 2003	Mr. Satish M. Motling	Latasha Advisory Services Private Limited	50	Rs. 175/-
10.	September 25, 2003	Mr. Santosh Ambavle	Latasha Advisory Services Private Limited	100	Rs. 175/-
11.	September 25, 2003	Mr. Bolly Ravichandra	Latasha Advisory Services Private Limited	100	Rs. 175/-
12.	September 25, 2003	Mr. Sukhbinder Singh	Latasha Advisory Services Private Limited	50	Rs. 175/-
13.	September 25, 2003	Mr. Anil Chandrakant Kopte	Latasha Advisory Services Private Limited	100	Rs. 175/-
14.	September 25, 2003	Mr. Sajid Aga	Latasha Advisory Services Private Limited	100	Rs. 175/-
15.	September 25, 2003	Latasha Advisory Services Private Limited	Mr. Anand Mahurkar	750	Rs. 5/-*
16.	September 25, 2003	Mr. Aditya Dalmia	Latasha Advisory Services Private Limited	300	Rs. 175/-
17.	September 25, 2003	Ms. Anahita Adityakumar Dalmia	Latasha Advisory Services Private Limited	900	Rs. 175/-
18.	September 25, 2003	Mr. Dinkar Barakya Pabharekar	Latasha Advisory Services Private Limited	50	Rs. 175/-
19.	September 25, 2003	Latasha Advisory Services Private Limited	Mr. Vidur Bhogilal	750	Rs. 5/-*



Sr. No.	Date of Transfer	Transferor	Transferee	No. of equity Shares	Price per Equity Share
20.	September 25, 2003	Ms .Chitra S. Hinduja	Latasha Advisory Services Private Limited	100	Rs. 175/-
21.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. Manish Modi	4,650	Rs. 5/-*
22.	December 31, 2003	Latasha Advisory Services Private Limited	Mrs. Usha Rao	3,600	Rs. 5/-*
23.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. Mahesh Zurale	3,650	Rs. 5/-*
24.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. R. R. Panickar	2,500	Rs. 5/-*
25.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. K. V. Kapadia	2,325	Rs. 5/-*
26.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. Satyanandam	1,500	Rs. 5/-*
27.	December 31, 2003	Latasha Advisory Services Private Limited	Ms. Suman Pai	1,250	Rs. 5/-*
28.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. A. Mahurkar	1,250	Rs. 5/-*
29.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. Vidur Bhogilal	1,750	Rs. 5/-*
30.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. A. Lakdawala	1,125	Rs. 5/-*
31.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. Sunil Dixit	2,250	Rs. 5/-*
32.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. J. Methil	1,000	Rs. 5/-*
33.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. V. Agrawal	1,500	Rs. 5/-*
34.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. M. Ratnaparkhe	1,500	Rs. 5/-*
35.	December 31, 2003	Latasha Advisory Services Private Limited	Mr. Ajay Salunke	750	Rs. 5/-*
36.	December 31, 2003	Mr. Vishwanathan	Latasha Advisory Services Private Limited	600	Rs. 175/-
37.	February 16, 2004	Mr. K. Nagarajan	Yogendra Kanodia (HUF)	150	Rs. 175/-
38.	February 16, 2004	Mr. Sharad Dandekar	Yogendra Kanodia (HUF)	150	Rs. 175/-
39.	February 16, 2004	Mr. B.B. Khosla	Yogendra Kanodia (HUF)	150	Rs. 175/-

* This price of Rs. 5/- per Equity Shares was determined pursuant to a stock option scheme by Latasha to the employees of the Company under which, such employees were entitled to receive shares of the Company at par from Latasha upon exercise of the options. This stock option scheme has lapsed on December 31, 2003 and will not result in a change in Latasha's shareholding in the Company.



7. Employee Stock Options

On November 6, 2003, the shareholders of the Company approved the issue of upto 340,000 Equity Shares under the ESOP Scheme. These shares may be issued to eligible employees and directors of the Company and its subsidiaries. The ESOP Scheme will be administered by the Remuneration Committee of the Company, which shall determine the terms and conditions of the stock options granted from time to time. On January 23, 2004, an initial grant of options to acquire an aggregate of 275,000 Equity Shares was made to certain employees and the Managing Director & CEO of the Company and its subsidiaries. The equity capital of the Company upon completion of the Issue, assuming full exercise of all the outstanding options issued under the ESOP Scheme, will comprise 40,848,137 Equity Shares. Pursuant to the initial grant, the Company has issued the following options:

Particulars (As at January 27, 2004)

a.	Options Granted	275,000
b.	Exercise price	Rs. 75
c.	Options vested	Nil
d.	Options exercised	Nil
e.	Total number of Equity Shares arising as a result of exercise of options	275,000
f.	Options lapsed	Nil
g.	Variation of terms of options	Nil
h.	Money realized by exercise of options	Nil
i.	Total number of options in force	275,000
j.	Person-wise details of options granted to;	
	i) Directors and key managerial employees (Refer 1)	Detailed as below
	ii) any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	None
	iii) Identified employees who are granted options, 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	None
k.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options:	Not Applicable
l.	Vesting schedule	20% at the end of year 1 from the date of grant of options. 30% at the end of year 2 from the date of grant of options. 50% at the end of year 3 from the date of grant of options.
m.	Lock-in	Not Applicable



Details regarding options granted to directors and key managerial employees of the Company and the wholly owned subsidiaries are set forth below:

Sr. No.	Name of Director or key managerial employees	Number of Equity Shares issuable upon exercise of options
1.	Directors: Mr. Manish Modi	50,000
	Key managerial employees:	
2.	Mr. Mahesh Zurale	30,000
3.	Mr. R. R. Panickar	20,000
4.	Mr. Anand Mahurkar	20,000
5.	Mr. Ratish Panicker	15,000
6.	Mrs. Usha Rao	10,000
7.	Mr. Vijay Kanetkar	10,000
8.	Ms. Suman Pai	10,000
9.	Mr. Sachin Raje	10,000
10.	Mr. V. Satyanandam	7,000
11.	Mr. S. Karthik	7,000
12.	Mr. Sunil Dixit	5,000
13.	Mr. Kumar Gidwani	5,000
14.	Mr. K. V. Kapadia	5,000
15.	Mr. K. Karunamaya	2,500
16.	Mr. A. Jayaram	2,500
17.	Mr. R. Subramanian	2,500
	Total	211,500

8. The Promoters/Directors/BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company with any person.
9. An over subscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearer multiple of 50 while finalizing the allotment.
10. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares other than outstanding options granted under the ESOP.
11. An investor cannot make a Bid for more than the number of Equity Shares offered under the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
12. In this Issue, in case of over-subscription in all categories, up to 50% of the Issue shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLM.
13. The Company has received approval from the Ministry of Finance and Company Affairs (Department of Economic Affairs), FIPB Unit, pursuant to its letter dated February 23, 2004 for the transfer of the Offer for Sale Equity Shares in this Issue to eligible non-resident investors including NRIs, FIIs and Foreign Venture Capital Investors. The Company, has received approval from the RBI pursuant to letter dated March 27, 2004 for transfer of Offer for Sale of Equity Shares in the Issue to Non Resident Investors including NRI's, FIIs and Foreign Venture Capital Investors.



14. Permanent Employees of the Company as on the cut-off date of February 1, 2004 would be eligible to apply in this Issue under reservation for employees on a competitive basis. The number of eligible Permanent Employees as on the cut-off date are 583. Separate Bid Applications can be made by Permanent Employees under the Net Issue to Public category as well and such Bids will not be treated as multiple bids. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Permanent Employees of the Company, under C above on page 16, will be added back to the Net Issue to the Public under (D) above.
15. In this Issue, the Company in consultation with the BRLM, will have the discretion to allocate to any of the investors, who have bid at or above the Issue Price.
16. The Company will not issue further capital whether by way of bonus shares, rights issue or preferential allotment or in any other manner during the period commencing from the submission of this Prospectus with SEBI until the Equity Shares have been listed.
17. Presently, the Company does not intend or propose to alter its capital structure for a period of six months from the date of opening of the Issue whether by way of split or consolidation of the denomination of the shares or by way of a further issue of capital (including issue of securities convertible into or exchangeable, directly or indirectly for shares) whether preferential or otherwise, except that the Company may issue options to its employees pursuant to an employee stock options scheme or, if the Company enters into any joint venture or acquisition, the Company may consider raising additional capital to fund such activity or use shares as currency for acquisition or participation in such joint ventures.
18. The Company has not raised any bridge loans against the proceeds of the Issue.
19. The Company has not issued Equity Shares for consideration other than cash except to the extent of bonus shares issued to the existing shareholders by capitalization of free reserves as shown in the table given earlier. The Company does not have any revaluation reserves. All the bonus shares issued by the Company in the past are by capitalizing free reserves only.
20. The shares locked in by the Promoters are not pledged to any party. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loan whenever availed of from banks or financial institutions. The Promoters can at any time be entitled to transfer *inter-se* the locked in shares.
21. There will be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
22. The Company has not revalued its assets since inception.
23. On the date of this Prospectus, the Company had a total of 909 members.
24. On October 30, 2003, the Company, the Promoters, and Sara Fund Trustee Company Limited ("SARA Fund") and Development Investment Trustee Company Private Limited ("IT Fund") (acting through its duly appointed manager, IL&FS Investment Managers Limited ("IIML") entered into a Subscription and Shareholder Agreement (the "Subscription Agreement"). Both Sara Fund and IT Fund are venture capital funds registered with SEBI under the SEBI (Venture Capital Funds) Regulations, 1996. Pursuant to this agreement, SARA Fund had subscribed to 1,000 Equity Shares and 1,187,118 redeemable optionally convertible cumulative Preference Shares of the Company, and IT Fund had subscribed to 1,000 Equity Shares and 197,019 redeemable optionally convertible cumulative Preference Shares of the Company. Pursuant to an EGM of the members of the Company held on January 21, 2004, these Preference Shares were converted into Equity Shares of the face value of Rs. 5/- each at a premium of Rs. 96/- per share. Consequently, as on the date of filing of this Prospectus, the total holding of these investors is 4.32% of the total paid up equity share capital of the Company. The Subscription Agreement contains certain restrictions on the Promoters including restrictions on transfer of their shareholding, etc. However, the Subscription Agreement terminates upon listing of the shares of the Company pursuant to an initial public offering.



OBJECTS OF THE ISSUE

The net proceeds from the Fresh Issue will be used for investment in Subsidiaries and associates, investments in the Company and corporate purposes including strategic initiatives and acquisitions and listing of Equity Shares of the Company on the BSE and the NSE in the manner stated below:-

Requirements of Funds

	Rs. Million
Utilization Of Funds	Total
Investment in Subsidiaries and Associates	
Datamatics Technologies Inc. (USA)	9
Datamatics Technologies GmbH (Germany)	9
Datamatics Technologies UK Limited (UK)	9
Saztec International Inc.	68
CorPay Solutions Inc.	46
Knowledgeworks Global Limited	5
Investments in the Company	
Repayment of working capital	69
Repayment of term loan	30
Capital Expenditure - Hardware, Software & Equipments	38
Capital Expenditure – Expansion of Chennai Facility	9
Corporate Purposes including strategic initiatives and Acquisitions	568
Issue Expenses	75
Total	935

Yearwise deployment in next two years

			Rs. Million
Utilization Of Funds	2004-05	2005-06	Total
Investment in Subsidiaries and Associates			
DTI (USA)	9	–	9
Datamatics Technologies GmbH (Germany)	9	–	9
Datamatics Technologies UK Limited (UK)	9	–	9
Saztec International Inc.	45	23	68
CorPay Solutions Inc.	31	15	46
Knowledgeworks Global Limited	5	–	5
Investments in the Company			
Repayment of working capital	69	–	69
Repayment of term loan	20	10	30
Capital Expenditure - Hardware, Software & Equipments	23	15	38
Capital Expenditure – Expansion of Chennai Facility	9	–	9
Corporate Purposes including strategic initiatives and Acquisitions	284	284	568
Issue Expenses	75	–	75
Total	588	347	935

The main objects clause of the Company and objects incidental or ancillary to the main objects of the Memorandum of the Company enables the Company to undertake existing activities for which the funds are being raised by the Company in the Fresh Issue.



1. Investment in subsidiaries/associates

In order to effectively address business opportunities overseas, the Board of Directors of the Company have granted approval to invest US\$ 3,200,000 as subscription in equity shares, preference shares and/or debt capital in the companies mentioned below on the basis of their internal assessments. The form of investment has not yet been decided.

- **DTI (USA):** = US\$ 200,000: This amount would be primarily used to increase the market presence in USA and augment its working capital requirements.

The Company expects to invest US\$ 60,000 to open offices in Metropolitan Dayton, Ohio and Metropolitan Boston, MA and US\$ 140,000 towards working capital.

DTI (USA)

Location	Dayton, Ohio	Boston, MA	Total
Area (sq.ft)	1,000	1,000	
Furnishing (US\$)	20,000	20,000	40,000
Office Equipment, Hardware & Software (US\$)	10,000	10,000	20,000
Total (US\$)	30,000	30,000	30,000

The above are only the Company's estimates, no quotes from suppliers have been procured.

- **Datamatics Technologies GmbH (Germany):** = US\$ 200,000: This amount would be primarily used to augment its working capital requirements.
- **Datamatics Technologies UK Limited (UK) :** =US \$ 200,000: The Company has formed a subsidiary in UK. The Company proposes to invest US\$ 50,000 as initial capital, which would be increased to US\$ 200,000 in the form of equity/loan in the next one year. This amount would be primarily used to increase the market presence in UK and its working capital requirements. The Company expects to invest US\$ 75,000 to open an office in London and US\$ 125,000 towards working capital.

Datamatics Technologies UK Limited (UK)

Location	London
Area (sq.ft)	1,500
Furnishing (US\$)	30,000
Office Equipment, Hardware & Software (US\$)	20,000
Startup Costs (Formation of Company, Expenses prior to operations, etc)	25,000
Total (US\$)	75,000

The above are only the Company's estimates, no quotes from suppliers have been procured.

- **Saztec International Inc.:** = US\$ 1,500,000: The Company increased its stake in Saztec from about 47% to 100% on November 27, 2003. The Company plans to invest US\$ 1,500,000 in Saztec over the next 12 months. These funds would be utilized to repay the company's external debt obligations of US\$ 840,000. An amount of US\$ 660,000 would be used towards augmenting its working capital

Existing Debt Obligations

	US\$
Bank Of India	400,000
Promissory Notes (Including Interest of US\$ 90,000)	440,000
Total	840,000



Saztec issued a promissory note on September 25, 2000 to Maida Vale Limited, a company based in Jersey which was a shareholder of Saztec, before the Company acquired 100% of Saztec. Under the promissory note, Saztec has promised to pay US\$ 350,000/- together with interest at 2% above the Wall Street Journal Prime Rate. The note was to be repaid on January 25, 2003 and payment for the same is overdue. No default interest is payable on this overdue note.

Additionally, Bank of India has, through its San Francisco agency, extended a line of credit to Saztec of up to US\$ 400,000/-. The same bears interest at 1.5% above the three month LIBOR. The loan is secured by a revolving credit note, as well as by a charge in favour of Bank of India inter alia over all equipment, inventory, accounts, chattel paper, instruments, insurances, general intangibles and guarantees, mortgages or security interests of Saztec.

Both the above are independent items.

- **CorPay Solutions Inc.:** = US\$ 1,000,000: The Company acquired CorPay on September 27, 2003. The Company plans to invest US\$ 1,000,000 in CorPay over the next 18 months. These funds would be utilized to repay the company's external debt obligations of US\$ 200,000. An amount of US\$ 800,000 would be used towards augmenting its working capital.

Existing Debt Obligations

	US\$
Bank Of India	200,000
Total	200,000

Bank of India has, through its San Francisco agency, extended a line of credit to CorPay of up to US\$ 200,000/-. The same bears interest at 1.5% above LIBOR. The loan is secured by a revolving credit note in favour of Bank of India by CorPay.

- **KnowledgeWorks Global Limited:** The Company has a 20% stake in this joint venture with Cadmus Communication Corporation. An additional amount of Rs. 4.5 million (US\$ 100,000) would be invested in the JV as the Company's contribution towards additional equity/loan in the next 12 months for augmenting its working capital requirements.

As per the current overseas investment norms, the Company is eligible to make investments of up to 100% of its net worth outside India. Subject to certain conditions, no prior approval from RBI is required for such investments. The Company believes that its overseas investments would be covered under the above limits and would be compliant with the conditions imposed and hence, no RBI approval is contemplated for such investments.

Benefits of the above investments in subsidiaries and associate companies has been discussed at page 82 of this Prospectus.

2. Investments in the Company

- **Repayment of working capital loan:** The Company has a working capital facility of Rs. 80 million with State Bank of India. As on December 31, 2003, Rs. 69 million was outstanding against this facility. The Company plans to repay this amount. However, the facility would be retained for any future requirements.
- **Repayment of Term loan:** The Company took a term loan of Rs. 100 million from EXIM Bank of India towards its capital expenditure in the year 2000. An amount of Rs. 30 million remains outstanding as on 31st December 2003. The Company plans to repay this amount in the next 18 months.
- **Capital Expenditure:** The Company has projected a capital expenditure plan of Rs. 47 million for the next 18 months towards its expansion plans. The draft details of the items covered under the capital expenditure plan provided in the tables below.



Capital Expenditure Plan - Hardware, Software and Equipment

(In Rs. Million)

Summary	Quantity		
Item Description	Mumbai	Chennai	Total
Desktop PCs	200	50	13.37
Laptops	8	2	0.75
Printers and scanners	12	3	1.78
UPS	1	0	2.33
Servers	4	1	1.21
Networking Equipment	12	4	5.72
Telecommunication Systems	10	4	4.22
Software	179	50	7.74
Other office equipment	4	1	0.60
Total			37.72

Chennai Facility	(In Rs. million)
Area (sq. ft)	10,000
Furnishing Cost (Rs.)	4
Deposit (Rs.)	4.5
Total (Rs.)	8.5

The above are only the Company's estimates for the Chennai facility, no quotes from suppliers have been procured.

3. Corporate purposes including strategic initiatives and acquisitions

The Company has identified acquisitions as one of the key growth strategies. While the Company has not identified any specific acquisition opportunity, its acquisition strategy is driven by leveraging its mature offshore delivery model. Towards this end, the Company targets overseas companies having the following attributes:

- Considerable experience in their respective domains
- Blue chip clientele
- No offshore delivery model resulting in low profitability

Towards this activity, the Company has mandated an international advisor. Based on its past experience of acquiring some companies, the Company intends to deploy approximately Rs. 568 million towards pursuing this strategy.

As on date of this Prospectus, the Company has not entered into any letter of intent or definitive commitment for any such strategic initiatives and acquisitions.

4. Issue Expenses

The Issue expenses consists of underwriting fees, fees payable to BRLM, Co-BRLM, selling commission, legal advisors, Bankers to the Issue, escrow bankers, Registrars, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges. The Company intends to use about Rs. 75 million towards these expenses for the Issue. All expenses with respect to the Issue will be borne by the Company.

The Company has not incurred any expenditure on the Utilization of Funds till date.



The net proceeds of the Issue would be used to meet all or any of the uses of funds described above. Pending any use as described above, the Company intends to invest the funds in high quality, interest bearing liquid investments including deposits with banks for the necessary duration. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

No part of the Issue proceeds will be paid by the Company as consideration to Promoters, Directors, key management personnel, associate or group companies except the proceeds of the Offer for Sale which shall be paid to the respective Selling Shareholders.

Monitoring of utilization of funds

The Audit Committee appointed by the Board will monitor the utilization of the proceeds of the Issue.



SECTION III: OFFERING INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles, conditions of the FIPB and RBI approvals, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications, and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI/GoI/Stock Exchanges/RBI/RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Fresh Issue has been authorized by a special resolution passed, pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of the Company held on January 21, 2004 and a resolution passed by the Board of Directors at its meeting held on December 17, 2003. At this meeting, the Board of Directors also approved the Offer for Sale by the Selling Shareholders.

By their letter dated December 17, 2003, Dr. Lalit S. Kanodia, Mrs. Asha Kanodia, Mr. Sameer Kanodia, and Dr. Lalit Kanodia (HUF) have given their consent to the Offer for Sale of up to 350,000, 490,000, 830,000 and 130,000 Equity Shares of Rs. 5/- each held by them respectively, through this Issue.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles and shall rank *pari passu* in all respects with the other existing Equity Shares of the Company including rights in respect of dividend.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 5/- each are being offered in terms of this Prospectus at a total price of Rs. 110 per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity shareholders shall have the following rights:-

- Right to receive dividend, if declared
- Right to attend general meetings and exercise voting powers, unless prohibited by law
- Right to vote on a poll either in person or by proxy
- Right to receive offers for rights shares and be allotted bonus shares, if announced.
- Right to receive surplus on liquidation
- Right of free transferability,
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and the Memorandum and Articles of Association.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation / splitting of shares, refer to the section titled "Main Provisions of Articles of Association of the Company" at page 338 in this Prospectus.



Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be issued only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will be in dematerialized form/mode, the tradable lot shall be one Equity Share. Allocation and allotment of Equity Shares in this Issue will be done only in electronic form in multiples of **50** Equity Shares to the successful Bidders.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/ authorities in Mumbai, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of the Company and the Registrars and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either: -

- a) to register himself or herself as the holder of the Equity Shares ; or
- b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to elect/choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Subscription by NRIs/FIIs

The Company has received approval from the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs), FIPB Unit pursuant to its letter dated February 23, 2004 for the transfer of Equity Shares in this Issue to eligible Non Residents including NRIs, FIIs and Foreign Venture Capital Investors. The Company, has received approval from the RBI pursuant to letter dated March 27, 2004 for transfer of Offer for Sale of Equity Shares in the Issue to Non Resident Investors including NRI's, FIIs and Foreign Venture Capital Investors. Subject to obtaining such approval, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for Non Residents including NRIs and FIIs and all Non Residents including NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation. The transfer of the Offer for Sale Equity Shares to Non Residents including NRIs and FIIs shall be subject to the conditions as may be prescribed by GoI or RBI while granting such approvals. There are also restrictions in the laws of other jurisdictions for the offer or sale of Equity Shares to Non Residents including NRIs and FIIs. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act).



ISSUE STRUCTURE

The present Issue of 10,300,000 Equity Shares comprising Fresh Issue of 8,500,000 Equity Shares of Rs. 5/- each at a price of Rs. 110/- for cash aggregating to Rs. 935 million and Offer for Sale of 1,800,000 Equity Shares of Rs. 5/- each at a price of Rs. 110 for cash aggregating to Rs. 198 million, is being made through a 100% Book Building Process. Details on the Issue structure are tabulated below:

	QIBs	Non-institutional Bidders	Retail
Number of Equity Shares	Up to 5,075,000 Equity Shares or Issue size less allocation to Non-Institutional Bidders and Retail Bidders	Minimum of 2,537,500 Equity Shares or Issue size less allocation to QIBs and Retail Bidders.	Minimum of 2,537,500 Equity Shares or Issue Size less allocation to QIBs and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Up to 50% or Issue size less allocation to non – institutional Bidders and Retail Bidders	Minimum 25% or Issue size less allocation to QIBs and Retail Bidders	Minimum 25% or Issue Size less allocation to QIBs and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Minimum Bid Amount of Rs. 50,001 and in multiples of 50 Equity shares.	Minimum Bid Amount of Rs. 50, 001 and in multiples of 50 Equity shares.	50 Equity Shares and thereafter in multiples of 50 Equity Shares
Maximum Bid	Not exceeding the size of the Issue	Not exceeding the size of the Issue	Not exceeding Rs. 50,000
Allotment Mode	Compulsory in dematerialized form	Compulsory in dematerialized form	Compulsory in dematerialized form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Size of allocation	50 Equity Shares	50 Equity Shares	50 Equity Shares
Who can Apply	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI and state industrial development corporations, Insurance Companies required registered with Insurance Regulatory and Development Authority, provident/pension funds with minimum corpus of Rs. 25 crore.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 50,000.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Syndicate Members.	Margin Amount applicable to non-Institutional Bidders at the time of submission of the Bid-cum-Application Form to the Syndicate Members.	Margin Amount applicable to the Retail Bidders at the time of submission of Bid-cum-Application Form to the Syndicate Members.
Margin Money	Nil	Full Bid Amount	Full Bid Amount

Equity Shares being offered through this Prospectus can be applied for in dematerialized form only.

Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Selling Shareholders, the Company, the BRLM and the Co-BRLM.



ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Method wherein up to 50% of the Issue shall be allocated to QIBs. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. The Company, in consultation with the BRLM, reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be issued/transferred to all successful allottees/transferees, only in the dematerialised form.

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	27.77%
1000	23	1500	83.33%
1500	22	3000	166.67%
2000	21	5000	277.78%
2500	20	7500	416.67%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs 22 in the above example. The issuer, in consultation with the BRLM, will finalise the issue price at or below such cut off price i.e. at or below Rs 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Bid-cum- Application-Form

Bidders shall only use the specified Bid- cum- Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in their Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, despatch of the Confirmation of Allocation Note and filing of Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the application form. Upon completing and submitting of the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Prospectus and Bid-cum-Application Form as would be required for filing this Prospectus with RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum -Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non-repatriation basis	White
NRIs/FIIs or Foreign Venture Capital funds registered with SEBI applying on a repatriation basis.	Blue



Who can Bid

- i. Indian nationals resident in India who are majors, in single or joint names (not more than three)
- ii. Hindu Undivided Families or HUFs, in the individual name of Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application form as follows: "Name of sole or first Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals
- iii. Companies, corporate bodies and societies registered under the applicable laws in India; and authorized to invest in the Equity Shares
- iv. Indian mutual funds registered with SEBI
- v. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable)
- vi. Venture Capital Funds registered with SEBI
- vii. Foreign Venture Capital Investors registered with SEBI
- viii. State Industrial Development Corporations
- ix. Trust/society registered under the Societies Registration Act, 1860, as amended or under any other law relating to trusts/society and who are authorized under their constitution to hold and invest in Equity shares)
- x. NRIs and FIIs on repatriation basis or a non-repatriation basis subject to applicable laws
- xi. Scientific and/or industrial research organizations authorized to invest in Equity Shares
- xii. Insurance companies registered with Insurance Regulatory and Development Authority
- xiii. Provident funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to hold and invest in Equity Shares
- xiv. Pension funds with minimum corpus of Rs. 25 crores
- xv. Multilateral and bilateral development financial institutions (The Company/ Registrars will ensure that only shares from the Fresh Issue are allotted to multilateral and bilateral development finance institutions and that none of the Offer for Sale Equity Shares will be transferred to such institutions)

Note: The BRLM, Co-BRLM, Syndicate Members and any associate of BRLM, Co-BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, public sector banks and Indian financial institutions) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and the Co-BRLM shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds: No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The offer of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of the Company (i.e. 10% of 40,573,137 Equity Shares of Rs. 5/- each). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of its total issued capital of the Company. With approval of shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, till date, no such resolution has been recommended to the shareholders of the Company for adoption.



As per the current regulations, the following restrictions are applicable for investments by SEBI registered venture capital funds and foreign venture capital funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of the Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. The Company, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the limits under applicable laws or regulations.

Maximum and Minimum Bid size

- (a) **For Retail Bidders:** The Bid must be for such number of Equity Shares and in multiples of 50 Equity Shares thereafter subject to maximum bid amount of Rs. 50,000. In case the maximum Bid Amount is for more than Rs. 50,000, then the same would be considered for allocation under the Non-Institutional Bidders category. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For other (Non-institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of Equity Shares and in multiples of 50 Equity Shares thereafter, that the Bid Amount exceeds Rs. 50,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 50,000. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail Portion.

Information for the Bidders

- a) The Company will file this Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b) The Syndicate Members will circulate copies of this Prospectus along with the Bid-cum-Application Form to their potential investors.
- c) Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining this Prospectus along with the Bid-cum-Application Form can obtain the same from the registered office of the Company or from the BRLM, Co-BRLM or from a Syndicate Member.
- d) Investors who are interested in subscribing to the Company's Equity Shares should approach any of the BRLM/Syndicate Members or their authorized agent(s) to register their bid.
- e) The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the Syndicate Member. The Bid-cum-Application Forms, which do not bear the stamp of the Syndicate Member, will be rejected.

Method and Process of Bidding

1. The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Prospectus with RoC and also publish the same in two national newspapers (one each in English and Hindi) and a regional newspaper (Marathi). This advertisement shall contain the salient features of the Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the



BRLM, Co-BRLM and Syndicate members and their Bidding centres. The BRLM and the Syndicate Members shall accept Bids from the Bidders during the Issue Period.

2. The Bidding Period shall be open for at least 5 days and not more than 10 days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days.
3. During the Bidding Period, the Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
4. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” on page 38 of this Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. The Bidder cannot Bid on another Bid cum Application Form after his or her Bids on one Bid-cum-Application Form has been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph “Build up of the Book and Revision of Bids” on page 41 of this Prospectus.
6. The members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
7. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into the Escrow Collection Account” on page 39 of this Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 101 to Rs. 110 per Equity Share, Rs. 101 being the Floor of the Price Band and Rs. 110 being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
2. The Company, in consultation with the BRLM and the Co-BRLM, can revise the Price Band by informing the stock exchanges and issuing a press release and notification on the terminal of the Syndicate Members during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Prospectus.
3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Bidders may bid at “Cut-off.” However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**



6. Retail Bidders who bid at the Cut-Off agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which would be a price within the Price Band. Retail Bidders bidding at Cut-Off shall deposit in the Escrow Account the Bid Amount based on cap of the Price Band. In the event the Bid Amount is higher than the allocation amount payable by the Retail Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Bidders shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-Off could either (i) revise their Bid or (ii) make additional payment based on the Cap of the Revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non-Institutional category in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap of the Price Band prior to revision, the number of shares Bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the Bidder.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

Escrow Account of the Company

The Company, the Selling Shareholders and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidder shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account of the Company/Selling Shareholders. The Escrow Collection Banks will act in terms of this Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company/Selling Shareholders shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank shall not exercise any lien whatsoever over the monies deposited therein, and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue in terms of the Escrow Agreement with the Company/Selling Shareholders. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Escrow Collection Bank(s), the Company, the Registrars to the Issue, the BRLM and the Co-BRLM, to facilitate collections from the Bidders.

Terms of Payment and payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque/demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (refer to "Payment Instructions" on page 45 for further details) and submit the same to the Syndicate Member (s) to whom the Bid is being submitted. Bid-cum-Application form accompanied by cash shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form, based on the highest bidding option of the Bidder. Where the Bid is at cut-off price, the investor will be required to make payment at the highest price in the indicative price band. The Syndicate Member(s) shall deposit such cheque/demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue.

The balance amounts after transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e. QIBs, Non-Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable will be available with the members of the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount



applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.

The Syndicate Member(s) may, at their discretion, waive such payment at the time of the submission of the Bid-cum-Application Form. Where such payment at the time of bidding is waived at the discretion of the Syndicate member or where there is a shortfall as a result of cut-off price being more than the highest price in the indicative price band, the Issue Price or the difference, as the case may be would be paid within 4 days on communication by the BRLM of the list of Bidders who have been allocated Equity Shares to the Syndicate Members. **If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled and the Syndicate Member shall bring in the funds under his underwriting obligation.**

However, if the BRLM/Syndicate Member does not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form. Where the Bidder has been allocated lesser number of Equity Shares than what he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such bidder within 15 days from the Bid / Issue Closing Date.

Margins collected from a Bidder shall be credited to the Escrow Banker. No part of the margin shall be held by the Syndicate Member or realized to his credit. The Syndicate Member shall deposit the margins latest by the next day to the date of the Bid along with the margin.

The allocation of securities relating to the Issue shall be made within 15 days from the Bid / Issue Closing Date for Issue. The Company shall pay interest @ 15% p.a. if allocation is not made within 15 days from the Bid / Issue Closing Date, and refund orders are not despatched to the Bidders within 15 days of Bid / Issue Closing Date, for any delay beyond 15 days.

Electronic Registration of Bids

- a. The Syndicate Member will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one NSE/BSE on-line connectivity in each city where a stock exchange is located in India, and where bids are accepted.
- b. The BSE/the NSE will offer a screen-based facility for registering bids for the Issue. This facility will be available on the terminals of Syndicate Members and their authorized agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid / Issue Closing Date, the Syndicate Member will upload the Bids until such time as permitted by the Stock Exchanges.
- c. The aggregate demand and price for bids registered on each of the electronic facilities of the NSE and the BSE will be downloaded on a half-hourly basis, consolidated and displayed online at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
- d. At the time of registering each bid, the Syndicate Members shall enter the following details of the investor in the on-line system:
 - Name of the investor
 - Investor category — Individual/Corporate/NRI /FII/mutual funds etc.
 - Numbers of Equity shares bid for
 - Bid Price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form.
 - Depository Participant Identification no. and client identification no. of the dematerialized account of the Bidder



- e. A system generated Transaction Registration Slip (TRS) (or the Order Confirmation Note) will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the Syndicate Members.** The registration of the bid by the Syndicate Members does not guarantee that the Equity Shares shall be allocated either by the Syndicate Members or the Company.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. The BRLM/Syndicate Member has the right to vet the bid. Consequently, the BRLM/Syndicate Member also has the right to accept the bid or reject it without assigning any reason in case of QIB's. In case of non-institutional Bidders and Retail Bidders, Bids would not be rejected except on the technical grounds listed at page 47 of the Prospectus.
- h. It is to be distinctly understood that the permission given by the BSE and NSE to use their network and the software of the online IPO system shall not in any way be deemed or construed that the compliance with various statutory and other requirements by the Company, BRLM etc. are cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project.
- i. It is also to be distinctly understood that the approval given by the BSE and NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids.

- a. Bids registered by various Bidders through the Syndicate Member shall be electronically transmitted to the BSE/the NSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- b. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Prospectus.
- c. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- d. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the bid within the Price Band using the printed Revision Form which is a part of the Bid-cum-Application Form.
- e. Revisions can be made in both the desired number of Equity Shares and the Bid Price by using the Revision Form. The Bidder must complete details of all the options in the Bid-cum-Application Form or earlier Revision Form and revisions for all the options as per his Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be executed by the Syndicate Member.
- f. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidder will have to use the services of the same Syndicate Member through whom he has placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.**
- g. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on the upward revision of the Bid. The excess amount, if any, resulting from downward revision of Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of



QIBs, the Syndicate Members may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidder.

- h. When a Bidder revises his or her bid, he or she shall surrender the earlier TRS and obtain a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and get the revised TRS, which will act as proof of his or her having revised the bid.
- i. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLM and the Co-BRLM based on the physical records of Bid-cum Application Form shall be final and binding on all concerned.

Price Discovery and Allocation

- a. After the Bid / Issue Closing Date, the BRLM and the Co-BRLM shall analyze the demand generated at various price levels and discuss the pricing strategy with the Company.
- b. The Company, in consultation with the BRLM and the Co-BRLM, will finalize the Issue Price, the number of Equity Shares to be allotted and the allotment to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder determined broadly by the size, price and date of the Bid.
- c. The allocation for QIBs would be up to 50% of the Issue Size on a discretionary basis. The allocation to Non-Institutional Bidders and Retail Bidders of not less than 25% and not less than 25% of the Issue Size respectively would be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d. Under-subscription, if any, in any category, would be allowed to be met with spill over from any of the other categories, at the sole discretion of the Company in consultation with the BRLM and the Co-BRLM.
- e. Allocation to eligible Non Residents including NRIs/FIIs applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for the transfer of Equity Shares to them.
- f. The BRLM and the Co-BRLM and the Company shall intimate the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- g. **The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons therefor.**

Signing of Underwriting Agreement and RoC Filing

- a. The Company, on its own behalf and on behalf of the Selling Shareholders, the BRLM, the Co-BRLM and other Syndicate Members have entered into an Underwriting Agreement on being intimated about the Issue Price and allocation(s) to their Bidders.
- b. After the Underwriting Agreement is signed among the Company, on its own behalf and on behalf of the Selling Shareholders, the BRLM, the Co-BRLM and the other members of the Syndicate, the Company will file the Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, size of the Issue, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of this Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price of the securities along with a table showing the number of Equity Shares to be issued. Any material updates between the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note and Allotment for the Issue

- a. The BRLM/Co-BRLM/Registrars to the Issue shall send to the Syndicate Members, a list of their Bidders who have been allocated Equity Shares in the Issue.
- b. The Members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the



entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.

- c. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allotted/transferred to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

Successful Bidders will receive credit for the Equity Shares directly in their depository account. **Equity shares will be allotted/ transferred only in the dematerialized form to the allottees.** Successful Bidders will have the option to re-materialize the Equity Shares so allotted/transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

The Company will ensure the allotment/transfer of Equity Shares within 15 days of the Bid/ Issue Closing Date and also ensure that credit is given to the Successful Bidders' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

- a) Check whether eligible to apply
- b) Read all the instructions carefully and complete the resident Bid-cum-Application Form (white in colour) or non-resident Bid-cum-Application Form (blue in colour), as the case may be
- c) Ensure that the Bid is only within the Price Band
- d) Enter correct details about DP and Beneficiary Account as no physical shares will be issued
- e) Submit Bids on forms bearing stamp of the Syndicate Member at the Bidding Centres only
- f) Obtain TRS for all your options
- g) Submit Revised Bid to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS

Don'ts:

- a) Do not Bid for lower than minimum Bid size
- b) Do not Bid or revise the Bid to a Price that is less than the floor of the Price Band or higher than the cap of the Price Band
- c) A Bidder should not bid on another Bid-cum-Application Form after he has submitted the Bid to a Syndicate Member
- d) Do not pay Bid amount in cash
- e) Do not send Bid-cum-Application Forms by post; instead hand them over to a Syndicate Member only
- f) Do not Bid at cut off price (for Non-Institutional and QIBs)
- g) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law

Instructions for Filling Up the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the Syndicate Members.

Bids and Revision of Bids

Bids and revisions to Bids must be:

- Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and NRIs applying on non-repatriation basis and blue colour for NRIs or FIIs applying on repatriation basis)



- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- For Retail Bidders, the Bids must be for a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid amount of Rs. 50,000.
- For non institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 50,000 and in multiples of 50 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.
- In single name or in joint names (not more than three).
- Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a magistrate or a notary public or a special executive magistrate under official seal.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily filled in the Bid-cum-Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. These bank account details should be the same as those mentioned in the Bidder's Depository account, as those details will be printed on the refund orders. Bid-cum-Application Forms without these details are liable to be rejected. It is the Bidder's responsibility to ensure that the details of the Bidder's Depository account are correct.

Bidder's Depository Account Details

It is mandatory for all the Bidders to get their Equity Shares using the Depository mode. All Bidders should mention their Depository Participant's name, DP-ID and beneficiary account number in the Bid-cum-Application Form. In case the Bid-cum-Application Form is submitted in joint names, it may be ensured that the Depository account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Bids under Power of Attorney

In case of bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, etc., a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Issuer reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as the Company/BRLM may deem fit.

Bids by NRIs

NRI Bidders will have to comply with the following:

Individual NRI Bidders can obtain the Bid-cum-Application Forms from the Company's corporate office at Knowledge Centre, Street No. 17, MIDC, Andheri (E), Mumbai 400 093, or from members of the Syndicate or the Registrars to the Issue.

NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. All instruments accompanying Bids shall be made payable in Mumbai. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians (white in colour).



Bids by non-residents including NRIs or FIIs on a repatriation basis.

Bids and Revision to Bids must be made:

- On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- **By NRIs** – Bids for a Bid Amount of up to Rs. 50,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 50,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; **By FIIs** – for a minimum of such number of Equity Shares and in multiples of 50 thereafter that the Bid Amount exceeds Rs. 50,000; for further details see “Maximum and Minimum Bid Size” at page 37 of this Prospectus.
- In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company has received approval from the GoI, Ministry of Finance and Company Affairs FIPB Unit, pursuant to its letter dated February 23, 2004 for the transfer of the Offer for Sale Equity Shares in this Issue to eligible non-resident investors including NRIs, FIIs and Foreign Venture Capital Investors. The Company, has received approval from the RBI pursuant to letter dated March 27, 2004 for transfer of Offer for Sale of Equity Shares in the Issue to Non Resident Investors including NRI's, FIIs and Foreign Venture Capital Investors. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for non-resident investors including NRIs and FIIs and all non-resident investors including NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation. The transfer of the Offer for Sale Equity Shares to Non Residents including NRIs and FIIs shall be subject to the conditions as may be prescribed by GoI or RBI while granting such approvals.

Bids by Permanent Employees

1. Bids by Permanent Employees shall be made only in the prescribed Bid-cum Application Form or Revision Form, (i.e. pink colour Form marked “Employees”).
2. The sole / first bidder shall be a Permanent Employee of the Company.
3. Only Permanent Employees of the Company as on the cut-off date i.e. February 1, 2004 would be eligible to apply in this Issue under reservation for Permanent Employees on competitive basis.
4. Permanent Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
5. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Permanent Employees will be added back to the Net Issue to the Public.
6. A Permanent Employee may make an application for a number of Equity Shares that exceed the 150,000 Equity Shares being the number of Equity Shares reserved for allotment to Permanent Employees.

Payment Instructions

The Company shall open an Escrow Account of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. Each Bidder shall draw a cheque or demand draft for



the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account of the Company

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the member of the Syndicate.
2. In case the above margin amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - (a) In case of resident Bidders: “Escrow Account – Datamatics Technologies Limited Offer (R)”
 - (b) In case of Non Resident Bidders: “Escrow Account – Datamatics Technologies Limited Offer (NR)”
 - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
 - In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
4. Where a Bidder has been allocated a lesser number of Equity Shares than what the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
5. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date.
6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the public issue account with the Bankers to the Issue.
7. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the successful Bidders

Payment by Stockinvest

In terms of RBI circular no. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts shall be submitted to the BRLM/Syndicate Member at the time of submitting the Bid-cum-Application Form. **The BRLM/Syndicate Member may at their discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.**



No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLM/Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made by individuals in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his/her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole/First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bid made clearly indicate their intention as to each scheme concerned for which the Bid has been made.

The BRLM/Co-BRLM reserve the right to reject, in their absolute discretion, all or any of the multiple Bids in any or all categories.

PAN/GIR Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Price, is Rs. 50,000 or more the Bidder or in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the Income-tax Act or where the same has not been allotted, the GIR Number and the Income-tax Circle/Ward/District. In case, neither the PAN nor the GIR numbers has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

Right to Reject Bids

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, the Company would have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bids by minors;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investor;
7. Bids at a price less than the floor of the Price Band or higher than the cap of the Price Band;
8. Bids at cut-off price by a QIB or a Non Institutional Bidder;
9. Bids for number of Equity Shares which are not multiples of 50;
10. Category not ticked;



11. Multiple Bids;
12. In case of Bid under Power of Attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
13. Bid-cum-Application Form does not have the stamp of a member of the Syndicate;
14. Bid-cum-Application Form does not have the Bidder's depository account details;
15. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Bid cum Application Form;
16. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page 37 of this Prospectus;
17. Bids not duly signed by the sole/joint Bidders; or
18. Bids by OCBs.

Equity Shares in Dematerialized form with NSDL/CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Issue shall be issued/transferred only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode.)

In this context:

- a. The following two tripartite agreements have been signed between Intime, the Depositories and the Company,
 1. An Agreement dated April 2, 2004 among NSDL, the Company and Intime.
 2. An Agreement dated April 2, 2004 among CDSL, the Company and Intime.
- b. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:
 1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
 2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
 3. Equity Shares allotted/transferred to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
 4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
 5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form.
 6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
 7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
 8. The trading of Equity Shares of the Company would only be in dematerialized form for all investors.
 9. As this Issue also comprises an Offer for Sale by the existing shareholders, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Offer for Sale.



Procedure for Application by Mutual Funds and Multiple Applications.

A separate application can be made in each scheme of an Indian Mutual Fund registered with SEBI and such applications shall not be treated as multiple application. The applications made by Asset Management Companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

Communications

All future communications in connection with Bid made in the Issue should be addressed to the Registrars to the Issue quoting full name of the sole/first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/draft number and issuing bank thereof.

Despatch of Refund Orders

The Company shall ensure despatch of refund orders of value over Rs. 1,500/- by registered post/speed post only and adequate funds for the purpose shall be made available to the Registrars by the Company.

Undertaking by the Company

The Company undertakes as follows:

- i) that the complaints received in respect of this Issue shall be attended to by the Company expeditiously;
- ii) that the Company shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are to be listed within seven working days of finalization of the basis of allotment;
- iii) that the funds required for despatch of refund orders/allotment letters/ certificates by registered post/ speed post shall be made available to the Registrars to the Issue by the Issuer;
- iv) that the refund orders or allotment advice to the NRIs or FIIs shall be despatched within specified time; and
- v) that no further Issue of Equity Shares shall be made until the Equity Shares issued through this Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

Utilization of Issue Proceeds

The Board of Directors of the Company certify that:

- i) all monies received out of the Fresh Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- ii) details of all monies utilized out of the Fresh Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized; and
- iii) details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the Company certify that:

- i) the utilization of monies received under reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- ii) the details of all unutilized monies out of the fund received from reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company and the Selling Shareholders shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received. The Company shall pay to the Selling Shareholders proceeds arising from the Offer for Sale forthwith on the same being permitted to be released in accordance with the applicable SEBI regulations and guidelines and the Companies Act, being no later than two business days after receipt of approval for trading of Equity Shares from all the stock exchanges where listing is sought.



Pending utilization of net proceeds of the Fresh Issue as specified under the section “Objects of the Issue”, the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

Procedure and Time Schedule for Allotment of Equity Shares

The Company reserves, at its absolute and uncontrolled discretion and without assigning any reason therefor, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

The Company shall ensure despatch of allotment advice or refund orders and giving of benefit to the beneficiary account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. The Company shall ensure the despatch of refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and despatch of refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk.

The Company shall use its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that:

- i) Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- ii) The Company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- iii) The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not despatched and/or dematerialized credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required by the Registrars to the Issue for despatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by the Company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of Excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received by the Company if refund orders are not despatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of the GoI, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in



all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment is allowed up to 100% in companies in the information technology sector. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company's shareholders; however, as of the date hereof, no such resolution has been recommended to the shareholders of the Company for adoption.



BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company and the Selling Shareholders in consultation with BRLM on the basis of assessment of market demand for the proposed issue of Equity Shares by way of the Book Building Process.

Qualitative Factors

Certified Client track record: The Company's client profile includes companies among the Fortune 100 corporations. Its major clientele include world leaders like Lexis-Nexis (a division of Reed Elsevier Inc.), Computer Sciences Corporation, Unisys Inc., CCH Inc., Ford Motor Company and DaimlerChrysler Corporation. The Company's roster of over 80 clients provides it with an enormous referral base easing its subsequent selling efforts.

Delivery model & proprietary process and technology: The Company's delivery model is built upon a combination of its developed expertise in the areas of automated workflow and its human resource talent pool. It has built up a mix of in-house as well as virtual employees to facilitate quality delivery of services to its clients. It utilizes various proprietary processes and technologies to enable effective and efficient dissemination of information throughout the organization, to its virtual employees, and to its customers as required for its business, while ensuring confidentiality, integrity and availability. This model, amongst other benefits, enables the Company to scale up its operations and cater to variations in volumes in business without impacting its fixed cost.

Infrastructure & Human Resources: The Company has a total area of 73,085 square feet at two different locations in Mumbai and in one location in Chennai. This includes 30,419 square feet of long-term leased premises in SEEPZ, 40,000 square feet independent building at MIDC and 2,666 square feet of leased premises at Chennai both registered with Software Technology Park of India. The Company has over 900 full time employees, 600 of them being in India and 300 in overseas subsidiaries along with over 1200 virtual employees (Knowledge Associates).

Quality Standard: The Company is an ISO9001: 2000 certified organization and has embarked upon the 6-sigma quality program. Content management & back office processing divisions of the Company today can offer 99.997% accuracy in their deliverables. Further, the Company has been certified for the security standard BS 7799 by STQC Certification Services.

Partnership/Alliances: The Company has partnerships and alliances with a number of strategically important companies like FileNET Corporation USA & Hummingbird (document management and workflow solutions), Computer Sciences Corporation (data migration services to insurance industry), Ascential Software (data warehousing), and CCH Inc. (tax processing). The Company has been awarded FileNET US - Service Provider of the year 2002 and the Hummingbird, Asia Pte Limited - Best Implementation partner 2002-2003.

Quantitative Factors

1. Adjusted Diluted EPS

	Pre-split		Post-split	
	Rs.	Weights	Rs.	Weights
Year ended March 31, 2001	4.81	1	2.41	1
Year ended March 31, 2002	7.86	2	3.93	2
Year ended March 31, 2003	10.52	3	5.26	3
Weighted Average	8.68		4.34	



Calculation of Adjusted Diluted EPS

(figures in Rs. Million
except per share data)

	2000-01	2001-02	2002-03
Profit & Loss for the year as per SEBI Recast	77.03	124.29	161.44
Less: Preference Dividend	2.71	3.30	—
Corporate Dividend Tax thereon	0.31	0.33	—
Profit considered for Diluted EPS	74.01	120.66	161.44
EPS Pre Split	4.81	7.86	10.52
EPS Post Split	2.41	3.93	5.26
Weighted Average number of shares for diluted earnings			
Pre Split	15,343,500	15,343,500	15,343,500
Post Split	30,687,000	30,687,000	30,687,000

2. Price Earning (P/E) ratio in relation to the Issue Price

- Based on nine months ended December 31, 2003 post-split, diluted EPS is Rs. 6.59
- P/E based on the EPS for the nine months ended December 31, 2003 is 16.69.
- Industry P/E (The Company is in the business process outsourcing / information technology enabled services industry and there is no directly comparable listed company in this industry. For the sake of comparison, the industry closest to the business process outsourcing / information technology enabled services industry, the software industry is considered.).

Highest	58.8
Lowest	6.6
Industry composite	31.3

(Source: Based on "Capital Market" VOL.XIX/01, dated March 15-28, 2004 for Computers-Software-Large.)

3. Average Return on Net Worth

	%	Weights
Year ended March 31, 2001	19.34	1
Year ended March 31, 2002	26.14	2
Year ended March 31, 2003	28.03	3
Weighted Average	25.95	

*Excluding Preference Share capital

- Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS is 13.92%
- Net Asset Value per equity share as at December 31, 2003 is Rs. 31.88
- Net Asset Value per equity share after Issue is Rs. 47.33



7. Comparison of Accounting Ratios

	EPS	P/E	RONW	NAV
Datamatics Technologies Limited	5.26	20.91	24.88	21.14
Industry Average		31.3		
Peer Group				
e-Serve International Limited *	24.1	28.3	66.7	47.60

* The face value for e-Serve International Limited is Rs 10/- whereas for Datamatics Technologies Ltd is Rs 5/-.

All figures are as on March 31, 2003.

(Source: Based on "Capital Market" Vol.XIX/01, dated March 15-28, 2004 for Computers-Software-Large.)



SECTION IV: ABOUT THE COMPANY

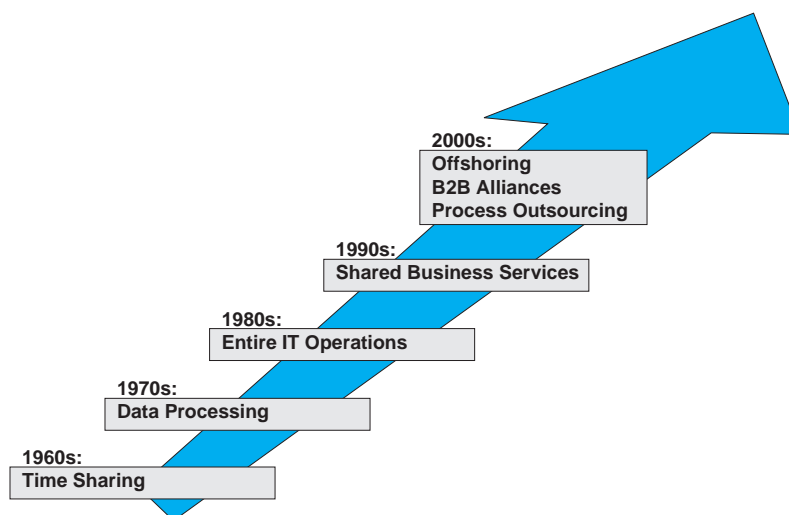
INDUSTRY

History and Evolution of the Industry

Business process outsourcing refers to management of business processing services involving the transfer of an organisation's non-core but critical business process/function to an external agency who uses information technology based service delivery over public or private networks thus helping its clients to improve business performance. Business process outsourcing organizations are built on three planks- people, processes and technology. Business process outsourcing allows organisations to form strategic partnerships that focus on core competencies, thereby reducing corporate costs and increasing productivity.

Business process outsourcing has evolved over the years and has moved from low-risk processes to more critical processes. It initially commenced as a mode of hiring outside vendors to perform specific tasks or manage specific projects within a department of a large organisation. In the realm of human resources specifically, outsourcing commenced a few decades back with pension plans, payroll processing and similar activities being outsourced, which has today evolved to recruiting, hiring, and performance management functions as well. Recently, companies have strategically transformed their businesses by outsourcing entire technology operations or business processes, such as logistics, customer relationship management and finance. Outsourcing has thus evolved from a tactical, cost-cutting maneuver for offloading routine tasks and acquiring temporary manpower to a strategic element.

Business process outsourcing is now an important theme in information technology services, and is now responsible for significant revenue growth for many vendors. Information technology enabled services-business process outsourcing changes have come in waves that slowly gather shape, gaining energy and momentum. These waves relevant to the outsourcing industry over the past few decades include:



The business process outsourcing industry is expected to show a substantial growth and to reach \$234 billion by 2005. (Source: NASSCOM Press Release dated July 23, 2003)

Voice-based business process outsourcing

Voice-based business process outsourcing activities comprise mainly receiving various customer queries, complaints or making calls to acquire new customers delivered through call centres. Although this function has been part of all organisations whether into manufacturing or services since the very beginning, it is only now that it has acquired specialised status.



A call centre is a place configured, staffed, managed to handle a high volume of incoming calls or make outbound telemarketing calls using multiple agents. It is a service centre with adequate telecom facilities, trained agents and access to a wide database and other information support for customers. Call centres, by pooling several functions at a central location aided primarily by technology, offer several advantages like economies of scale and uniform service levels.

Non-Voice based business process outsourcing

As mentioned above, voice based business process outsourcing mainly comprises customer care services. Non-voice based business process outsourcing activities comprise both core as well as non-core activities of a business. Core activities that are outsourced include contract research, analysis, content management, Geospatial Information Systems and engineering services. Non-core activities are those activities that do not generate revenue directly or contribute to increasing the market share but are necessary to keep the business running such as data entry, human resource, administration services, supply chain management, data processing, general accounting function, data analysis, data mining, medical coding, medical insurance processing, management of account receivables and payables -essentially all those functions which come under general & administrative category.

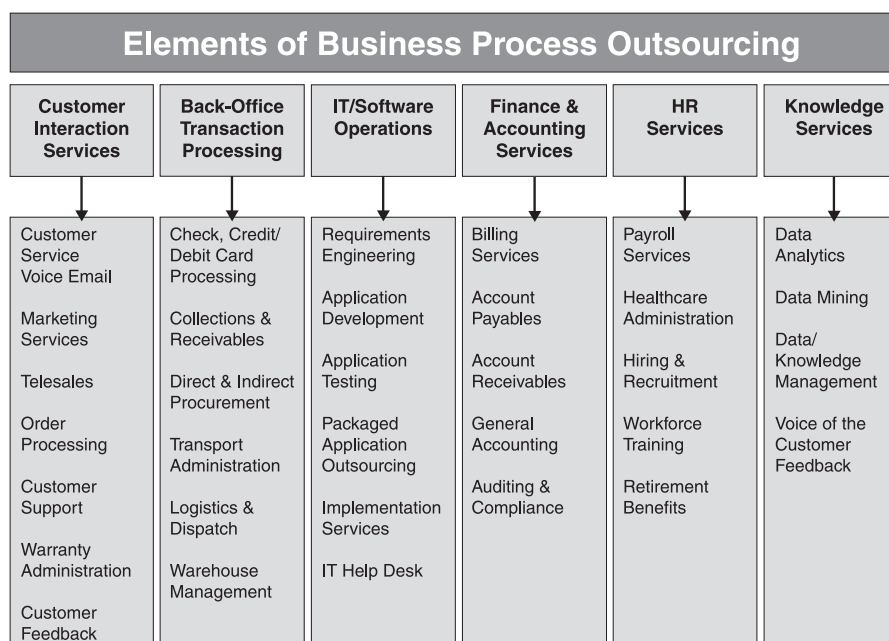
Non-Voice based business process outsourcing companies offer their clients reduction in cost, improvement in service levels, processes, productivity and accuracy of processing.

The processes that can be outsourced can be broadly categorised under the following functional heads

Administration	Processing of tax, administration of claims, asset management, document management
Finance	Internal audit, billing processing, revenue accounting, accounts receivable/payable, financial reporting, transaction management.
Human resources	Benefits administration, payroll processing, education & training, recruiting & staffing, hiring administration, records management
Supply chain management	Distribution management, warehousing management, materials management
Payment services	Electronics fund transfer, credit card authorisation
Sales/ Marketing	Database mining, market/customer analysis

Industry Structure

A broad segmentation of business models of business process outsourcing players is provided below:





In-house/captive centers: A number of global corporates have set up their own in-house facilities for their back office work, e.g. General Electric Company

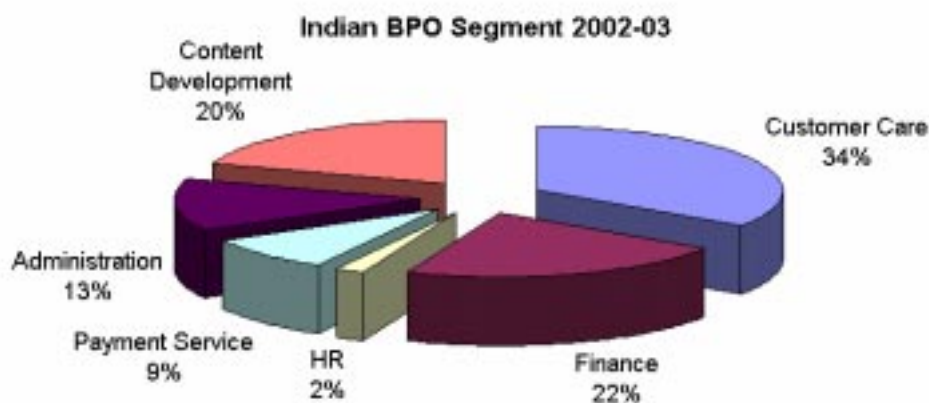
Spin-offs of global companies: A number of in-house processing facilities of global corporates have been spun-off as separate entities, which provide services not only for their parent company but also for a number of outside clients, e.g. Convergys Corporation

Focused business process outsourcing providers: Given the need to manage the processes of large corporates, a number of focused business process outsourcing players have emerged over the years. These players have developed core competencies in specific processes that can be applied across verticals, e.g. Automatic Data Processing, Inc.

Broad based service providers: A number of service companies that offer consulting and information technology services have now diversified into business process outsourcing services. These firms have tried to leverage their existing client relationships in order to expand their presence in the business process outsourcing segment, e.g. IBM Global Services.

Market Growth

The business process outsourcing industry is expected to show a substantial growth is expected to reach \$234 billion by 2005. (Source: NASSCOM Press Release dated July 23,2003)



Source: NASSCOM Press Release dated June 12,2003

The Indian business process outsourcing players have been able to garner a market share of 2% in the information technology enabled services-business process outsourcing segment, and will need to tap new service lines such as engineering/research and development, logistics and sales, to capture a share of 4.8% by 2008. The information technology enabled services-business process outsourcing segment contributes 25% of the total information technology software and service exports from India and witnessed a growth of 59% in 2002-03 to reach Rs. 11,300 crore (US\$2.3billion). According to NASSCOM, the information technology enabled services-business process outsourcing segment in India is projected to register a growth of 50% to clock revenues of US\$ 3.6 billion during the fiscal year 2003-04 and reach US\$ 24 billion by 2008. (Source: NASSCOM Press Releases dated June 3 2003, June 11, 2003 and June 12, 2003)

Within information technology enabled services-business process outsourcing segment, customer care continues to be the dominant segment with revenues in 2002-03 doubling over the previous year. Segments such as administration and finance also registered revenue growth of 67% and 70% respectively over 2001-02. The chart below depicts the potential growth of exports in this sector by the year 2008.



ITES-BPO Growth by Service Lines					Potential for ITES-BPO
Service lines	2001-02		2002-03		Exports by 2008
US \$ Million	Employment	Revenue	Employment	Revenue	US\$ billion
Customer Care	30,000	400	65,000	810	8 - 8.5
Finance	15,000	300	24,000	510	2.5 - 3
HR	1,500	30	2,100	45	3.5 - 4
Payment Service	7,000	110	11,000	210	3 - 3.5
Administration	14,000	185	25,000	310	1.5 - 2
Content Development	39,000	450	44,000	465	2.5 - 3
Total	106,500	1,475	171,100	2,350	21 - 24

(Source : Nasscom Press Release dated June 12, 2003)

Key Industry Characteristics & Trends

Increasing Contribution By Information Technology Enabled Services in Total Information Technology Exports

	IT Enabled Services (%)	IT Services (%)
1999-2000	14	86
2000-2001	14.5	85.5
2001-2002	19	81
2002-2003	24	76

(Source: NASSCOM website)

The outsourcing industry is quickly moving from low risk, low complexity processes to high complexity and more critical processes. From simple medical transcription to highly complex and mission critical processes such as filing tax returns, outsourced accounting functions and pension and benefits administration the Indian industry has quickly moved up the value chain. This move up on the value chain has been accompanied by longer term contracts.

A high annuity business having steady margins: The margins of business process outsourcing companies along with their revenue productivity and asset turnover ratios in India have been steady and predictable. This can be attributed primarily to the economies of skill and scale that they manage to develop over time. These players also have lower fluctuations in profitability due to the long-term nature of contracts that provide them with a fixed annual income.

Growth through acquisitions and geographical spread: A number of business process outsourcing providers have grown through strategic acquisitions, which have helped them in expanding their customer base, venturing in different service lines and expanding their geographical presence.

Broader offerings: The industry would need to continue to look at new service lines and extend its range of offerings horizontally to its global customers. Broadening the services portfolio would not only be useful in building scale, but also facilitates stronger proposition for customers and better capacity utilisation for vendors. As the Indian business process outsourcing industry climbs the maturity curve, companies who develop core competences are likely to succeed.

Growth Drivers

Large American / global corporations have been outsourcing their non-core activities for several years by now. This trend is accelerating with a) more corporations joining this bandwagon and b) deciding that far fewer of their activities are core to their businesses. The Indian outsourcing industry will benefit from both of these trends and in addition the offshoring of these outsourced processes will gather momentum driving the growth of the Indian industry.



Challenges for the business process outsourcing sector in India

Industry Level

- The industry is yet to adopt common quality standards and share best practices. The information technology services industry witnessed phenomenal growth when it started adopting the globally accepted CMM of Carnegie Mellon to show case their quality levels.
- The industry has high levels of attrition and is unable to attract the best talent across various disciplines.

National and International Level

- India needs to continuously battle the risk perceptions of a developing economy situated in a fragile geo-political environment. Having said that the initial clients will have done much to disabuse this risk perception.
- As off-shoring of outsourced services gather momentum, the impacted states and countries could raise protectionist barriers. In fact a few states in the US and the federal government is attempting to introduce such measures. Other countries such as United Kingdom, countries in the European Union and Australia could also attempt to introduce such measures. However, in the opinion of the Company, in the medium term the pure economics of off shoring will prevail.

Policy level

- At the policy level, the government needs to tackle the following policy issues to enable a faster pace of growth for this industry: a) vocational education / training and creating the appropriate infrastructure for such education, b) common laws regarding 24x7 services (in particular regarding women employees), c) formulating and streamlining the regulations for this industry.

Infrastructure

- The state of Indian infrastructure needs to be significantly improved if the information technology enabled services / business process outsourcing wave has to become a reality. The roadblocks in infrastructure include power supplies and road and air linkages.
- While telecom bottlenecks have significantly come down since privatization, there are still several challenges in getting utility providers to meet service level agreements similar to ones signed by service providers with clients.

Advantage India

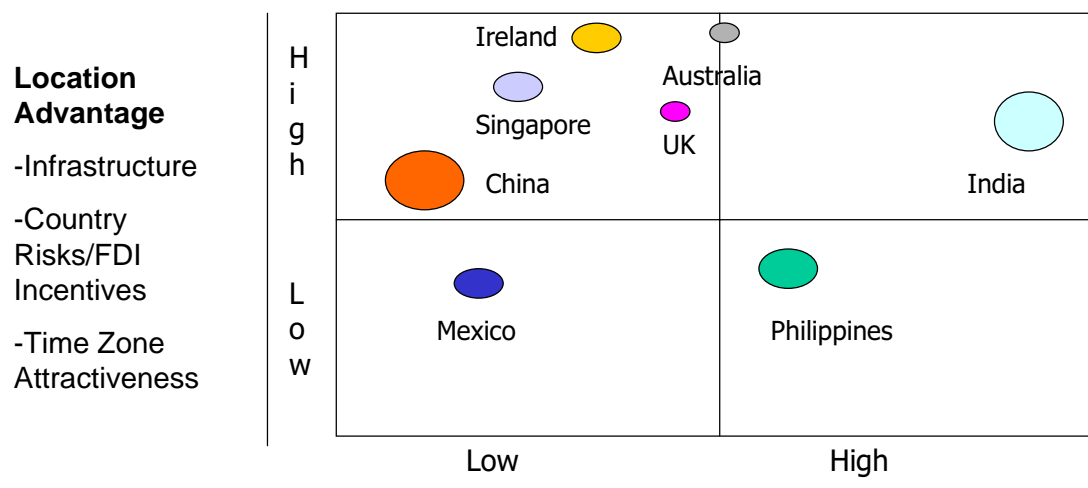
India has emerged as an attractive destination for outsourcing business processes and for locating facilities to provide business process services globally. The abundant availability of skilled manpower has made India a preferred destination for multinationals to back-end their operations in India. India ranks high in areas such as qualifications, capabilities, quality of work, linguistic capabilities and work ethics. Indian companies also have unique capabilities and systems to set, measure and monitor quality targets.

In the past few years, the Indian information technology enabled services-business process outsourcing industry has pursued the goal of attaining the highest international standards of quality. Indian players have created a strong value proposition in the information technology software and services arena. India enjoys advantages of people sophistication in terms of a very large pool of English speaking scientific personnel, varied and extensive skill sets in terms of technology and offering services at globally competitive costs. Today, the world looks towards the Indian information technology software and services industry for its good quality and high price performance.

Business process outsourcing companies in India are able to deliver superior quality because of specialisation and scale benefits. India already has a large and rapidly growing number of information technology enabled services-business process outsourcing providers collectively covering a wide range of services with different levels of complexity and value adds. Yet another compelling rationale for information technology enabled services-business process outsourcing is that it allows companies to capitalise on time zone differences and to provide round-the-clock services, every day of the week on 24x7 model. With increasing support from government in terms of incentives in form of tax holidays and other infrastructural support, information technology enabled services sector is getting a further boost.



These advantages are supported by the significant number of entrepreneurship opportunities dotting India's technology landscape as well as increasing value creation opportunities for venture capitalists in this sector.



People Advantage – Quality, Cost, Type of Skills, and English language.

Source: NASSCOM-McKinsey Report 2002

The Philippines and China could pose the strongest competition to India and challenge India's supremacy in the medium to long term. Other than India, only China and the Philippines, have a sizeable, low cost talent pool, which could meet global information technology enabled services manpower needs. Governments in both countries are taking significant steps to improve their attractiveness for the information technology enabled services industry. Other countries like Malaysia, the Caribbean, South Africa, Hong Kong, etc. have also seen some information technology enabled services activity. However, the small size of their talent pools and lack of reference customers severely constrains their ability to emerge as hubs.

(Source: NASSCOM-McKinsey Report 2002)

Regulatory and Tax Framework

Recognizing the growing importance of the information technology enabled - outsourcing sector, the GoI has introduced various policy concessions and initiatives to accelerate the growth of the market. The Indian software and services industry, spearheaded by associations such as NASSCOM has also taken various steps to ensure that India becomes the global hub for information technology enabled outsourcing in the future. Some of the steps taken by the government and industry for the information technology enabled services - sectors are as follows:

In the month of May 2002, the Government of India has accepted NASSCOM's recommendations and the GoI has allowed total income tax exemption on the export of information technology initiative enabled outsourcing services under Sections 10A/10B of the Income-tax Act. They are:

- o Customer interaction services
- o Business process Outsourcing/ back office operations
- o Medical transcription
- o Legal databases
- o Digital content development
- o Engineering and design services



- o Support centres
- o Payroll/ human resources services
- o Web-site services
- o Data digitization/ GIS and online education
- Foreign Direct Investment for 100 percent of the equity has been permitted in business process outsourcing companies.
- Duty-free imports of capital goods are permitted (under the Export Promotion of Capital Goods scheme) for business process outsourcing companies located in Software Technology Parks.
- The Government has promoted several Software Technology Parks (STPs) which provide ready-to-plug information technology and telecom infrastructure. STPs also allow single-window clearance for all regulatory compliance issues. Currently, STPs have been established in 20 locations across India covering most of the major towns/cities.
- Various Indian states have introduced regulatory and infrastructure-related initiatives to encourage information technology enabled services investments within their territories

(Source : NASSCOM website)

Peer Group Analysis

International comparable companies engaged in the business of third party transaction processing:

(In US\$ million)

Company	First Data Corp	Automatic Data Processing Inc.	Paychex Inc.	Fiserv Inc.	Total System Services Inc.	Concord EFS Inc.
Market Cap (\$ million)	29,080	23,840	13,310	7,400	5,950	6,710
Employees	27,550	41,000	8,850	19,400	5,121	2,640
Revenue (ttm) (\$ million)	8,320	7,220	1,200	2,910	1,020	2,220
Gross Margin (ttm)	39.99%	53.60%	76.35%	32.81%	40.23%	27.67%
EBITDA (ttm) (\$ million)	2,490	1,920	506	664	272	564
Operating Margin (ttm)	21.62%	22.38%	35.80%	17.36%	17.60%	20.76%
PAT (ttm) (\$ million)	1,360	1,000	304	301	137	346
EPS (ttm) (\$)	1.80	1.66	0.80.	1.54	0.70	0.70
PE (ttm)	22.18	24.10	43.90	24.76	43.43	20.60
PS (ttm)	3.54	3.31	11.20	2.58	5.90	3.07
Rev/person (\$)	301,996	176,098	135,593	150,000	199,180	840,909
PAT/person (\$)	49,365	24,390	34,350	15,515	26,753	131,061

Ttm = Trailing twelve months as of September 30, 2003, except for Paychex Inc. where ttm is as of November 30,2003

Source: Figures compiled based on data as of January 14, 2004 from Yahoo Finance



The published revenues of some of the business process outsourcing - information technology enabled services players in India, together with their estimated voice (call center) and non-voice revenue proportions are given below:

(In US\$ million)

Company	Revenues 2002-03	Employees	Voice : Non-Voice
Wipro Spectramind	41	5,000	80:20
Daksh eServices	35	4,000	70:30
Office Tiger	25	1,000	0:100
HCL Technologies BPO	NA	2,346	90:10
ICICI OneSource	NA	2,175	70:30
World Network Services	35	2,500	65:35
exl Service.com	28	2,300	75:25
MsourceE	20	3,162	93:07
Hinduja TMT	24	1,400	66:34
Tracmail	11	1,000	50:50
Progeon	4.4	685	30:70

(Source: Business World, Issue dated August 4, 2003)

The nature of revenues, that is, whether on consolidated or unconsolidated basis for the aforementioned companies is not readily available. The Company, together with its subsidiaries has a revenue of Rs. 702.19 million for the nine months ended December 31, 2003. The Company on a standalone basis has a revenue of Rs. 429.21 million for the nine months ended December 31, 2003. The entire revenue of the Company is from transaction processing (non-voice) activities.

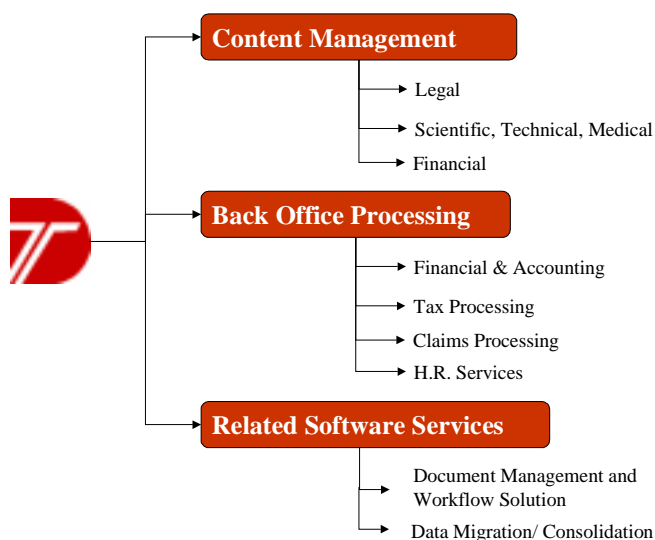


PRESENT BUSINESS OF THE COMPANY

Overview of the Business

The Company has been spearheading the Datamatics Group's business activities in the information technology enabled services / business process outsourcing sector for over 10 years. The Company's approach to the business process outsourcing business is through a dual emphasis on 'Skill' and 'Scale'. Skill denotes the technical and managerial competency in a specific domain. Scale reflects the ability to create a high volume processing capability'. Moreover, the Company believes that though clients initially approach the Company for cost advantages, they continue to provide continuous business due to the quality of work provided to them. The Company strives to provide quantum operational improvement through ongoing process improvements leading to additional cost advantages for the clients.

The Company is primarily into processing transactions & content and offers the following suite of services:



Content Management services encompass managing valuable content and delivering it to a targeted audience. Content management includes data management and data delivery services. The data preparation, context addition and repository services focus on the data management aspect. Thus information that is trapped in various formats, often on paper as well on other forms, such as microfilms, is assigned a context and stored in a repository to enable comparison and retrieval. The data delivery services provide efficient and effective means to make the processed data available in optimum time, minimizing delays and improving the value of service.

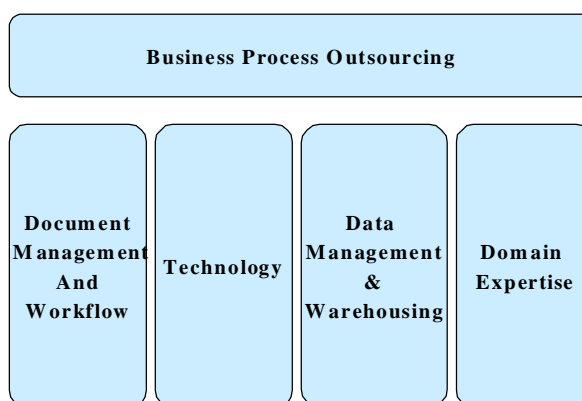
Back Office Processing involves fulfilling specific transaction processing functions like accounting, claims, payroll, tax forms, resumes etc. in a customized format. The Company has been leveraging its data management skills along with domain expertise in specific functions and has developed capabilities to effectively deliver this service across various industries.

Related Software Services The effectiveness and efficiency in providing the above services are largely dependent on managing the entire process using a well-defined workflow involving all the participants of the value chain, including even the vendors/suppliers as well as customers of the enterprise. The document management and workflow solutions and data migration/consolidation services offered by the Company ensure that the entire flow is controlled to ensure timely movement of duly authorized data. The Company has gained niche expertise in this area and is also selling these services to its other customers.



BUSINESS ARCHITECTURE

The Company believes that a successful outsourcing of any transaction processing would require expertise in the following areas:



Document Management and Workflow

Document management and workflow systems ensure a smooth and seamless movement of millions of documents from overseas clients to India and back. The Company deploys advanced and modern document management and workflow solutions to substantially reduce the usage of paper and routing time. This workflow system ensures minimal manual intervention and interactions and is complete with all checkpoints and status information.

Technology

Business process outsourcing companies need to utilize technologies to improve their delivery capabilities and improve their efficiencies and effectiveness. The Company's software support team develops proprietary tools and processes to automate as many processes as possible. This provides the Company a competitive advantage with respect to managing large-scale operations and improving productivity. For example, the Company has developed an in-house technology solution, TJAM (for further details, please refer to page 77 of this Prospectus) that helps the Company to automate its entire workflow.

Data Management and Warehousing

Quite often clients present the Company with raw data either in an unstructured format or in formats that need to be presented differently. Data management and warehousing therefore involves the creation of a structured data warehouse from the processed data that can be presented in the appropriate form.

The Company believes that its capabilities and expertise in the above named three areas of document management, technological prowess and data management is the back bone of all its service offerings. The Company's expertise in these three areas help it in all its service offerings in the following significant ways: a) quickly scale up its service offerings and b) increased productivity and improved turn-around time and c) strengthen its cost competitiveness.

Domain Expertise

The Company believes that its capabilities in the first three areas are necessary for most service offerings. The relevant domain expertise is then added for each service offering.

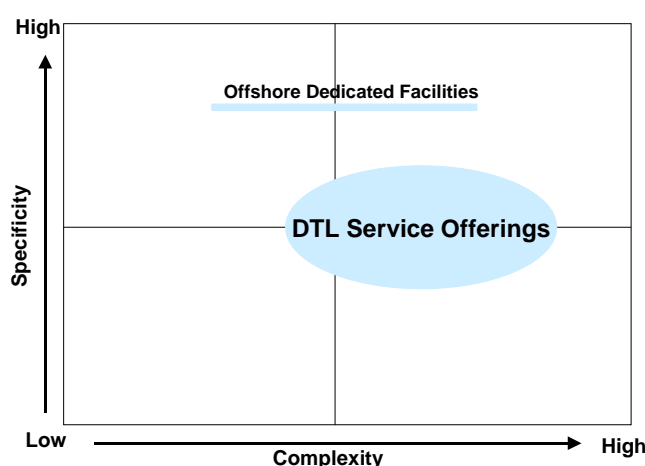
The Company has over the past many years developed expertise in the domains of its service offerings. In many cases, the Company identifies potential areas of service offerings and builds its knowledge and expertise by commissioning pilot projects in those areas. During such pilot projects, the Company may offer its services in these new domains even free of cost to establish the proof of concept and build a referral base in such areas. The Company has also acquired expertise in certain domains through the acquisition of Saztec International Inc. (please refer page 108 of the Prospectus) and CorPay Solutions



Inc. (please refer page 108 of the Prospectus) as well from its affiliates and clients such as Cadmus (please refer page 111 of the Prospectus).

Business Strategy

The entire spectrum of services under information technology enabled services / business process outsourcing could be mapped across a matrix depending on the complexity of the services and the specificity of the applications. Businesses that fall in the low complexity and low specificity quadrant have low entry barriers to deter competition and easy exit by customers. On the other hand businesses that fall in the high complexity and high specificity quadrant are difficult to replicate and scale up. Companies in that segment may not therefore benefit from offering similar services to other customers. In contrast to both the above models, the Company has built up its business model in processing transactions and content in the medium to high complexity and medium specificity quadrants as can be seen in the chart below. This focus facilitates the Company to build long term partnerships with its clients helping it to scale up of the operations and simultaneously building entry barriers to competition.



Source: This is based on the Company's understanding of complexities and specificities

DETAILED SERVICE OFFERINGS

A. CONTENT MANAGEMENT

Knowledge is power. In this knowledge driven economy, continuous flow and analysis of information plays an extremely crucial role. The digital revolution has been great boon to knowledge flow as anyone can now access information in any corner of the world almost instantaneously. The key challenge is to process and analyze vast amount of information. Content management refers to marriage of content with software and workflow tools that is extremely necessary to provide meaning and context to the information that is got.

The information provider industry is a primary consumer of content management services. The explosion of Internet has been a huge growth driver for information providers in last few years. However, the Internet has also posed them a major threat. Information that was being sold for a fee was suddenly being made available for free on the numerous websites. Every information provider was faced with a common formidable competitor, the Internet!

To address the Internet challenge, information providers must address the problems people face in finding information on the net. Searching information on the net is very time consuming as information is spread across multiple sites. Search engines, though becoming intelligent, do not understand the context in which information is being requested, resulting into finding of unrelated or unwanted information. Information providers need to provide the information in a highly enriched and context sensitive form, in the shortest possible time. The Company provides end-to-end solutions for information providers to be able to meet this challenge of finding the 'right' information.



Content management solutions and services are necessary not just for the information providers, but for any organization. A typical organization has huge content being generated internally. The information technology applications generate data, typically called structured content, with every transaction. As a result, organizations create multiple applications for different needs resulting into information islands. To get maximum benefits, it is necessary to keep consolidating this data on an ongoing basis. The Company provides solutions and services to consolidate the structured content into a single repository and to provide it to information consumers in the right form. The Company also provides services to consolidate unstructured content such as documents, emails and other digital information such as engineering drawings.

Industries Services

The Company's main clients for its content management services are:

- **Information Providers:**

- Publishers (print and online)
- Financial information providers
- Universities and libraries
- Government
- Litigation support providers

- **Data Intensive Organizations:**

- The Company also markets its content management services to organizations that generate large amount of content, be it structured or unstructured.

Challenges facing the information provider industries

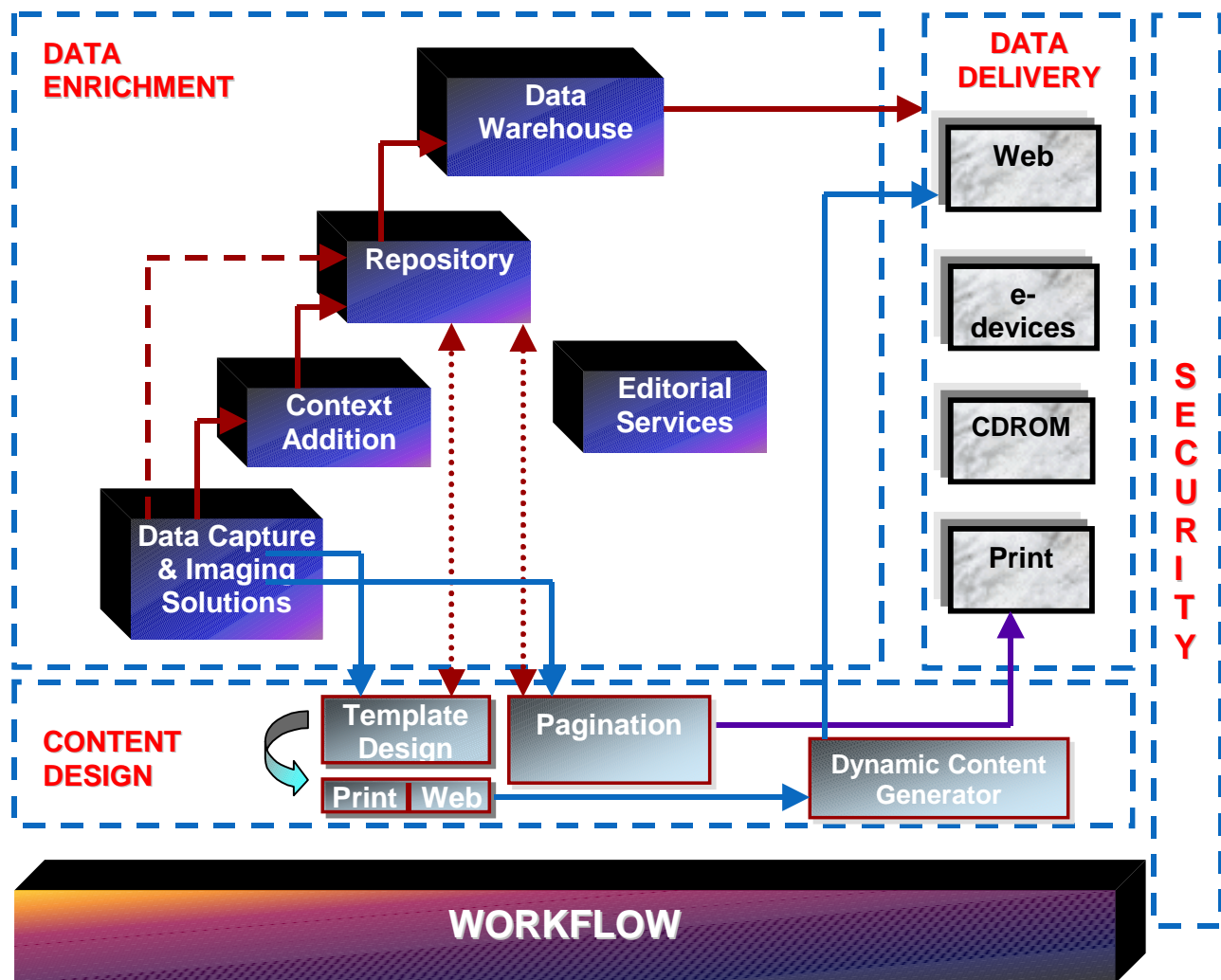
The information providers face the following challenges:

1. Competition from alternate media resulting in increased downward pressure on revenues
2. Costs, on the other hand continue to rise
3. Need to simultaneously publish content on multiple mediums;
4. Need to shift from the traditional print-centric workflow to the new digital world;
5. Fast turnaround time requirements;
6. Need to offer content in highly enriched form.

The Company's service offerings are aimed to meet the above named challenges faced by the information providers. The Company believes that the information providers can outsource almost all of their activities outside of acquiring / creating content and marketing it.



Content Management Service Offering



The Company provides content management services in the following three areas:

1. Data Enrichment services
2. Editorial services
3. Content delivery services

1. Data Enrichment Services

Data enrichment is the process of adding value to data to make it highly structured and hence easily searchable and retrievable. Data enrichment is made in four steps. These steps in increasing order of value addition are:

a) Data Capture:

Substantial portions of the information still resides in paper or some other forms such as microfilms. The first step in the data enrichment life cycle is to convert all such data into electronic form. The Company provides efficient services to convert paper documents into electronic files. Such data capture is automated to the extent possible by using modern technologies.



b) Context Addition

Context addition is the crucial step in the transformation of data into information. Raw ASCII data, or data with just formatting information (such as HTML), is not highly searchable. It is difficult to search such data in relation to a specific context and the search usually results in a lot of unwanted information. Context addition involves inserting tags that provide a consistent structure to the data besides providing informational context. Search engines use these tags to pinpoint search results. Tags can be inserted manually or programmatically.

The Company has a long track record on working in a number of different markup languages including SGML and XML. Over the past one decade, the Company has been providing services for data analysis, document type definition (DTD) design and markup services. The Company has also worked on a number of proprietary markup formats of several customers.

The Company has large number of highly trained resources for manual markup services. These resources, termed Knowledge Associates, are highly qualified and have specific domain knowledge in the legal, regulatory, finance and scientific fields.

c) Repository Creation Services:

A repository stores data from various sources in a single place to provide a single source of data to any applications in the organization. The repository usually stores only structured data. It can consist of indexed SGML / XML files that can be used by fast search engines. This SGML / XML can also consist of a database that enables fast searches. The repository may also contain data captured from other applications or sources. Repository allows building relations between discreet data elements picked up from these disparate sources.

The Company has the expertise to build extremely large data repositories. The Company's engineers have developed programs to convert huge volumes of legacy data to upload in the repository. These programs also keep the repository updated by importing any external data, transforming it as per the repository design and loading it into the repository.

d) Data Warehouse Creation:

A data warehouse stores data in integrated and subject oriented form that enables analysis and decision support. e.g. Financial data from individual companies can be integrated and presented in a form that allows analysis of the entire industry on various different parameters.

2. Editorial Services

While Data Enrichment services add value to content by bringing it in the right structure for enhancing the search process, Editorial Services enable the information provider to enhance the content itself. Editorial services are thus generally higher in the value chain and require the Company to possess significant domain expertise & skills in the various areas that are relevant to the underlying content providers.

The Company provides two types of editorial services:

- i. **Language Oriented:** Content coming from the source provider may not be linguistically perfect. It also may not conform to the language and style used by the specific publication. The Company provides copy editing services that correct the grammar and also bring the content in the requisite style. Any such changes are made without altering the message sought to be delivered by the original author.
- ii. **Subject Oriented:** Certain content can be made more usable by creating surrogate content such as abstracts, indexes, expert annotations and cross-references to similar content. Such services require substantial understanding of the content subject besides good command over language. The Company has well trained resources with expertise in various different subjects.

3. Content Delivery Services

The content delivery services helps to make the content available to different users in different forms. The information may also need to be delivered in different media such as print, compact discs, Web and mobile devices. The Company has expertise in print composition services and composes several thousand pages every day for different types of publications.

The overwhelming complexity of multimedia with large content makes delivering content very expensive to achieve using manual processes. The Company provides solutions (content management systems) to clients by making available tools that



allow even non-technical users to easily generate and publish their content. The systems integrate user created templates with data derived from the repository to generate the desired information. The content so generated can be delivered on different media mentioned above.

The Company's Value Proposition

The Company provides an end-to-end range of services under one roof to the information providers. These include data enrichment, editorial and content delivery services. It has built a large resource pool that has the expertise on several domains. The Company can and does commit to reduce the overall publishing cycle time. In addition the Company offers offshore dedicated facilities that help the client with reduced overheads and costs without any compromise on quality.

Client Profile

A few of the Company's major content management services clients include **LexisNexis (a division of Reed Elsevier Inc.)**, **CCH Inc. (a part of the Wolters Kluwer company)**, and **Cadmus Communications Inc.**

Growth Prospects

The Company has existing relationships with four multibillion-dollar publishing houses. The Company believes these companies are in the process of substantially increasing their outsourcing activities. The Company expects that the next wave of outsourcing in this domain will be the editorial services. The Company is one of the few that has demonstrated expertise in this area across several fields. Finally clients are beginning to consolidate their vendor relationships. The Company believes that its range of end-to-end services with proven quality, efficient delivery and attractive costs has placed it in a vantage position.

Growth Strategy

The Company is focused on deriving the maximum benefits from its existing relationships with multibillion-dollar publishing houses. It aims to achieve this by providing a complete range of end-to-end services for all its clients and their subsidiaries and affiliates. The Company will also aim to capture a significant proportion of the rapidly growing editorial services outsourcing contracts from these clients. In addition the Company will aim at marketing the content management services to the large Fortune 100 clients of CorPay Solutions Inc., its recently acquired subsidiary in the USA.

CASE STUDY

The Client: One of the world's largest provider of production and information management solutions to publishers of scientific technical and medical (STM) content, trade professional & alumni associations, and special interest commercial magazines worldwide.

The Challenge: The Company had to offer end-to-end services for data conversion and composition, while providing a cost efficient high quality service.

The Solution: The Company set up a modern dedicated facility in India, for the Client, from where it provides the requisite end-to-end services. That center houses a trained pool of professionals working exclusively on the company's projects. To ensure a turn around time of less than 48 hours the dedicated center operates three shifts, and at times even offers turnaround times as low as 4 hours. Over the last 10 months the Company's project team has scaled up to convert over 2500 pages per day of copy-edited manuscripts, about 200 electronic author submissions from its different customers and a further 2500 pages a day of SGML and XML formats. This includes publications from over 20 different publishers and the use of almost 17 different definition type documents.

Benefits to the Customer: The client now has access to a 24X7 production facility at the Company's offices. This has resulted in significant savings in production cycle time with high level of accuracy. With the scalable solution that the Company offers, the cyclic variations in the Client's volume are now manageable and the Company can rapidly ramp up to meet the Client's volume requirement variations. The Company was successful in meeting the target of processing 350,000 manuscript pages in the first year, and was rapidly able to scale its processes to touch the 500,000 pages p.a. milestone.



A. BACK OFFICE PROCESSING

The improvement in the telecom infrastructure in India during the late 1990's provided Indian companies with high bandwidth at reasonable rates. With such improved infrastructure the Company found it feasible to offer service level agreements with turnaround times between 4 hours and 24 hours. With this delivery capability in place the Company started to offer back office processing services to its clients.

The Company, in 1996, took a strategic interest of 5% in Saztec International Inc., a resume-processing firm. Over the years the Company expanded the services to include complete applicant tracking systems. These services are offered to human resources departments of large corporates and to large recruitment firms. In addition Saztec and the Company also began to process healthcare insurance claims. During this period, the Company continued to increase its stake in Saztec culminating in full ownership in the last quarter of 2003.

During 2002 the Company ventured into providing finance, accounting and tax processing services. The Company was among the early entrants in processing tax returns for US CPAs in 2002. Last year the Company processed over 10,000 tax returns for its US clients. In addition to tax returns the Company began to offer services in the areas of accounts payable and receivables, write up services, payroll processing and pension and benefits administration to CPA firms. To provide a major thrust to its finance and accounting processing services the Company identified and acquired CorPay Solutions Inc., a accounts payable processing company with many Fortune 500 customers, in September 2003. With this acquisition the Company today provides end-to-end services from opening of mail, processing the transaction, printing and delivery of cheques to related reconciliation and call centre services. With an experienced US front end and a cost efficient India back end, the Company has emerged as one of the leaders in this space.

The Back office processing services of the Company comprises largely of the following

- Finance and accounting
- Tax processing
- Claims processing
- Human resource services

The details of the above back office processing services are given below:

Finance & Accounting

The finance and accounting services of the Company are positioned to target two segments – accounting firms & large corporate clients.

The services offered by the Company to accounting firms include: accounting and write up services, accounts payable, accounts receivables, bank reconciliation, financial statement preparation, MIS reports, payroll processing, pension administration and litigation support.

The Company's services to large corporate clients include:

- Full service accounts payable processing like vendor file maintenance, invoice processing, payment cheques printing & distribution, problem resolution, journal entries, bank / accounts reconciliation, specialized reporting and stop pay, reissues, cancelled checks
- Year end support
- Specialized transaction processing like expense reports, accounts receivable invoicing, etc
- High-speed printing solution for accounts payable cheques, payroll cheques, accounts receivable invoice printing, & statutory wage reports (W-2).
- Back office services like: mail room services, imaging services and call center and customer service
- Financial data processing for global rating agencies.
- Reconciliation support to the financial services industry.



These services are offered in multiple ERP systems including branded and legacy systems.

Value proposition to large corporate clients

The Company today provides end-to-end services from opening of mail, processing the transaction, printing and delivery of cheques to related reconciliation and call centre services. Moreover the experience and expertise in handling multiple ERP systems in addition to legacy systems is a significant advantage to the clients when they outsource their processing activities to the Company. With an experienced US front end and a cost efficient India back end, the Company offers significant domain expertise, onshore account management and cost advantages to its clients.

Client Profile

A few of the Company's major financial accounting services clients include **Ford Motor Company, and DaimlerChrysler Corporation.**

Growth Prospects & Strategy

Financial accounting services to large corporate clients

The Company today offers accounts payable services to several Fortune 100 companies. It aims to increase the service offerings to these customers in other financial accounting areas such as accounts receivable, write-up services, payroll, etc in addition to offering other Company services in the areas of content management and HR. The Company also plans to cross sell its financial accounting services to major customers who are utilizing its other service offerings.

Case Study: Financial Accounting Services

A wholly owned subsidiary of a Fortune 500 Financial Institution

The Client: A wholly owned subsidiary of a Fortune 500 financial institution and ranks amongst the largest accounting, tax, and consulting organizations.

The Challenge: The client had to reconcile payment of overtime wages. The data for this dispute was spread over a span of eight years and the computation and processing of this data was required in a short time period. The project required processing 1.87 million records and at peak, it necessitated the employment of 250 people to complete it on time.

The Company's Solution and Benefits to the Customer: This case highlights the competitive strength of the Company in the usage of its expertise in software development (16 software programmes were developed for data capture, analysis and quality checks), expertise in financial accounting and usage of financial accounting packages and proof of the Company's ability to scale up for fluctuating demand conditions through the usage of Knowledge Associates (see page 87 for a detailed description of the Company's Knowledge Associates programme). The end benefit to the consumer can be gauged from the fact that the project was completed with an accuracy level of 99.9997% significantly within the budgeted time and costs.

Tax Processing

The Company has been an early entrant in US and Canadian tax return outsourcing business to India. It processed over 10,000 tax returns of varying complexities in 2003. The Company provides services which include filing returns of 100 to 150 pass-through entities (K-1s), rental incomes from different states, farm income, business income, sale of home, interest incomes, capital gain / loss transactions, expatriate returns, and fiduciary returns (1041). The tax compliance expertise has been developed over a period of time through in-house training imparted by professional trainers on US Tax laws, regulations as well as on the software packages that are used for the return preparation.

The Company has a scalable model, which has helped it to service 20 clients directly and over 55 clients through its associate partner, CCH Inc. CCH Inc. is a part of the Euro 3.9 billion Wolters Kluwer company, which is provider of tax information services, software and work flow tools for tax, accounting, legal and business professionals. CCH Inc. has partnered with the Company for its tax returns preparation services. The Company processed about 3400 individual tax returns for 55 CPA firms through CCH Inc. for the 2003 tax season. The Company utilizes the resources of its US subsidiaries viz. Saztec and Datamatics Technologies Inc. to man the help desk for technical issues.



The Company, with its professionally trained accountants and robust workflow systems, has been able to work with a turnaround time of 2 days for return preparation and review for those returns that do not have any queries. The turnaround time for processing these returns with clarifications incorporated in them has been between 2 and 3 days and within the stipulated time in the contracts.

The Company's value proposition to accounting firms:

The Company offers the accounting firms an ability to significantly cut costs by outsourcing their tax returns preparation to trained accountants in India. In addition the outsourcing helps the clients to avoid the pressures of a seasonal work pattern on the internal hiring policies and more importantly move the fixed costs associated with these tasks to a variable cost.

Client Profile

A few of the Company's major tax processing services clients include **CCH Inc., Carlin Charron & Rosen LLP (CCR), Berdon LLP, and Aronson & Co** (who are CPA firms in US).

Growth Prospects & Strategy

The Company plans to maintain and grow its market share in the growing tax processing service given its early entry into this business. To this end the Company has formed alliances or plans to form alliances with firms or CPA associations such as CCR, (part of The Leading Edge, an alliance of major independently owned accounting and consulting firms worldwide) . It plans to offer these firms and associations dedicated offshore facilities to meet their requirements. The Company also plans to market these tie ups with the Indian affiliates of global accounting firms. Finally the Company also plans to expand the tax processing services to other geographies such as the United Kingdom and Australia

Case Study

The Client: A US accounting firm providing an array of services including business, tax and financial advisory services.

The Challenge: Maintaining a tight turnaround time, with desired quality of tax returns using both the commonly used software packages for large workloads flowing from its offices across United States. This also meant the need to have customized sorting, numbering, and book marking original source documents and customized reconciliation statements.

The Company's Solution and Benefits to the Customer: The Company with its dedicated team developed a scalable solution designed to manage the peaks. The solution provided an interface based on document management and workflow solution based on FileNET based enterprise content management solution. The system also provided real time updates on the Company's web tracker for the client to monitor the progress. The Company processed more than 1,000 returns for the various offices of this client resulting in significant cost advantages and meeting their quality standards.

Claims Processing Services

The Company undertakes health care Claims processing for its customers. The Company started processing health care claims initially in conjunction with Saztec International Inc. in 1994.

The Company's healthcare claims processes comply with Health Insurance Portability & Accountability Act regulations (HIPAA), besides adhering to ISO 9001:2000 and ISMS (BS-7799) standards. The Company processes approximately 30,000 claims a day.

Claims processing has four major steps, namely, mail processing where a database of all claims and batches is created, imaging and encryption of all the forms is completed, Image Based Data Capture (IBDE) is conducted, and Quality Audits using both in-built IBDE checks and other control tools are performed.

In addition to dedicated project managers both onsite and offshore, the Company has developed a proprietary Project Monitoring System for managing the Electronic Data Processing of image files received from clients located worldwide. The Company also provides a web-based interface in specific project situations that help both the client and the Company in monitoring the work queue and in tracking progress made, from anywhere in the world. Specific to Claims Processing, the work queue is designed in such a way that the next process does not start until immediate preceding process is entirely completed. The system keeps a log of transactions happening at each stage of the workflow. The existing work queue provides an excellent means of reducing turnaround times irrespective of the complexities in the claims being processed.



The Company's value proposition to insurance companies

The Company offers its clients an end-to-end service offering right from mail processing and including work queue monitoring in such a manner that they save on staff costs without compromising on quality. In addition the Company is able to offer an on-shore presence to undertake local processing of regulated documents.

Client Profile

A few of the Company's major clients in the claims processing service are: **Unisys Inc., Fidelity Investments and Blue Cross & Blue Shield of Rhode Island.**

Growth Strategy

The Company has begun to add additional service offerings in the claims processing segment. In addition the Company plans to deepen the relationships with the existing clients and use them as a referral base to woo other companies in this segment.

Human Resource Services

The Human Resources department of large companies face a challenging task of effectively handling massive volumes of resumes. In many cases, these enormous volumes and short timelines have led to a compromise on the effectiveness of the tracking of the resumes, given the huge demand made on the recruitment resources. Companies thus have a requirement for systems and processes that could evaluate all the applications in line with the set criteria, thus making productive utilization of the recruitment resources on hand.

The Company's applicant tracking system, part of its Human Resource Services, address the above challenges by creating an indexed database for the job applications received by the Company in response to its requirements. It also enables the Resumes to be indexed and updated in the Human Resource Information System (HRIS) within the shortest possible time and with the highest accuracy, so that the appropriate information about the candidates could be retrieved from the database.

The Company processes more than 1.5 million resumes every year. The accuracy levels provided through its proprietary "multi-cycle error elimination process" are as high as 99.997 % and having turnaround times ranging between 8 - 24 hours. The Company has the flexibility to process varying volumes as per customer requirements and has scalable resources and infrastructure to meet these processing requirements. The Company's solution being independent in nature lends its applicability across any platform or any HRIS system.

The Company has begun to process various benefit plans such as pension and retirement plans, deferred saving plans etc.

The Company's value propositions

The Company offers its human resources processing services across multiple platforms be they be in standard packages or on proprietary systems. The ability of the Company to utilize the Knowledge Associates resource pool to allow for meeting flexible client requirements while maintaining the stringent accuracy levels at a substantial cost advantage are the key value drivers of this service offering.

Client Profile

A few of the Company's clients include **Webhire Inc., ABN AMRO and Kaiser Permanente.**

Growth Prospects & Strategy

The Company believes that its proven expertise in applicant tracking service is the key entry point into offering human resource processing services to large corporations. In the Company's opinion much of this service that is now out-sourced will begun to be off-shored. The Company therefore aims to rapidly acquire a major share of this opportunity through the marketing efforts of its recently acquired entities Saztec and CorPay.

Case Study

The Client: A specialty retailer having a multi-billion dollar annual turnover.

The Challenge: To implement a cost-effective solution, that could manage the huge spurts in volumes of resumes received,



particularly in temporary staffing. The large variety of formats along with the volumes posed a challenge in effectively recruiting from the candidate pool in the shortest possible time.

The Company's Solution and Benefit to the customer: The Company using its customised solution has processed more than 500,000 resumes in last 5 years while maintaining its high quality and delivery standards. The Company's structured solution has enabled the client to now access the candidate information in it's the client's HRIS system within 8-12 hours of receipt of the resumes by the Company.

C. RELATED SOFTWARE SERVICES

Document management and workflow solutions form an integral part of any business process. Having realized this, the Company built an expertise on these software solutions within the company. For this the Company collaborated with high-end technology product companies in these areas such as FileNet, Hummingbird, etc.

Based on these solutions this division created the technology software platforms for the Company's business process outsourcing operations. Having gained an expertise in these technologies, the Company spotted an opportunity to offer solutions to other companies on these products. This division thus emerged as a profit centre instead of being only a support centre. Providing services to outside customers thus helps the Company to keep abreast of the latest technologies and workflows being used by different companies. This knowledge is used to upgrade the in-house business process outsourcing platform.

Document Management & Workflow Solutions

The Company provides document management and workflow solutions to its clients, which in addition to reducing their costs, improves their product and customer service by increasing productivity and process efficiency.

The advent of the computer has brought in the optimism of moving towards a paperless office. However, problems like personal disorganization have hindered this cause. People spend considerable time looking for lost data, which is the basic information needed to do their job.

Document Management aims to overcome these difficulties and provide for workflow without the need for physical flow of paper. It entails functions such as the creation of the document, acting as a repository, carrying out version controls – check out, check in, and metadata, providing Internet/ web access, and workflow management.

Workflow management is an efficient management of the flow of information and control in a company's business processes. It aims at providing proper routing facilities of work-items to the respective people who are responsible for processing these work-items. This can be done right on their desktops. Workflow Management can be used to integrate e-business, and legacy and client/server applications, manage access to corporate data, capture business-processing rules, and coordinate the flow of work throughout the organization. With Workflow, one can manage the flow of electronic information such as documents, forms, images, faxes, and data.

Case Study

The Client: A high end document management workflow product company (implementing a solution at a Metropolitan City Administration's Fair Hearing Department, in the USA.)

The Challenge: The Metropolitan City Administration's Fair Hearing Department is involved in many dispute resolution processes. Before the development and implementation of the data management and work flow management solution, the department was losing many disputes on account of having insufficient information. For speedy and fair resolution of these disputes the availability of relevant information at the appropriate time was very critical.

The Company's Solution and Benefit to the customer: The Company worked as a partner to the product company's professional services team and developed an application that makes the relevant information available to the concerned authority. This information is now captured and stored in an image format (electronic), which otherwise was available in a hardcopy format at different locations. This application also automates the flow of information during the trial process and stores the information for future use. This has increased the probability of the Administration winning disputes as the right information is available at the right time in the right format.



Data Migration/Consolidation

Organizations worldwide have made valuable time and capital investments to develop and maintain mission critical applications, vital for gaining a competitive edge. Different needs were addressed through different applications. Since there was little or no integration of the different applications, it resulted in inconsistency of data at the corporate level. This necessitated organizations to migrate to new generation applications. The key drivers behind application migration were individual application migration (move towards newer technology), ERP systems (to give coherency by having a single enterprise-wide system) and data warehousing (accessibility to all kinds of information emanating from different systems).

Data Migration/Consolidation is a highly skilled, manpower intensive, time-consuming and costly process. The Company has a team of dedicated professionals for large-scale data migration projects. This team has in-depth experience in executing such projects and vast knowledge of the problems associated with them. The Company also has a well-tested methodology for data migration projects, which considers all the potential pitfalls in a large migration project. This aids in maintaining data quality, reduces the overall project duration, and proves cost-effective as well. The Company has executed several large-scale data migration projects.

Client Profile/Industry Players

A few of the Company's major customers include **FileNet Corporation USA, Hummingbird and Computer Sciences Corporation.**

Consolidated Service Offerings Financials

(Rs. in million)

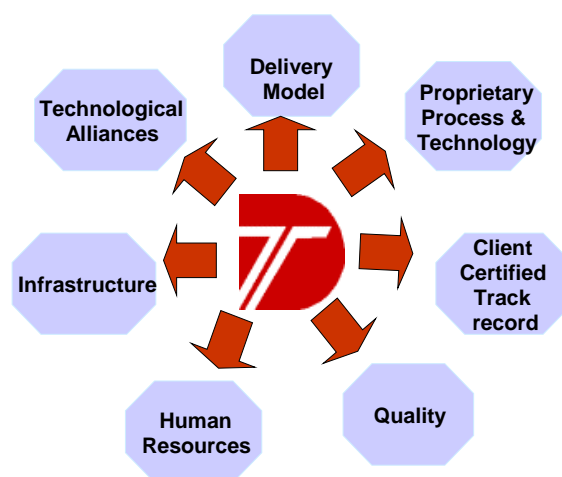
Service Offerings Financials	2001	2002	2003	Nine months ended December 31, 2003
Content Management	184.00 64%	242.00 59%	364.00 61%	282.00 40%
Back Office Processing	47.00 16%	70.00 17%	116.00 19%	233.00 33%
a) Applicant Tracking System	41.00 14%	48.00 12%	36.00 6%	56.00 8%
b) Finance, Accounts, & Tax	0.00 0%	1.00 0%	43.00 7%	135.00 19%
c) Claims Processing	6.00 2%	21.00 5%	37.00 6%	42.00 6%
Related Software Services	58.00 20%	98.00 24%	120.00 20%	187.00 27%
Total	289.00	410.00	600.00	702.00

Note:

1. The above numbers are as per the following financial years ending March 31, 2001, March 31, 2002, March 31, 2003 and nine months ended December 31, 2003.
2. Saztec became a subsidiary of the Company on November 27, 2003 and CorPay became a subsidiary on September 27, 2003. The above numbers are consolidated.
3. A significant portion of the above revenues is derived from clients located in the US.
4. 0.64% of the total income for nine months ended December 31, 2003 is derived from state/quasi government/state funded contracts in the United States.



The Company's Competitive Advantage



1. Client certified track record

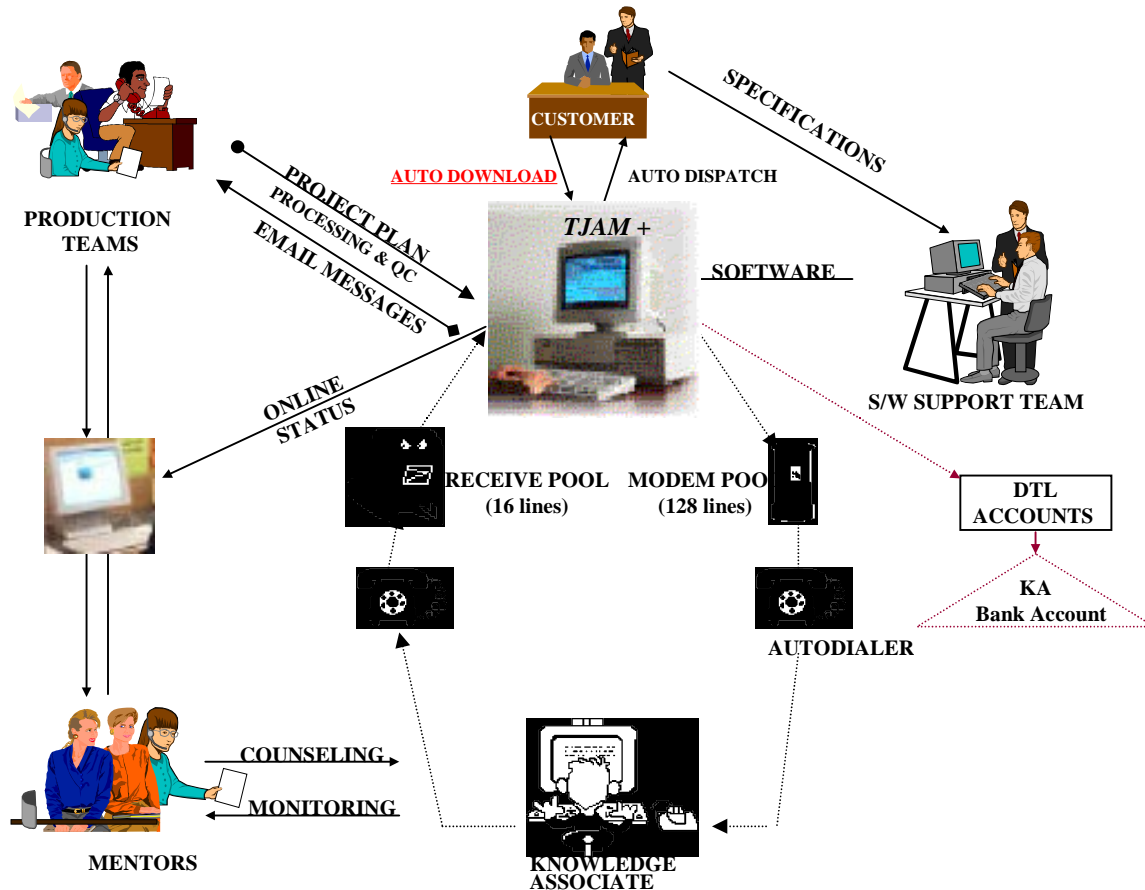
The Company's client profile includes clients among the Fortune 100 corporations. Its major clientele include world leaders like Lexis-Nexis (a division of Reed Elsevier Inc.), Computer Sciences Corporation, Unisys Inc., CCH Inc., Ford Motor Company and DaimlerChrysler Corporation. The Company's roster of over 80 clients provide it with an enormous referral base easing its subsequent selling efforts.

2. Delivery Model

The Company's delivery model is built on a combination of its developed expertise in the area of automated workflow and its human resource talent pool. The Company has built a mix of skilled and well trained in-house employees as well as Knowledge Associate to facilitate quality delivery of services to its clients. A "Knowledge Associate" is a dedicated resource for the Company working offsite at flexible hours (mutually decided based on their convenience and the requirements of the project) with a minimum work commitment of 20 hours per week.



The model using virtual employees operating from their homes, through a seamless automated workflow is shown below.



The Company has over the years developed a robust workflow system called Telestaff Job Assignment and Monitoring (TJAM), which automates the entire work flowing between the overseas client to the Company and to the Knowledge Associates. All the information pertaining to the working hours of the Knowledge Associates and the jobs they are certified to undertake are fed in to the TJAM software. As soon as the work is downloaded from the client site, it is broken up into batches and transmitted to the Knowledge Associates. The transmission is through an automatic dialer from a dedicated pool of 128 phone lines. The Knowledge Associates acknowledge receipt of the job and complete the same in the agreed timeframe and send it back to the Company. The system automatically monitors the workflow and informs the project team/mentors in case of any delay. Accuracy of work is assured by assigning the same work to two Knowledge Associates and automatic verification either by a third knowledge associate or internally within the Company. This double data entry and compare system ensures high level of accuracy. Through different variations of compare and quality control processes the Company can guarantee up to 99.997% accuracy. The confidentiality of the source of information is ensured by breaking up the job in to different batches such that no single knowledge associate receives a job in its entirety.



Advantage of the Company's delivery model

The Company's delivery model of using Knowledge Associates through a seamless proprietary automated workflow system has the following advantages:

- The knowledge associate model is a scalable model. The Knowledge Associates help the Company to manage short-term fluctuations in business volumes without a need to incur bench costs of under utilized employees. More importantly this model allows the Company to bid for contracts that have significant volume variations without impacting its fixed costs.
- This model enables the Company to redesign part of its fixed costs (example wage costs) into a variable cost structure.
- The Company does not incur overheads like property, equipments and other costs on the knowledge associate's.
- The attrition rates of the Knowledge Associates are much lower than that of a full time employee.

3 In-house Process and Technology

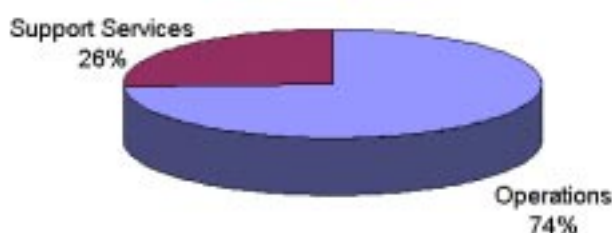
The Company maintains an in-house pool of software engineers that provide a competitive advantage as well as a differentiator. This software engineering pool continuously creates proprietary processes and tools that enable the Company to upgrade its automation process on an ongoing basis.

4. Human Resources

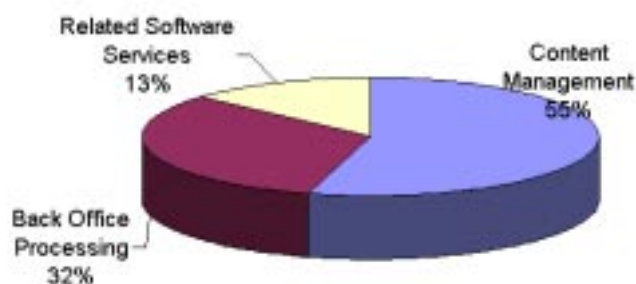
The Company is a cellular organization built around the principles of ownership, accountability, entrepreneurship, self-organization and surplus share. Each cell in the company has entrepreneurial responsibility. This cellular structure encourages psychological ownership of the cell as a profit center. Each cell is also responsible for continuous development and improvement of its products and services, including the necessary technology.

Over the years the Company has successfully implemented the policy of optimally utilizing a combination of Full Time Employees (FTEs) and Knowledge Associates for its various businesses. It currently employs about 900 FTEs with about 600 of them being in India and the rest in overseas subsidiaries and has a very efficient recruitment process in place, which is geared for rapid hiring for seasonal or cyclical projects.

Employee breakup



Employee breakup by Operating Segments



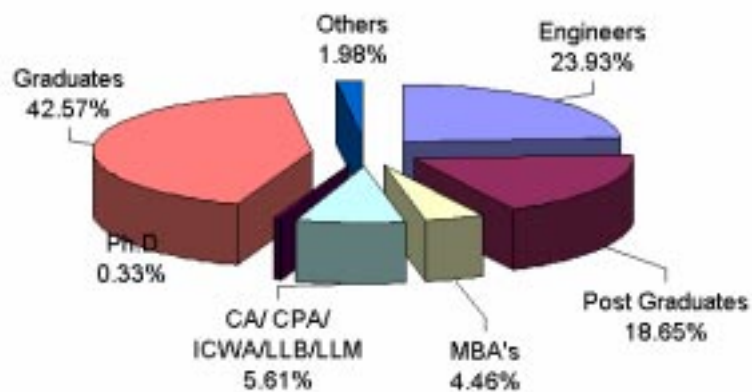


The Profile of India based employees is as given below:

Employee breakup in Support Functions

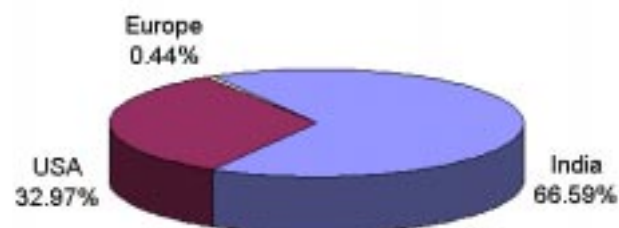


Employee breakup by Qualifications



A breakup of the employees by Geographic locations is as given in the chart below:

Employee Breakup by Geographic Locations





Recruitment, Training and Development

The Company typically recruits candidates with a good academic record and sound work experience. The recruitment and selection process includes screening through a combination of aptitude tests, technical tests, psychometric tests and personal interviews.

The Company believes in the policy of continuing education and updating of knowledge. Training in the Company is a planned process designed to improve performance/ productivity and to bring about changes in knowledge, skills, attitudes and social behavior of employees across the grades in the organization. It is a catalyst for a right fit between people, strategy, systems and customers. For each client, the Company cross-trains designated employees that are not part of the normal team for that client and are working on projects for some other clients to ensure availability of replacement resources.

The issue of attrition is a phenomenon experienced by all players in the information technology enabled services industry. The Company has in place effective human resources processes to manage all such contingencies. The average attrition rate in the Company is around 12%, which is significantly lower than other players in the business process outsourcing industry.

The Company has defined compensation charts defining various components of compensation and their limits for each of the roles. A remuneration review committee reviews the compensation levels, compensation budgets, and compensation increment budgets. The Company has leveraged the concept of psychological ownership through performance based reward systems and annual felicitations of outstanding employees.

The employees of the Company are also eligible for stock option grants under the ESOP Scheme. To reward, motivate and retain employees of the Company, the shareholders approved the ESOP Scheme on November 6, 2003. For more information in this regard, please see the section titled “Capital Structure of the Company” at page 16 of this Prospectus.

Knowledge Associates

In the early 1990s, the Company realized that there is huge untapped talent of qualified housewives who are unable to do a full time job but would like to work at flexible hours at home. The Company’s knowledge associate program provided the housewives with such an opportunity and at the same time giving the Company an access to a huge supply of skilled workforce. Today the knowledge associate programme has been extended to include others, like handicapped persons, who are unable to commit to a full time employment.

The selection and training process of a knowledge associate is similar to that of a full time employee. On selection the knowledge associate goes through a month long training programme which is then supplemented by job specific training. The Knowledge Associates are paid based upon the output delivered and incentivised on quality and turnaround times. With experience and upgradation of skills the Knowledge Associates can move to higher paying jobs. The productive Knowledge Associates are in a position to earn as much or more than regular employees.

The Company has a team of mentors who perform the human resources functions like recruitment, training, counselling for the Knowledge Associates. They play a crucial role in developing the Knowledge Associates and ensuring a smooth and coordinated work on a regular basis.

The Company presently has 1200 Knowledge Associates.

5. Systems and Infrastructure

The Company has adequate infrastructure in terms of facilities, training programme, computer systems and bandwidth that will be required for its ongoing operations. More importantly these systems are geared for further scaling up as required.

6. Quality Management Systems

The Company’s adherence to quality management systems is exemplified by its continuing certification to the ISO 9001:2000 Standard for Quality Management Systems received in September 2, 2002. Being a quality driven company, the Company set a goal of getting certified to the new standard within a year of introduction despite the earlier certification being valid up to 2003. The Company was earlier certified with the ISO 9002:1994 standard in May 26, 1997.

Even in its processes, all the work at the data entry and data validation level is carried out by two different sets of people.



This critical aspect along with various in-built process checks/validations has also contributed significantly to maintaining a high standard for quality and accuracy levels up to 99.997%. The Company has been regularly undertaking quality surveillance audits.

With the increased information security concerns of its customers, the Company took a conscious decision to implement good information security practices in the entire organization and look for third party certification of the same on the lines of its Quality certification. For this purpose the British Standard BS 7799 was chosen. The Company has received the formal certificate by the Certification Body, STQC Certification Services, Ministry of Information Technology, Government of India in November 2003

7. Technological & Business Alliances

The Company has partnerships and alliances with a number of strategically important companies like FileNET Corporation USA (Document Management and Workflow Solutions), Hummingbird, Computer Sciences Corporation (Data Migration services to insurance industry), Ascential Software (ETL tools), and CCH Inc. (Tax Processing). These technological alliances keeps the Company at the forefront of technology in the document management and workflow segments. The business alliances with FileNet and CCH Inc. in specific verticals helps the Company to penetrate these markets.

The Company has been awarded FileNET US - Service Provider of the year 2002 and the Hummingbird, Asia Pte Limited - Best Implementation partner 2002-2003.

Growth Strategy

The Company believes it is well positioned in the business process outsourcing industry and has strong management capabilities. These are backed by a good historical track record and good infrastructure (physical, technological and human resources). These developments have, over the years, transformed many a customer-vendor relationships to preferred partnerships and also grown to strategic partnerships. It believes that its investments in marketing infrastructure, acquisitions and building strong alliances and partnerships should help it in the future.

NASSCOM believes the industry is forecast to grow at more than 50% until FY2008. While the specific domain related growth prospects and strategy has been discussed in the earlier pages under the relevant domains, the strategy adopted by the Company to accomplish its growth targets is discussed below:

- **Penetrating and growing strategic accounts** The Company has million dollar relationships with several large customers. The Company aims to forge strategic relationships with these customers globally. Account management for these customers will be driven by key account relationship managers whose task are to mine and grow these accounts by offering other Company services and to sell to other divisions/companies within the customer group.

The new client acquisition strategy would also be driven to acquire strategic accounts having annuity businesses by delivering project-based engagements effectively and concentrating on offerings that deliver incremental and measurable results.

- **Marketing and sales led growth:** The Company has over the last two years focused on increasing its marketing infrastructure in existing as well as in newer markets. The Company has formed subsidiaries in USA, Germany and UK for marketing and account relationship management, in addition to increasing its India based marketing and sales team. The marketing thrust in the overseas markets are driven by foreign nationals having vast experience with multinational corporations, while the global marketing and sales initiatives are driven by a Sr. Vice President and CMO with 17 years of experience with large organizations within the information technology industry. The sales team includes a mix of experienced and qualified personnel across various nationalities.

The Company would also use a network of agents in other emerging markets and specialized verticals to tap business opportunities.

- **Enhanced services** Within the broad services offered by the Company in content management and back office processing, the Company will keep on adding new service offerings which are complementary and higher up in the value chain.



- **Inorganic** growth prospects, by way of acquisition of suitable companies. The Company has integrated its investment in Saztec and has initiated a similar exercise for CorPay. (For details please refer to page 82 and page 83 of this Prospectus) These experiences have given the Company the confidence to look at acquisitions as a key growth strategy.

The Company's acquisition strategy is towards leveraging its mature offshore delivery model. Towards this end, the Company targets overseas companies having the following attributes:

- Considerable experience in their respective domains
- Blue chip clientele
- Lack of offshore delivery model resulting in low profitability

The Company would then seek to acquire these companies at reasonable valuations and then improve their profitability in line with the Company's margins by:

- Utilizing the Company's offshore delivery model
- Productivity improvements using the Company's proprietary processes and technologies
- Cost rationalization by utilizing existing resources
- Cross-selling of services being offered by the Company
- **Alliances** led growth, by tying-up with industry leaders to address untapped markets, verticals and providing end-to-end solutions. (For details of its JV with Cadmus Communication Corporation, please refer to page 111 of this Prospectus).

The Company's existing working capital limit with State Bank of India is as under:

Facility	Limit (Rs in million)	
Fund Based		
Export Packing Credit	30.00	
Post Shipment Credit	50.00	
Stand by limit	12.00	92.00
Non-fund based		
L/C	5.00	
Bank Guarantee	5.00	10.00
		102.00

Brief particulars on the Companies Acquired

Saztec International Inc.

In 1996, the Company acquired a 5% stake in Saztec International Inc., a diversified information processing company. This acquisition enabled the Company to become a preferred vendor for the work offshored by Saztec. Thus, began the Company's foray into the human resource and claims processing domain. Having gained experience in this domain, these services were identified as thrust areas in the Company's growth strategy. The Company decided to increase its investment in Saztec. In 2000, the Company increased its stake to over 40%, which was a significant stake to participate in the management of Saztec. To gain control over the end customers and to cross sell other Company services the Company decided to acquire 100% of Saztec. In 2003, with the board of directors of Saztec approving a merger of Saztec with the Company's US subsidiary, the stake in Saztec was increased to 100%.

The Saztec acquisition has benefited the Company in the following areas:

- Gain domain expertise and experience in the business process outsourcing segments of HR and claims processing
- Create a US front-end company with a local sales presence



- Become a true multinational
- Offshore work from Saztec to the Company in India. In the last three years the Company has been able to transition work to India thereby reducing on-shore employee strength from 300 in 2000 to just 55 now.
- The Company can now bid for profitable assignments that can not be transferred off-shore.

CorPay Solutions Inc

The Company acquired the entire 100% stake in CorPay Solutions Inc. in September 2003, an accounts payable processing company in US having revenues of about US\$ 13 million.

Having gained experience in the finance and accounts domain, by servicing the US CPA firms, the Company sought to expand its presence by offering services to large companies. In this context, the Company approached CorPay, who were servicing large clients like General Motors, Ford, etc., but who did not have a production facility outside the US. Looking at the synergies, the CorPay management expressed interest in developing a mutually beneficial long-term partnership. This led to the Company offering to buy out the existing financial shareholders of CorPay. In effect this acquisition helped the Company add significant financial accounting services to its offerings while simultaneously acquiring client relationships with the large US corporations.

CorPay was formed in 1999 to purchase the accounts payable and freight processing division of National Processing Inc. It sold the freight processing business in 2002. CorPay has two full services processing facilities located in Livonia - Michigan, and Buena Park – California with about 225 employees.

CorPay provides the following services:

- Full service accounts payable processing
 - Invoice processing
 - Payment cheques printing & distribution
 - Journal entries & bank/accounts reconciliation
 - Specialized reporting
 - Year end support
- Specialized transaction processing
- High speed printing solutions
- Back-office services like:
 - Mail room services
 - Imaging services
 - Call center and customer service

The Company plans to leverage the CorPay relationship as follows:

- The Company-CorPay end-to-end service offers US customers high value proposition in terms of high quality services and lower offshore costs coupled with an experienced US front end.
- Improve CorPay's margins by improving its productivity through the Company's proprietary processes and technologies.
- Cross sell the Company's other services to CorPay's blue chip customers
- Offshore the back-end work of CorPay to the Company in India
- Gain a leadership position in the finance and accounting transaction processing domain,.

The Company has integrated its investments in Saztec and has gained experience in identifying the right company for acquisition based on its long term strategy, valuing these companies appropriately, conducting the necessary due diligence before acquiring the same. After acquisition, creating a comprehensive integration plan which would cover areas in human resource, marketing, off-shoring of work, rationalization of overheads, etc over a medium to long term period such that the strengths of each company is optimally utilized while addressing the normal problem areas in an acquisition.



Details of the Joint Venture

KnowledgeWorks Global Limited (KGL) is a joint venture between Cadmus Communications Corporation and the Company to provide a full range of content processing, content management, and related services to STM (Scientific-Technical and Medical) publishers and other organizations around the world. Cadmus Communications Corporation, through its subsidiary KnowledgeWorks International Limited, owns 80% in KGL whereas the Company owns 20%.

About Cadmus Communications Corporation

Cadmus is the world leader in providing services to **scientific, technical, and medical publishers** and with revenues of approximately US\$ 450 million is the **fifth largest periodical printer in US**. Cadmus has earned these positions through the development of state-of-the-art content management processes, and has focused on providing solutions to cost, distribution and project management challenges for society, association and commercial publishers.

Commencement of relationship

In 2000, the Company made a proposal to Cadmus to offshore their production facilities to India. At that time, Cadmus had three production facilities in the US. The Company's proposal, which included an end-to-end service from data conversion to page composition, ensured that this work would have a global workflow, faster turnaround and competitive cost.

The Company's Solution and Benefits to Cadmus

The Company set up a state of the art dedicated facility for Cadmus in Mumbai for providing end-to-end publishing services. The center houses a trained pool of professionals working exclusively on the company's projects. To ensure a turn around time of less than 48 hours the dedicated center operates three shifts, and at times even offers turnaround times as low as 4 hours. The Company's project team scaled up to convert over 2500 pages per day of copy-edited manuscripts as well as another 2500 pages to SGML and XML, and process 200 electronic author submissions from its different customers. This includes publications from over 20 different publishers using 17 different DTD's. Cadmus now has access to the Company's 24x7 production facility in India. This has resulted in significant savings in cost and production cycle time with high level of accuracy. With the scalable solution that the Company offers, cyclical variations in the volume are now manageable and the Company can rapidly ramp up to meet its volume requirement variations. The Company was successful in meeting the target processing of 350,000 manuscript pages for the first year, and was rapidly able to scale its processes to touch the 500,000 pages p.a. milestone.

Evolution of the JV

Cadmus, as a strategy, wanted to grow the content management part of its business. A key component of this growth would come from servicing publishing houses in Europe. E.g.: The world's largest publishing house, Reed Elsevier Inc. is based in Europe. For servicing the clients in Europe, Cadmus required a Direct-to-India business model. This required setting up their production facilities in India.

Having experienced the Company's capabilities in managing an offshore production facility, Cadmus found in the Company a partner who could efficiently manage their production facility in India. For the Company, Cadmus brought to the table market leadership in the STM segment (where the Company did not have major customers, other than Cadmus), a marketing engine, technology and expertise in this business and a global company as a front end. The Company believes that this joint venture can address the STM market better than it could on its own. After having made inroads in large publishing groups through this Joint Venture, the Company could also offer its other business process outsourcing services directly to these customers.

The success of the Cadmus relationship has given the Company experience in handling long-term relationships that evolves from a vendor relationship to a partnership. The success of such alliances stems from proving the value that the Company provides to these partnerships while ensuring that these partnerships are in distinct segments and do not conflict with the Company's own business. The Company is thus confident that such strategic alliances would act as key components of its growth strategy.



Consolidated Top Client Revenues

	2002	2003	2004 (9 months)
Top Client Revenues			
% of Top client to total of the Company	19%	17%	26%
Top 5 Client Revenues			
% of Top 5 to total of the Company	72%	63%	49%
Top 10 Client Revenues			
% of Top 10 to total of the Company	88%	78%	62%

Buildings and Other Infrastructure

The Company has a total area of 73,085 square feet at two different locations in Mumbai and in one location in Chennai. This includes 30,419 square feet of long-term leased premises in SEEPZ, 40,000 square feet independent building at MIDC and 2,666 square feet of leased premises at Chennai both registered with Software Technology Park of India. The premises of the Company in SEEPZ are registered as an SEZ units and the Company's premises in MIDC and Chennai are registered as STPs. The lease agreements pertaining to the properties of the Company situated at 110 and 118-120 SDF IV, SEEPZ, Andheri (E) have expired. The Company has submitted renewed lease agreements pertaining to these properties for adjudication before the stamp authorities and is awaiting adjudication of the same. Upon receipt of stamped lease agreements from the stamp authorities, the Company proposes to execute renewed lease deeds. The two lease agreements pertaining to the properties at 101/2 and 101/3, Kanaksri Nagar, Cathedral Road, Chennai, expired on December 2, 2003 and February 6, 2004 respectively. The Company has sought an extension of these leases. The Company proposes to shift its operations in Chennai for which a leasehold property 10,000 sq.ft. has been identified. As mentioned in the section "Object of the Issue" at page 27, the Company proposes to fund the deposit for this property out of the proceeds of the Fresh Issue.

This infrastructure includes a training complex constituting 9 fully equipped training rooms which can simultaneously train up to 250 people (to train staff and Knowledge Associates) and a mini auditorium that seats 70 people.

Equipment, Security and Communication Facilities

The local area networks at all the offices of the Company are fully switched to desktops. No shared broadcast hubs are used. All the servers are connected through 100 Mbps backbone switches. Most of the desktops are connected through 10 Mbps switches, which in turn are connected to the backbone switches through an upload port of 100 Mbps. All the offices are interconnected through an optical fiber backbone. These are also interconnected for telecom / voice traffic. Routing for each of these units is done using Cisco 4700 / 3600 / 2600 / 2500 series routers depending on the routing speed required.

Several high speed point to point and Internet data links connect the Company to its customers worldwide. These links enable log-on, voice, fax, e-mail, and video conferencing. Internet bandwidth in excess of 4 Mbps is available through three different ISP's and is provided to the users on their desktops according to their requirements. The Company's Network uses a dual level perimeter security.

The Company also has three 2 mbps lines and one 768 Kbps line at their offices based in India and T1 lines in the USA, which helps take care of all the data transfer and other communication needs. The Company also has redundant connectivity paths and gateways, which means that, in case of a connectivity failure, the traffic is diverted to other gateways, as and when desired.

For secure server access, the Company has deployed VeriSign's Global Server ID, which uses a 128-bit algorithm on the SSL for encrypting the data and protecting confidential information from interception and hacking. As a standard, the SSL security protocol provides data encryption, server authentication, message integrity, and optional client authentication for a TCP/IP connection. Since a 128-bit encryption is used as an enhanced security measure, it is virtually impossible to crack this 128-bit encrypted code/message.



Access to the Company's facilities is controlled through the use of access cards and Biometric scanning devices. Access to server rooms is restricted through an access control system, which requires a 6-digit code to be keyed in, to enter the server room.

Data backups are done as per 'industry best practices'. Daily, weekly and monthly backups are done on automatic DATs/ DLTs autoloader backup devices. The data backup media is maintained at two or more physically separate locations in fireproof enclosures.

Other Utilities

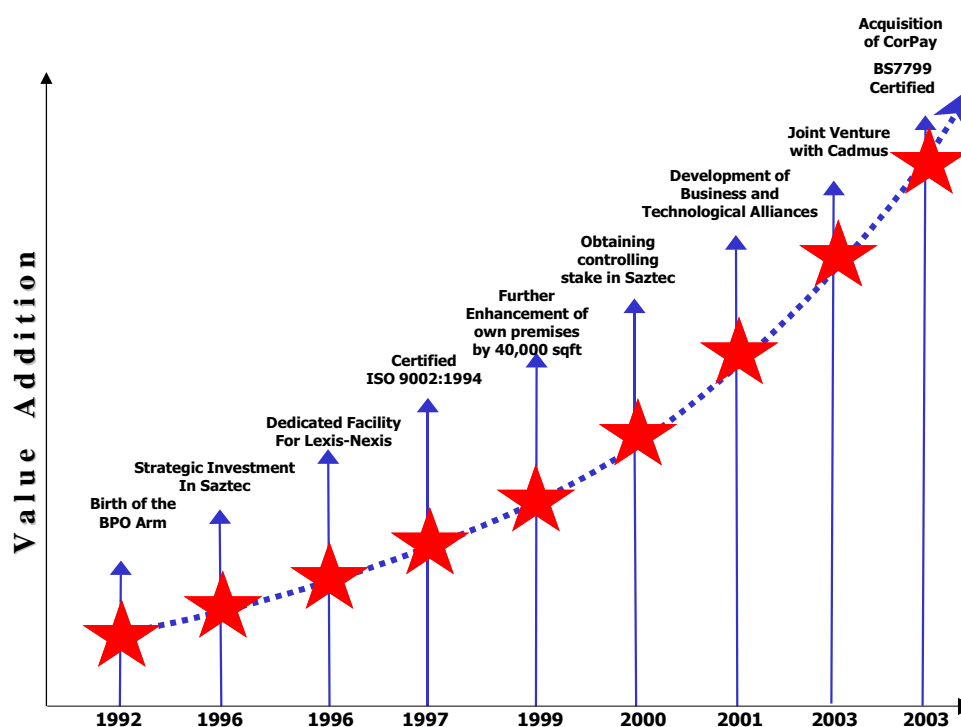
All the servers and networking equipment at all the offices are supplied power through uninterruptible power supplies with various standby power capacities. The support staff works in three different shifts – Providing a 24 X 7 coverage. Additionally, service engineers are available on call at all other times. HP Ultrium Autoloader devices are used for backing up over 0.4 Terabytes of data. All the offices have climatic controls that regulate the temperatures and the humidity.

Intellectual Property

A Trademark License/Registered User Agreement was executed between Datamatics Limited and the Company on March 3, 1995. Under this agreement, Datamatics Limited has granted to the Company a non-exclusive license to use the trademark 'Datamatics' and its logo within India and elsewhere, as a common law licensee of the trademark. Under the terms of the agreement, there is no pecuniary consideration payable by the Company to Datamatics Limited. The agreement is valid from March 1, 1995 and remains in full force and effect for a period of 20 years. The Company is entitled to renew the agreement for two 20 year terms.

Datamatics Limited and the Company have also executed a Name License Agreement on March 3, 1995. Under this agreement, Datamatics Limited has granted to the Company, a non-exclusive license to use the name 'Datamatics' as part of its corporate name, business name and trading style in India. This agreement is valid from March 1, 1995 and remains in full force and effect for a period of 20 years. The Company is entitled to renew the agreement for two 20 year terms.

KEY MILESTONES





BRIEF HISTORY OF THE COMPANY

The Company, promoted by Dr. Lalit S. Kanodia and Mrs. Asha L. Kanodia, was incorporated on November 3, 1987 as Interface Software Resources Private Limited to provide computer and electronic data processing linked services. In 1989, Latasha, Lonicera, Linium, Lusitania and Ligure, promoted by Dr. Lalit S. Kanodia, acquired shares in the Company. The name of the Company was changed to Datamatics Technologies Private Limited on December 18, 1992 to carry out information technology enabled services mainly in the area of electronic publishing. On January 14, 1999, the Company became a deemed public company, pursuant to the provisions of section 43A of the Companies Act. Pursuant to a resolution of its members dated December 27, 1999, the Company became a public company. By a certificate dated January 13, 2000, the name of the Company was changed from Datamatics Technologies Private Limited to Datamatics Technologies Limited.

The Company has, over the years, developed competencies in the business process outsourcing segment and has moved up the value chain by providing a suite of services including content management, back office processing, and related software services in the fields of workflow application/solutions, data warehousing, data management, data migration/consolidation to its customers worldwide. The Company offers end-to-end solutions catering to diverse industries.

Highlights:

- The Company made a modest beginning by setting up facilities in SEEPZ, Mumbai. Today, the Company operates out of 30,419 sq. ft in SEEPZ (registered as a SEZ) as well as approximately 40,000 sq. ft. in MIDC, Andheri, Mumbai. The Company has also leased property admeasuring 2,666 sq. ft. in Chennai to augment its facilities. Both the properties in MIDC and Chennai are registered with the Software Technology Park of India. The lease agreements pertaining to the properties of the Company situated at 110 and 118-120 SDF IV, SEEPZ, Andheri (E) have expired. The Company has submitted renewed lease agreements pertaining to these properties for adjudication before the stamp authorities and is awaiting adjudication of the same. Upon receipt of stamped lease agreements from the stamp authorities, the Company proposes to execute renewed lease deeds. The two lease agreements pertaining to the properties at 101/2 and 101/3, Kanaksri Nagar, Cathedral Road, Chennai, expired on December 2, 2003 and February 6, 2004 respectively. The Company has sought an extension of these leases. The Company proposes to shift its operations in Chennai for which a leasehold property 10,000 sq.ft. has been identified. As mentioned in the section “Object of the Issue” at page 27, the Company proposes to fund the deposit for this property out of the proceeds of the Fresh Issue.
- Boshu Information Systems Private Limited, a company operating in SEEPZ, was acquired and became a subsidiary of the company in January 1998. Subsequently, its name was changed to Datamatics Softworld Private Limited (DSPL) on July 31, 1998. Being in the same business, the management decided to amalgamate DSPL with the Company. The High Court of Judicature at Mumbai passed the order for merger of DSPL with the Company with retrospective effect from April 1, 1998. As per the scheme sanctioned, the amalgamation has been accounted for on the “pooling of interest method” as prescribed by the Accounting Standard 14 issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities of the erstwhile DSPL have been taken over at their book value as specified in the scheme of amalgamation. Prior to the amalgamation, DSPL was a wholly owned subsidiary of the Company. Consequently, at the time of the amalgamation, the shares of DSPL were cancelled and no new shares were issued by the Company.
- As a strategic investment, the Company acquired a 5% stake in Saztec International Inc., in 1996. In 2000, the Company increased its stake to over 40%, which has been since increased to 100% in November, 2003.
- In July, 2000, the Company established a subsidiary called Datamatics Infosolutions Limited to further enhance the export of information technology enables services. SEEPZ, Mumbai allotted Datamatics Infosolutions Limited about 16,000 sq.ft. of office space for these activities.
- In June, 2001, the Company established a subsidiary called Datamatics Technologies Inc. (USA) as a marketing and customer relationship arm.
- In 2002, the Company established a subsidiary in Germany called Datamatics Technologies GmbH as a marketing and customer relationship arm.
- In July 2003, the Company formed a joint venture with Cadmus Communications Corporation called KnowledgeWorks Global Limited, to provide a full range of content processing, content management and related services to scientific, technical, and medical journal publishers and other organizations around the world. Cadmus KnowledgeWorks International Limited (a subsidiary of Cadmus Communications Corporation) owns 80% in the joint venture while the Company holds 20% of the same.



- In 2003, the Company purchased 100% stake in CorPay Solutions Inc., an accounts payable processing company in the US.

Main Objects of the Company

The main objects of the Company, as set out in its Memorandum of Association are as under:

- To carry on the trade or business of providing complete data centre, data entry/conversion, data processing services on block time or shared time, self service or operator assisted basis, technical and management consultancy services in all areas of computers, computer oriented systems, computer programming, facilities management, telecommunications, software publishing and information technology for business, industrial and general purpose requirement on turnkey basis or otherwise in domestic market and for exports.
- To carry on the business of conducting research on and developing, improving, designing, marketing, selling, licensing and maintenance of software and program products in packages and to orders, relating to accounting, statistical, scientific or mathematical information and reports in domestic markets and for exports.

The main objects clause of the Memorandum of Association of the Company enables the Company to undertake the activities for which the funds are being raised for the Issue and also the activities which the Company has been carrying on till date.

Changes in Memorandum of Association

Since incorporation of the Company, the following changes have been made to the Memorandum of Association:

Date of Shareholder Approval	Change
October 18, 1988	The authorized share capital of the Company was increased from Rs. 2.5 million comprising 250,000 shares of Rs. 10 each to Rs. 4.5 million comprising of 300,000 equity shares of Rs. 10 each and 150,000 Preference Shares of Rs. 10 each.
December 18, 1992	The name of the Company was changed from Interface Resources Private Limited to Datamatics Technologies Private Limited
February 8, 1995	The authorized share capital of the Company was increased from Rs. 4.5 million comprising of 300,000 equity shares of Rs. 10 each and 150,000 Preference Shares of Rs. 10 each to Rs. 30 million comprising of 2,850,000 equity shares of Rs. 10 each and 150,000 Preference Shares of Rs. 10 each.
September 20, 1996	The authorized share capital of the Company was increased from Rs. 30 million comprising of 2,850,000 equity shares of Rs. 10 each and 150,000 Preference Shares of Rs. 10 each to Rs. 50 million comprising 4,850,000 equity shares of Rs. 10 each and 150,000 Preference Shares of Rs. 10 each.
June 24, 1997	The authorized share capital of the Company was increased from Rs. 50 million comprising 4,850,000 equity shares of Rs. 10 each and 150,000 Preference Shares of Rs. 10 each to Rs. 150 million divided into 10,000,000 equity shares of Rs. 10 each and 5,000,000 Preference Shares of Rs. 10 each.
August 30, 1999	The authorized share capital of the Company remained unchanged by cancellation of 4,000,000 Preference Shares lying unissued with the Company and creation of 4,000,000 Equity Shares of Rs. 10 each.
October 18, 1999	The authorized share capital of the Company was increased from Rs. 150 million divided into 14,000,000 equity shares of Rs. 10 each and 1,000,000 Preference Shares of Rs. 10 each to Rs. 250 million divided into 24,000,000 equity shares of Rs. 10 each and 1,000,000 Preference Shares of Rs. 10 each.
December 27, 1999	Conversion from private limited company to public limited company. Subdivision of the equity share capital from 24,000,000 equity share of Rs. 10 each to 48,000,000 equity shares of Rs. 5 each.
November 3, 2000	The authorized share capital of the Company was increased from Rs. 250 million divided into 48,000,000 equity shares of Rs. 5 each and 1,000,000 Preference Shares of Rs. 10 each to Rs. 290 million divided into 48,000,000 equity shares of Rs. 5 each and 5,000,000 Preference Shares of Rs. 10 each.
November 6, 2003	Subdivision of the Preference Share capital from 5,000,000 Preference Shares of Rs. 10 each to 10,000,000 Preference Shares of Rs. 5 each. The authorized share capital of the Company was increased from Rs. 290 million divided into 48,000,000 equity shares of Rs. 5 each and 5,000,000 Preference Shares of Rs. 10 each to Rs. 390 million divided into 48,000,000 equity shares of Rs. 5 each and 30,000,000 Preference Shares of Rs. 5 each.



MANAGEMENT AND ORGANISATION

The Company is managed by the Board of directors under the Chairmanship of Dr. Lalit .S. Kanodia. The day-to-day operations of the Company are looked after by the Managing Director & CEO. The Company has six directors.

BOARD OF DIRECTORS as on the date of this Prospectus:

Name, Designation, Fathers name, Occupation and Term	Age (years)	Other Directorships
Dr. Lalit S. Kanodia Chairman S/o Late Mr. Surajmal Kanodia 1201, Red Rose, 44, Pochkhanwala Road, Worli, Mumbai - 400 025 Occupation: Industrialist Term: Liable to retire by rotation	62	Chairman Datamatics Limited Datamatics Direct Marketing Private Limited Datamatics Information Technology Limited Datamatics Technosoft Limited Datamatics Management Services Private Limited Zed-tech Software Designs (India) Limited Datamatics Software Services Limited Datamatics Infosolutions Limited Delta Infosolutions Private Limited Bellona Infotech Private Limited. Linium Management Consultancy Services Private Limited Ligure Management Consultancy Services Private Limited Latasha Advisory Services Private Limited Lusitania Management Consultancy Services Private Limited Lonicer Management Consultancy Services Private Limited Director Anemone Management Consultancy Services Private Limited Anju Advisory Services Private Limited Lalit Corporate Advisory Services Private Limited Amal Products Limited Datamatics Global Services Private Limited Datamatics Worldwide Services ApS Datamatics Technologies Inc. Datamatics Infotech Inc. Datamatics Consultants Limited Datamatics Corporation Private Limited Datamatics Global Services Limited Knowledgeworks Global Limited RPG Life Sciences Limited Saztec International Inc. CorPay Solutions Inc. Datamatics Inc. Datamatics Softworld Private Limited Datamatics Technologies UK Limited Council Member Member of the Executive Committee of NASSCOM FICCI Member of Electronic & Computer Software Promotion Council (Western Region)



Name, Designation, Fathers name, Occupation and Term	Age (years)	Other Directorships
Mr. Mukund G. Diwan Director S/o Mr. Govind Diwan Flat No. 3, Gulmohar Building, Near LIC Office, S. V. Road, Vile Parle (East), Mumbai - 400 056. Occupation: Actuary Term: Liable to retire by rotation	72	Non Executive Chairman Shriram Chits (Maharashtra) Limited Deepajyoti Insurance Consultancy and Services Private Limited Director G. M. Breweries Limited Marketing Research Corporation of India Limited VLS Finance Limited Indian Institute of Public Opinion Private Limited Dwarikesh Sugar Industries Limited Welspun (India) Limited GDA Trustee & Consultancy Private Limited OM Kotak Mahindra Life Insurance Company Limited Pioneer Insurance Services Private Limited
Mr. Radhakrishna Saraswat Director S/o Mr. Kunjlal Saraswat 6-A, Asian Assurance Bldg., Manmala Tank Road, Mahim, Mumbai - 400 016. Occupation: Consultant Term: Liable to retire by rotation	64	Director Priya Limited Zed-tech Limited Datamatics Direct Marketing Private Limited Datamatics Infotech Inc.
Mr. Shahzaad Dalal Director S/o Mr. Siraj Ali Mohammad Dalal Crescent Heights, 9 th Floor, 902, V.N. Vinayak Road, Tardeo, Mumbai – 400 007 Occupation: Company Executive Term: Nominee director of IL&FS Investment Managers Limited and is liable to retire by rotation	45	Vice Chairman and Managing Director IL&FS Investment Managers Limited Director SARA Fund Trustee Company Limited IL&FS Asset Management Company Limited Noida Toll Bridge Company Limited Bharat Serums & Vaccines Limited Indraprastha Gas Limited Zip Telecom Limited Shoppers Stop Limited IL&FS Education & Technology Services Limited IPF Online Limited Investor Services of India Limited Ethypharm LL Private Limited Development Investment Trustee Company Private Limited AIG Indian Equity Sectoral Fund LLC, Mauritius AIG Indian Equity Advisor LLC, Mauritius Tejas Networks India Limited Future Software Limited



Name, Designation, Fathers name, Occupation and Term	Age (years)	Other Directorships
Mr. Sudhir Deshpande Additional Director S/o Mr. Chintaman Deshpande 104 Savali, Road No. 7, Wadala, Mumbai – 400 031 Occupation: Consulting Engineer Term: Additional Director	63	Director Sewri Engineering Construction Company Private Limited Sewri Consultants Private Limited Insitu Geotechniques Private Limited Sadafuli Finstock Private Limited Bombay Collaborative Urban Design and Conservation Private Limited
Mr. Manish Modi Managing Director & CEO S/o Mr. Harsukh Modi B-601, Gazdar Apartments, Juhu Tara Road, Juhu, Mumbai – 400 049. Occupation: Company Executive Term: 5 years	40	Director Datamatics Infosolutions Limited Datamatics Consultants Limited Saztec International Inc. CorPay Solutions Inc. Datamatics Technologies Inc. Datamatics Softworld Private Limited Datamatics Technologies UK Limited

Brief Profile of the Directors

Dr. Lalit S. Kanodia, for a brief profile of Dr. Lalit S. Kanodia refer to the paragraph titled “Promoters and their Background” on page 101 of this Prospectus.

Mr. Mukund G. Diwan, 72, Director, a postgraduate in Mathematics, Mr. Diwan is a Fellow of Institute of Actuaries, London.. He has over 37 years experience in Insurance sector. Since his retirement as Chairman of Life Insurance Corporation of India, he has been working as an actuarial consultant in the field of retirement benefits, health insurance and other related fields. He has served as an Honorary Director of Education for the Actuarial Society of India as well as vice Chairman of the Education Board of the Insurance Institute of India.

Mr. Radhakrishna Saraswat, 64, Director, is a graduate in Commerce and a Fellow of Chartered Accountants of India. Mr. Saraswat has over 35 years experience in Finance & Accounts. Prior to his retirement from Datamatics Limited as Director (Finance), Mr. Saraswat was the President of S. M. Dyechem Limited. Formerly, he was Senior Vice President of Grasim where he was engaged in setting up their Mangalore Refinery Project.

Mr. Shahzaad Dalal, 45, Director, is the Executive Vice Chairman of IL&FS Investment Managers Limited. He is a management graduate with over 20 years of experience. Mr. Dalal is also on the board of various IL&FS group companies such as ORIX Auto Finance India Limited and Noida Toll Bridge Company Limited. Previously, Mr. Dalal was responsible for the overall planning and raising of resources for IL&FS and project finance for IL&FS sponsored infrastructure projects. Prior to joining IL&FS, Mr. Dalal was responsible for structured leasing and hire purchase products, marketing and credit evaluation with ICICI.

Mr. Sudhir Deshpande, 63, Additional Director, is an engineer from University of London – Civil Engineering Branch. Mr. Deshpande completed his mechanical engineering (M.Phil) from King’s College, University of London. He has over 30 years of experience in design engineering. Moreover, he specialized as a soil consultant especially in Insitu soil testing techniques. He is the managing director of Sewri Engineering Construction Company Private Limited. Mr. Deshpande is a keen participant in conservation work. He has been a part of the team for conserving the Oval Maidan and Elphinstone College.

Mr. Manish Modi, 40, Managing Director & CEO is a postgraduate in Science, Mr. Modi completed his post graduation in Electrical Engineering from Virginia Tech., USA. Mr. Modi has over 15 years of experience in marketing and business development. Mr. Modi spearheaded the Company’s foray into business process outsourcing and data management services



to the overseas market a decade ago. Mr. Modi has been the driving force behind the Company's growth. He has displayed a combination of technical and managerial skills to manage a diverse services company such as Datamatics Technologies Limited.

Compensation of Directors

For details of compensation of Mr. Manish Modi, Managing Director & CEO, please refer to the section "Statutory and Other Information" at page 336 of this Prospectus. The independent Directors on the Board are entitled to sitting fees as may be permissible under the Companies Act, apart from actual boarding and lodging expenses for attending the Board/committee meetings. The independent Directors may also be paid commission and any other amounts as may be decided by the Board in accordance with the provisions of the Companies Act and any other applicable Indian laws and regulations.

Shareholding of Directors in the Company

The following table details the shareholding of Directors, as at the date of this Prospectus:

Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)
Dr. Lalit S. Kanodia	375,040	25,040
Mr. M.G. Diwan	200	200
Mr. R.K. Saraswat	1,550	1,550
Mr. Shahzaad Dalal	Nil	Nil
Mr. Sudhir Deshpande	Nil	Nil
Mr. Manish Modi	120,700	120,700

All holdings include shares held either individually or in joint names. For details regarding Equity Shares held by the promoters and their families and entities controlled by them, please see "Capital Structure of the Company" on page 16 of this Prospectus.

Term of Office

Mr. Manish Modi, is the Managing Director & CEO of the Company. Mr. Modi was appointed pursuant to an agreement dated July 12, 2002 as approved by a resolution of the Board dated June 20, 2002. Mr. Modi has been appointed for a period of five years from July 1, 2002 to June 30, 2007. For the terms of Mr. Manish Modi's appointment, see "Remuneration of CEO/ Executive Directors" on page 336 of this Prospectus.

All the other directors are liable to retire by rotation.

Changes in Directors

Changes in the Board of Directors in the last three years are as follows:

Name	Date Of Appointment	Date Of Cessation (If Any)	Reason
Mr. K C Katiyar	January 28, 1995	June 25, 2001	Resignation
Mr. Rahul Kanodia	June 24, 1997	August 14, 2002	Resignation
Mr. Dilip Vaikunth Thakore	November 17, 1989	September 26, 2002	Resignation
Mr. Shahzaad Dalal	November 6, 2003	—	IL&FS Nominee
Mr. Manish Modi	July 1, 2002	—	Managing Director & CEO
Mr. Sudhir Deshpande	December 17, 2003	—	Independent Director
Mrs. Asha Kanodia	Since inception	December 17, 2003	Resignation

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of Equity Shares on the Stock Exchanges. The Company has complied with such provisions, including with respect to the appointment of independent directors on the Board and the



constitution of the audit committee. Four out of six Directors are independent. The Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing.

Audit Committee

The terms of reference of audit committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The committee consists of all non-executive independent directors. The audit committee currently comprises Mr. R.K. Saraswat, Mr. M.G. Diwan and Mr. Shahzaad Dalal. Mr. R.K. Saraswat is the Chairman of the committee.

The audit committee provides directions to and reviews functions of the audit department. The committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and annual accounts are placed before the audit committee, prior to being presented to the Board along with the recommendations of the audit committee.

Share Transfer Committee

The share transfer committee consists of Dr. Lalit S. Kanodia and Mr. Manish Modi. Dr. Lalit .S. Kanodia is the Chairman of the Committee.

The share transfer committee monitors and approves the share transfers / transmissions.

Remuneration Committee

The remuneration committee consists of Dr. Lalit S. Kanodia, Mr. M. G. Diwan and Mr. Shahzaad Dalal. Mr. M. G. Diwan is the Chairman of the Committee.

This committee performs the functions of remuneration committee as recommended in the listing agreements to be entered into with the Stock Exchanges. This committee will determine the Company's policy on specific packages for directors/managerial remuneration. This committee also determines the grant of stock options to employees and related policies aimed at attracting, motivating and retaining personnel.

Investor Grievance Committee

The investor grievance committee consists of Mr. M. G. Diwan and Mr. R. K. Saraswat. Mr. R. K. Saraswat is the Chairman of the Committee.

This committee looks into redressal of shareholder and investor complaints, issue of duplicate / split / consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer / transmission of shares and reference to statutory and regulatory authorities.

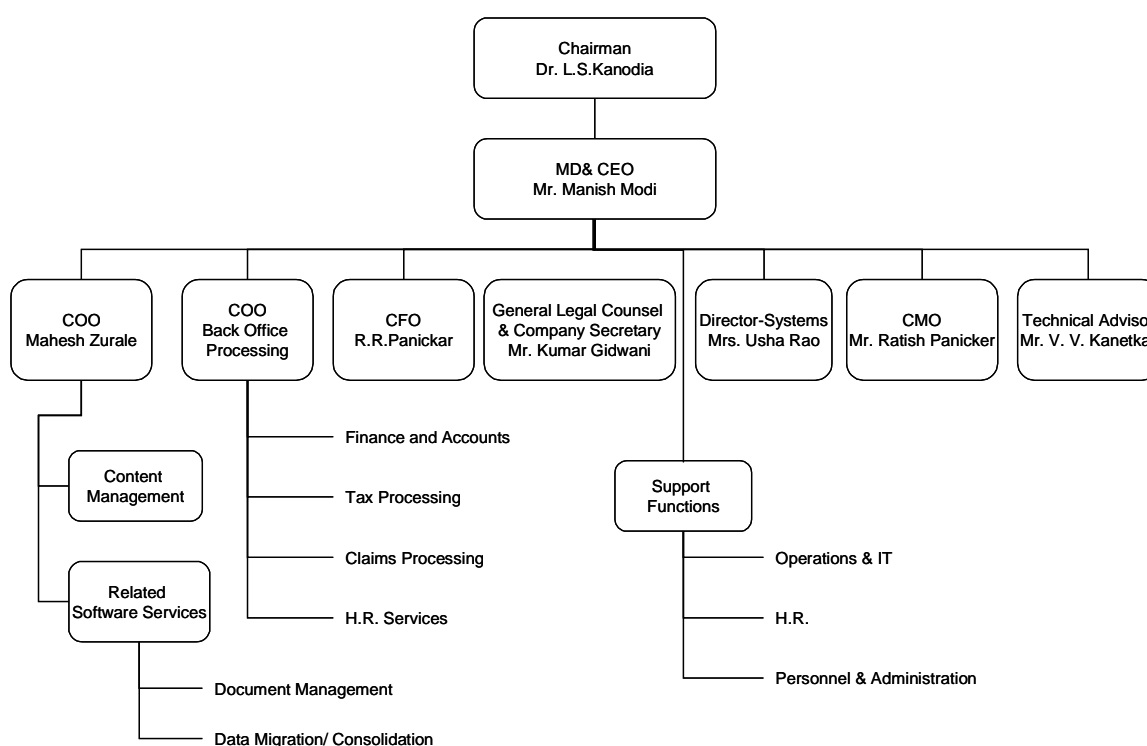


ORGANISATION STRUCTURE

The overall supervision and control of the Company's functions rests with the Board of Directors. The day-to-day operational charge of the Company is with its Managing Director & CEO, Mr. Manish Modi.

The organization is functionally organized into content management, related software services, back office processing, marketing, finance & accounts, administration, legal, human resources, quality, research & development. All the functional heads report to the Managing Director & CEO.

The organization structure of the Company is depicted below:



Profile of Key Management Team of the Company

Name	Designation	Qualification	Experience (Yrs.)
Mr. Manish Modi	Managing Director & CEO	M. Sc. Phy. MS Electrical Engg. (U.S.A.)	15
Mrs. Usha Rao	Director - Systems	B.Sc. (Hons.)	38
Mr. Mahesh Zurale	Sr. Vice President & COO	M.S., MBA (U.S.A.)	13
Mr. R. R. Panickar	CFO	B. Com., L.L.B., A.C.A., A.I.C.W.A.	20
Mr. Ratish Panickar	Sr. Vice President & CMO	B.Sc. Phy., MBA	17
Mr. V. Kanetkar	Sr. Vice President & Technical Advisor	M. Tech. (IIT)	30
Mr. John Wilson	Vice-President, U.K & Ireland	M.B.C.S.	37
Mr. Kumar Gidwani	General Legal Counsel & Company Secretary	B. Com (Hons.), F.C.S., L.L.B.	27
Mr. V. Satyanandam	General Manager	M. Com.	21



Name	Designation	Qualification	Experience (Yrs.)
Mr. Sachin Raje	General Manager	B. Com. A.C.A., M.B.A., C.P.A.	15
Ms. Suman Pai	General Manager	B.A., Dipl. Journalism	13
Mr. Krishnakumar Kapadia	General Manager – Accounts	B.Com, C.A.	28
Mr. S. Karthik	General Manager	B.Tech (IIT), P.G.D.M. (IIM)	8
Mr. A. Jayaram	General Manager	M.Com	26
Mr. K. Karunamaya	General Manager	M.Com, M.Sc	25
Mr. R. Subramanian	Financial Controller	BBA, C.A., C.S	20

Key Managerial Personnel

Mr. Manish Modi, 40, Managing Director & CEO of the Company, joined the Company on January 1, 1994. For a brief profile of Mr. Manish Modi refer to the paragraph titled “Brief Profile of the Directors” on page 91 of this Prospectus. The amount of compensation paid during last financial year was Rs..4,258,289/-per annum.

Mrs. Usha M. Rao, 62, Director - Systems, a Science graduate-B.Sc. (Hons)., has over 38 years experience in software development and systems. Mrs. Rao heads the Software Support Group and has designed most of the proprietary tools that ensure the high quality standards of the Company. She has been on numerous overseas assignments and prior to joining the Company worked with Tata Consultancy Services and Datamatics Limited. She joined the Company in June 1, 1999. The amount of compensation paid during last financial year was Rs..1,498,383/-per annum.

Mr. Mahesh Zurale, 37, Senior Vice President & COO, a graduate in Electrical Engineering, Mr. Zurale completed his post graduation in Computer Engineering and Business management, both from the University of Texas, Austin USA. Mr. Zurale has over 13 years experience in computer software including commercial applications development, data warehousing, marketing and business development. Mr. Zurale has extensive overseas experience with companies like Microelectronics & Computer Technology Corporation, Texas, USA. He joined the Company in November 19, 1996. Previously, he ran his own proprietary consultancy firm, Futuristech Systems in Mumbai. Endowed with the right blend of technical and managerial know-how, Mr. Zurale is credited with establishing a dedicated software facility for one of the Company’s largest clients Lexis-Nexis, besides overseeing large software projects in the areas of data migration. The amount of compensation paid during last financial year was Rs..3,146,660/-per annum.

Mr. R. R. Panickar, 42, Chief Financial Officer, a Commerce graduate, L.L.B., and a rank holding Chartered Accountant and Cost Accountant, Mr. Panickar has 20 years of rich experience in the areas of financial planning & budgeting, costing, credit control, pricing, mergers and acquisition, and accounts with organizations such as DHL Worldwide Express, Civilco, Gabriel Ltd and The Tata Iron and Steel Co. Limited At DHL, he held the position of Head, Finance & Planning. Mr. Panickar joined the Company in January 2, 2001. The amount of compensation paid during last financial year was Rs..1,647,973/-per annum.

Mr. Ratish Panicker, 42, Senior Vice President & Chief Marketing Officer, is a Commerce graduate and an MBA. He has 17 years of rich experience in marketing and sales. He started his career with Xerox in India and then 9 yrs with Fujitsu ICIM based in Mumbai. Subsequently, he joined HCL Technologies and headed their operations in the Germanic region as its Managing Director from 1994 to 1999. Mr. Panicker then joined Mascot (now iGATE) as their Vice President overseeing their European & Middle East operations, based in London. Mr. Panicker is responsible for the overall marketing and sales of the Company and its subsidiaries worldwide. He joined the Company in August 25, 2003. The amount of compensation paid during current year is Rs. 256,300/-per month.

Mr. V. Kanetkar, 56, Senior Vice President & Technical Advisor, a Masters Degree holder in Computers from the prestigious Indian Institute of Technology Mumbai, Mr. Kanetkar has over 30 years of experience in all the aspects of software designing and implementation. He has developed many innovative software tools. One of the software products designed by him has won the Prime Minister’s award for “Innovative Product”. He has executed overseas consultancy assignments for AT&T Bell Labs, Wang Laboratories, Hitachi and Itochu Techno Science Corporations. He has worked for the Indian Institute of Technology and Tata Consultancy Services before joining Datamatics Limited in 1978. He joined the Company in April 1, 2003. The amount of compensation paid during current year is Rs.116,680/-per month.



Mr. John Wilson, 58, Vice-President U.K. & Ireland, based in London, Mr. Wilson is responsible for establishing the Company's presence in the UK and developing business in the UK and Ireland. Mr. Wilson's background is primarily in financial services, selling into European Insurance companies. Mr. Wilson worked for CSC for 13 years, where he was responsible for establishing a partnership with the Company to deliver data migration services as a key element of CSC's Systems Consolidation service offering. Mr. Wilson is a member of the British Computer Society and has over 3 decades of work experience to his credit. He joined the Company in October 20, 2003. The amount of compensation paid during current year is GBP5500/-per month.

Mr. Kumar Gidwani, 52, General Legal Counsel & Company Secretary, an honors graduate in commerce and a graduate in law from University of Mumbai, Mr. Gidwani is also a Fellow of the Institute of Company Secretaries of India. He has over 26 years post qualification experience in Foreign collaborations, joint ventures, corporate restructuring, mergers and acquisitions, initial public offerings, business law, domestic and international litigation, and general secretarial and legal functions. He worked as Company Secretary and Head of Group Secretarial & Legal Department with Gabriel India Limited and as Company Secretary & Legal Advisor with WIMCO Limited prior to joining Datamatics Limited. He joined the Company in July 1, 2002. The amount of compensation paid during last financial year was Rs.855,662/-per annum.

Mr. V. Satyanandam, 49, General Manager, a postgraduate in commerce, Mr. Satyanandam has worked with the Indian Air Force for over 21 years, during which he held various positions related to Finance, Administration, Operations, Human Resource Development and Systems. He has a rich experience in application development and database administration. Mr. Satyanandam is involved in executing large projects related to data migration and is instrumental in relationship management and business development with prestigious clients. He joined the Company in February 16, 1998. The amount of compensation paid during last financial year was Rs.1,387,870/-per annum.

Mr. Sachin Raje, 38, General Manager, a commerce graduate, a qualified Chartered Accountant, an MBA from Belgium and a Certified Public Accountant, from USA, Mr. Raje has extensive experience in the field of finance and accounts, having worked in companies like Geoffrey Manners, West Coast Industries, Serene Industries. Mr. Raje currently heads the Tax & Accounting Services division. He joined the Company in November 16, 2000. The amount of compensation paid during last financial year was Rs.1,066,518/-per annum.

Ms. Suman Pai, 47, General Manager, a graduate with a diploma in journalism, Ms. Pai has over 13 years experience in information technology enabled services, marketing, business development and training. Ms. Pai played a crucial role in negotiations with Cadmus, one of the largest publishing houses in the U.S., which resulted in Cadmus establishing a dedicated facility with the Company and outsourcing a large part of their work. The relationship with Cadmus has been taken a step forward by creating a joint venture with them called Knowledgeworks Global Limited. Ms. Pai is currently responsible for business development, relationship management and production for the Company's clients. She joined the Company in March 1, 2000. The amount of compensation paid during last financial year was Rs.1,486,922/-per annum.

Mr. Krishnakumar Kapadia, 53, General Manager – Accounts, is a graduate in commerce and a qualified rank holding Chartered Accountant. He has over 28 years of experience in the field of financial accounting and management covering audit, taxation, MIS, etc. working for companies such as Mercantile and Industrial Development Company Limited. Mr. Kapadia has been with the Company since January 24, 1996 and is responsible for the accounts function of the Company. The amount of compensation paid during last financial year was Rs.652,265/-per annum.

Mr. S. Karthik, 31, General Manager, a graduate in electrical engineering from the prestigious Indian Institute of Technology, Delhi, completed his P.G.D.M. from the Indian Institute of Management, Bangalore. Mr. Karthik has over 8 years of experience in sales, marketing, and marketing development in the banking/financial services and information technology enabled services sector. He has worked for ICICI bank, an Indian Financial Institution, Bank of America, a major multi-national bank, and as an entrepreneur helping set up ventures in both financial services and information technology enabled service domains. Mr. Karthik joined the Company in November 7, 2003. The amount of compensation paid during current year is Rs.142,240/-per month.

Mr. A. Jayaram, 51, General Manager, completed his masters in commerce. Mr. Jayaram has over 25 years of experience in establishing new production units as well as handling domestic and international clients. Moreover, he is proficient in developing and implementing a variety of corporate programs. He joined the Company in May 19, 2003. Mr. Jayaram has



worked with various organizations such as CEAT tyres, Times of India Group, Living Media India Limited, and Thomson Press (India) Limited. The amount of compensation paid during current year is Rs.71,500/-per month.

Mr. K. Karunamaya, 49, General Manager – Administration and Personnel, a postgraduate in commerce and science, Mr. Karunamaya has worked with the Air Force for over 23 years. Mr. Karunamaya is highly experienced in resource and facility management in a computerized work environment. Moreover, he possesses expertise in administrative and personnel services support to medium and large sized IAF establishments. Mr. Karunamaya joined the Company in February 5, 2001. The amount of compensation paid during last financial year was Rs..619,393/-per annum.

Mr. R. Subramanian, 43, Financial Controller, is a Chartered Accountant and a company secretary. He joined the Company on January 9, 2004. Mr. Subramanian has over 20 years of rich experience ranging from taxation, systems, finance, core accounts, and commercial to management with organizations such as CMC Limited, Glaxo India, Marico Industries, and Kewalram Chanrai Group. At the Kewalram Chanrai Group, Mr. Subramanian was the General Manager, Accounts and Finance. The amount of compensation paid during current year is Rs.92,200/-per month.

The key managerial personnel whose names appear above are permanent employees and are on the rolls of the Company.

Shareholding of Key Management Personnel

The shareholding of the key management personnel of the Company as on the date of the Prospectus is as given below:

Sl. No.	Name of Key Employee	No. of Equity Shares held
1.	Mrs. Usha Rao	8,500
2.	Mr. Mahesh Zurale	7,750
3.	Mr. R.R. Panicker	5,000
4.	Mr. V.V. Kanetkar	100
5.	Mr. V. Satyanandam	3,150
6.	Ms. Suman Pai	2,800
7.	Mr. Krishnakumar Kapadia	5,050

Profile of Key Management Personnel of Saztec International Inc.

Name	Designation	Qualification	Experience (Yrs.)
Mr. Richard Orlando	President & CEO	MBA	25
Mr. Vidur Bhogilal	CFO	B.Com, LLB, CA, ICWA, CPA	12
Mr. Anand Mahurkar	Vice-President	B.E., M.B.A.	11
Mr. Sunil Dixit	Director, Production	B.E. (Electronics)	14

Mr. Richard Orlando, President & CEO, joined the company in December 2000. He has a degree in Business Administration. Prior to joining the Company in December 2000, Mr. Orlando was Senior Vice President Sales at Myway.com a CMGI company since the year 1996. Previously, he has worked at senior levels in Computertown Inc., Data General Corporation, and Wang Laboratories Inc. Mr. Orlando has extensive experience in the field of operations, sales and marketing.

Mr. Vidur Bhogilal, Chief Financial Officer, was elected as a director on the board of directors in October 2000. He joined the Company in February 2001 as Vice President, Finance and Secretary. Mr. Bhogilal is a qualified CPA, Chartered and Cost Accountant and has a Law Degree. Mr. Bhogilal has extensive experience in the field of finance and accounts, having worked in companies like Datamatics Limited, Diamond Trading NV, Belgium and Arthur Andersen.

Mr. Anand Mahurkar, Vice-President, is a graduate in Mechanical Engineering and a post-graduate in Business Management. He has over 11 years experience in business development and product management and has worked with organizations such as Kale Consultants Limited, Videocon Info channel and Bharat Forge Limited. In the Company, he is credited with having established and nurtured the Work Flow Management Solutions group, through aggressive business development and excellent people management skills. This group has grown from its infancy to maturity under the able guidance of Mr. Mahurkar.



Mr. Sunil Dixit, Director of Production, joined the Company in May 2001 as Director of Production. Mr. Dixit is an Electronics Engineer and has extensive experience in managing large production environments. Mr. Dixit is highly experienced in customer management and pre-sales support. Mr. Dixit's past work experience was with companies like Balmer Lawrie, Van Leer BV, and HCL Technologies.

Profile of Key Management Personnel of CorPay Solutions Inc.

Name	Designation	Qualification	Experience (Yrs.)
Mr. Barry Lemay	President & CEO	MBA	26
Mr. Rich Roy	VP, Operations	Masters in Corporate Finance	18
Ms. Susan Stallings	VP Sales & Marketing	BBA	20

Mr. Barry Lemay, President & CEO, joined CorPay's Accounts Payable outsourcing group in 1993 as Senior Vice President and General Manager for CorPay Solutions – Business Services Division with responsibility for all activities for the division. Prior to that he spent 17 years at GM in various managerial roles in finance/accounting, business operations and business administration. Mr. Lemay was mentored in his early days at G.M. by W. Edwards Deming and holds a Strategic Business Planning Certificate from The Wharton Business School. Mr. Lemay holds a Masters Degree in Business Administration from Central Michigan University and a B.S. in Business Administration from Dominican College.

Mr. Rich Roy, VP Operations, is a graduate from Madonna College along with a Masters degree in Corporate Finance from Walsh College. Mr. Roy became a part of the CorPay team in 1998. He is responsible for overseeing the operations for a multi-facility organization servicing a number of high-profile clients. Utilizing a combination of operational experience and technology knowledge, he has successfully led efforts to improve efficiencies and drive down costs through business process reengineering. Mr. Roy has over 20 years of progressive managerial experience in back office functions. Previously he served as Vice President and Director of Client Financial Services for DMB&B.

Ms. Susan Stallings, VP Sales & Marketing, joined CorPay in 1988 and has served as Operations/Facility Manager from 1990-1993 and Regional Sales Manager from 1994-1996. As VP Sales and Marketing, her responsibilities include customer relationship management, prospecting, sales presentations, pricing, proposal development, and contract negotiations for CorPay's North America facilities. Susan has extensive operational knowledge of the accounting services and other business processing outsourcing services offered by CorPay, and is a requested speaker at trade forums and a contributing writer in trade magazines. Prior to joining CorPay, she worked at CECO Engineering Corporation in the capacity of Industrial Sales-Canadian Account Manager.

Profile of Key Management Personnel of Datamatics Technologies GmbH

Name	Designation	Qualification	Experience (Yrs.)
Mr. Michael Thuleweit	Managing Director	DCS	20

Mr. Michael Thuleweit, Managing Director, is a Computer Science diploma holder. Mr. Thuleweit has 20 years of experience in the information technology industry with more than 13 years of management expertise. He joined Datamatics GmbH in 1997. Mr. Thuleweit has a strong background in technology as well as sales and marketing and is well versed in computer programming and project management skills. Prior to joining Datamatics, Mr. Thuleweit worked with firms such as Danet and Nixdorf Computer AG. He also worked at Software AG for 7 years in the capacity of Vice President Technology Alliances where he was responsible for the external development and business relationship of Software AG.

Interest of Promoters, Directors & Key Managerial Personnel

Except as stated in "Related Party Transactions" on page 132 of this Prospectus, and to the extent of shareholding in the Company, the Promoters do not have any other interest in its business.

The Promoters have significant rights in the Company under the terms of the Articles of Association. For additional information, see page 338 of this Prospectus.

Except to the extent of their compensation to the extent of ESOP, if any, as mentioned on page 24 of this Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than Promoter Directors, do not have any other interest in the Company.



The key managerial employees of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any, and options granted to them under ESOPs.

Except as stated at page 337 of the Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of this Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

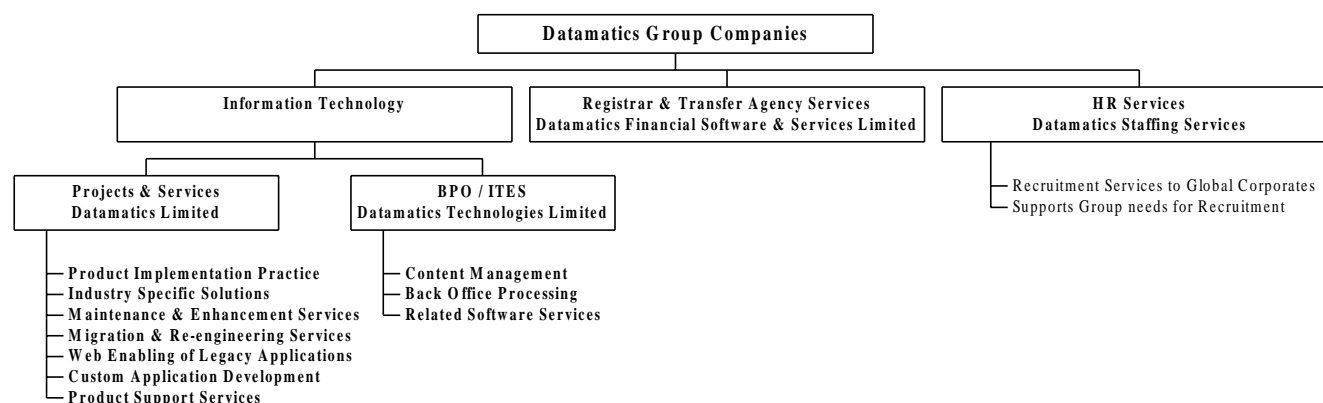
Changes in Key Managerial Personnel during the last three years

Following are the changes in key managerial personnel during the last three years:

Name	Designation	Date of Appointment	Date of Leaving	Reason
Mr. Viswanathan	Vice President	January 16, 1997	April 10, 2001	Resignation
Mr. Uday Kale	General Manager	February 10, 1997	March 31, 2003	Resignation
Mr. K.N. Vaidyanathan	Vice President	July 1, 2002	May 15, 2003	Resignation
Mr. Sandip Maiti	General Manager	May 20, 2002	February 28, 2003	Resignation
Mr. Kumar Gidwani	General Legal Counsel & Company Secretary	July 1, 2002	–	Appointment
Mr. Sandeep Nair	General Manager	December 2, 2002	March 17, 2003	Resignation
Mr. V.V. Kanetkar	Sr. Vice President & Technical Advisor	April 1, 2003	–	Appointment
Mr. A. Jayaram	General Manager	May 19, 2003	–	Appointment
Mr. Ratish Panicker	Sr. Vice President & Chief Marketing Officer	August 25, 2003	–	Appointment
Mr. John Wilson	Vice-President U.K. & Ireland	October 20, 2003	–	Appointment
Mr. S. Karthik	General Manager – BPO Operations	November 7, 2003	–	Appointment
Mr. R. Subramanian	Financial Controller	January 9, 2004		Appointment



Datamatics Group Structure



Overview of the Datamatics Group

The Datamatics Group comprises entities engaged in software services and business process outsourcing services. The group's expertise in information technology built over the past two decades spans software development, business process outsourcing, data processing and management and technological solutions.

The group's understanding of business needs transcends global boundaries, helping clients worldwide to harness the power of information technology to their advantage.

To date, the Datamatics Group has executed a large number of projects for clients in over 60 countries, including several of the top 10 Fortune 500 companies.

Having progressed up the services pyramid, the group's offshore software facility has the ability to function as an extension of the customer's software center. With several high-speed satellite and fiber optic links providing on-line connectivity with clients, the group's quality processes are above par. Datamatics Limited has also been assessed at Level 5 of both SEI-CMM and P-CMM version 2, making it one of only three information technology organizations worldwide to be assessed for both SEI-CMM and P-CMM at Level 5 enterprise wide. The former relates to software development processes and the latter to human resource processes.

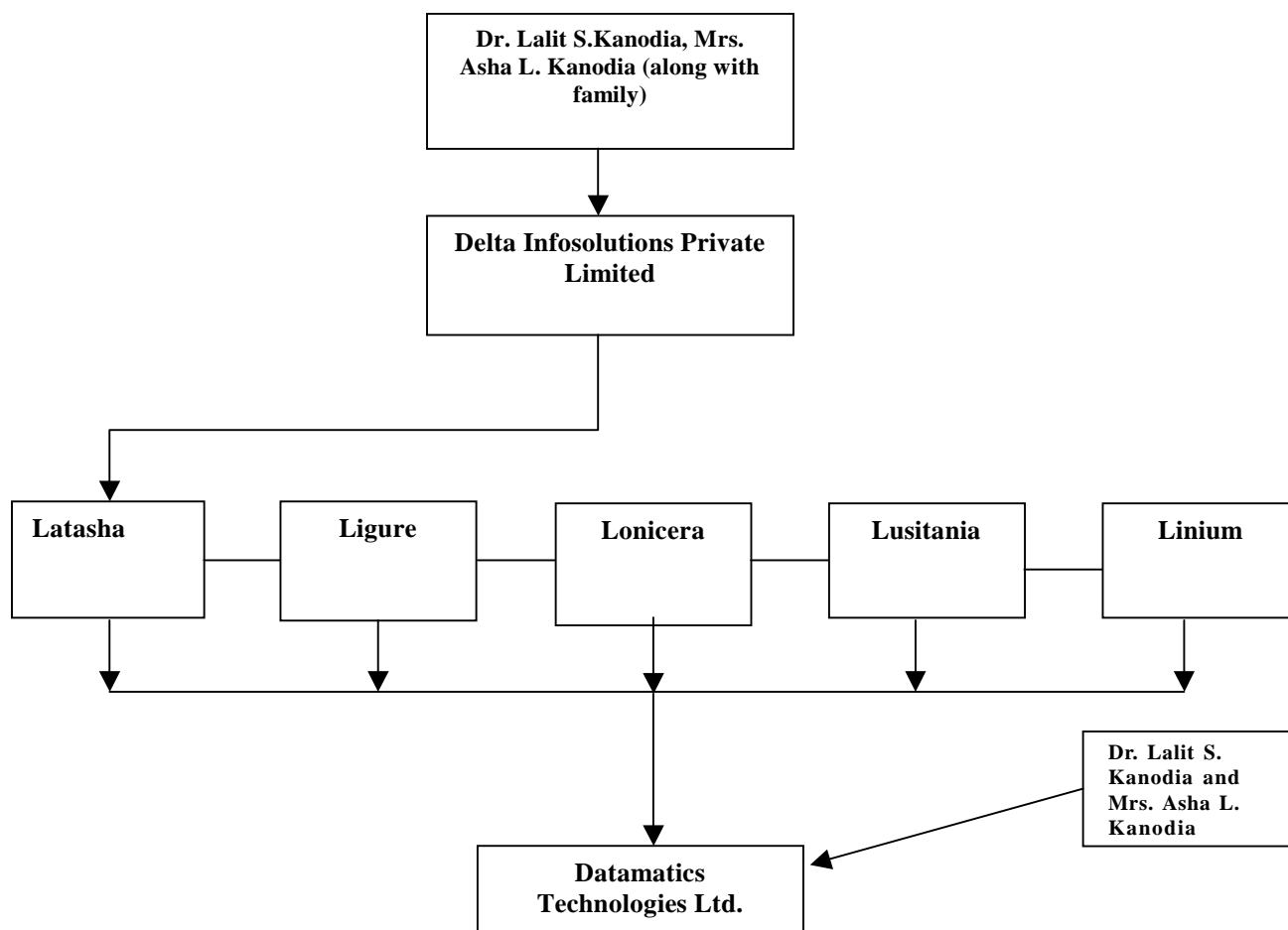
The Datamatics Group employs over 1,500 professionals and 1,200 virtual employees, and services clients through offices in the U.S., U.K. and Germany. All Datamatics Group facilities, some of which are located in the export processing zones of Mumbai and Chennai, are ergonomically designed and equipped with state-of-the-art information technology and hardware systems.



PROMOTERS AND THEIR BACKGROUND

The Company has been promoted by Dr. Lalit S. Kanodia and Mrs. Asha S. Kanodia. The equity share capital of the Company is held by Dr. Lalit S. Kanodia, members of his family directly and indirectly through the following companies promoted and owned by them: Delta Infosolutions Private Limited, Latasha, Ligure, Linium, Lonicera and Lusitania. Details of the precise shareholding of Dr. Lalit S. Kanodia and members of his family in Delta Infosolutions Private Limited and the shareholding of each of Latasha, Ligure, Linium, Lonicera and Lusitania is given under this Section “Promoters and their Background” at page 103 of this Prospectus. Dr. Lalit S. Kanodia is in control of these companies.

The shareholding pattern of the Company is depicted in the chart below:





Dr. Lalit S. Kanodia



Dr. Lalit S. Kanodia (Voter ID No. MT/05/030/030319, Driving License No. 159174), 62, Chairman, received his B. Tech. (Hons.), from IIT, Mumbai. He completed his MBA and consequently Ph.D. in Management from the Massachusetts Institute of Technology, USA. He taught statistical decision theory at MIT during 1964-1965. He was also the visiting faculty for MBA students at the Jamnalal Bajaj Institute of Management, Mumbai during 1968-1970.

Dr. Kanodia has won a Ford Foundation Fellowship (on the basis of national selection in the USA) for his Ph.D. He won the Distinguished Alumnus Award of IIT, Mumbai at their 25th Anniversary Celebration in 1983 for "Entrepreneurship" from the President of India and was awarded Order of Merit for Management and honored as Samajshree, by the Council of Management Executives, in recognition of services rendered to the public, on May 21, 1994. Dr. Kanodia was included by Dataquest, an Indian computer magazine, in their January 1995 issue, as one of the 10 persons in their "Hall of Fame".

He has served as a President of the Management Consultants Association of India and is a member on various committees and councils. He is an international consultant and has extensively traveled worldwide for over three decades.

He has held the post of Consultant to the Ford Motor Co and Arthur. D. Little, USA. Prior to founding the Datamatics Group, Dr. Lalit S. Kanodia worked with Tata Consultancy Services Limited and, held overall charge of the organization during the period 1968 to 1969.

Dr. Kanodia started the Datamatics Group in 1975, and is currently the Chairman of the Datamatics Group. He is a member of the Executive Council of NASSCOM (National Association of Software and Service Companies). He is also the committee member of SEEMA (Santacruz Electronic Export Manufacturers Association). Moreover, he is on the board of several listed companies.

Dr. Kanodia is also the Consul General of Chile in India.

The personal guarantees given by Dr. Lalit S. Kanodia towards obligations of the Company and other group companies are as follows:

(in Rs. million)

Name of the Company	Institution	Purpose	Guarantee Amount	Outstanding Amount
Datamatics Limited	State Bank of India	Foreign Currency Term Loan (US\$ 2.70 Million)	124.20	108.67 (as on February 29, 2004)
Datamatics Limited	State Bank of India	Working Capital Loan	112.00	24.16 (as on February 29, 2004)
Datamatics Limited	Punjab National Bank	Working Capital Loan	48.00	2.26 (as on February 29, 2004)
Datamatics Information Technology Limited	Punjab National Bank	Working Capital Loan	38.00	4.76 (as on February 29, 2004)
Datamatics Technologies Limited	State Bank of India	Working Capital Loan	102.00	69.34 (as on December 31, 2003)
Datamatics Technologies Limited	EXIM Bank	Term Loan	100.00	30 (as on December 31, 2003)



Mrs. Asha L. Kanodia



Mrs. Asha L. Kanodia (Voter ID No. MT/05/030/030320, Driving License No. 66409), 60, is an arts graduate in psychology. Mrs. Kanodia has done her research in social psychology at the Massachusetts Institute of Technology (MIT), Boston, USA.

Currently, Mrs. Kanodia besides overseeing the facilities maintenance also organizes major corporate events.

The Company confirms that the permanent account number, bank account number and passport number of the Promoters have been submitted to the Stock Exchanges at the time of filing this Prospectus with them.

Delta Infosolutions Private Limited

Delta Infosolutions Private Limited was incorporated on January 17, 1992 under the Companies Act, in the state of Maharashtra, India. It is engaged in the business of consulting.

The board of directors of Delta Infosolutions Private Limited comprises Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, Mr. Rahul Kanodia and Mr. Sameer Kanodia.

Financial Performance

The operating results of Delta Infosolutions Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	—	—	—
PAT	(19.34)	(5.23)	(7.17)
Equity Capital	120.00	120.00	120.00
Reserves	(32.35)	(37.57)	(45.04)
EPS (Rs.)	(1.61)	(0.44)	(0.60)
Book Value/Share (Rs.) *	6.32	5.89	5.27

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

Shareholding Pattern: All the shares of the Company are held by Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. Sameer Kanodia.

Sr. No.	Name of Shareholder	Equity shares of Re. 10/- each	%
1.	Dr. Lalit S. Kanodia	30,600	25.50
2.	Mrs. Asha L. Kanodia	30,600	25.50
3.	Mr. Sameer Kanodia	58,800	49.00
	Total	120,000	100.00

Latasha Advisory Services Private Limited

Latasha was incorporated as Latasha Investments Private Limited on March 7, 1989 under the Companies Act in the state of Maharashtra, India. The name was subsequently changed to Latasha Advisory Services Private Limited on March 23, 2000. It is engaged in the business of consulting. Currently, the company's revenue comprises of income from investments.

The board of directors of Latasha comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Dr. M.S. Kothari.



On September 24, 2001, Latasha had filed a petition before the High Court of Judicature at Mumbai for the amalgamation of Ligure, Linium, Lonicera and Lusitania with Latasha. The petition was dismissed by the High Court by its order dated February 7, 2002 for non-disclosure of debtors who had given money towards the ESOP scheme with leave being granted to file a fresh application. No action has yet been initiated by these companies in this regard.

Financial Performance

The operating results of Latasha as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	966.08	9,002.82	147.13
PAT	939.50	8,909.75	3.32
Equity Capital	63.60	63.60	127.20
Reserves	2,517.12	11,426.86	11,366.58
EPS (Rs.)	14.77	140.09	0.03
Book Value/Share (Rs.)	40.58	180.67	90.36

(Source: Audited Financial Statements)

Shareholding Pattern: All the shares of Latasha are held by Dr. Lalit S. Kanodia, Delta Infosolutions Private Limited, Lonicera, Linium, Lusitania and Ligure.

Sr. No.	Name of Shareholder	Equity shares of Re. 1/- each	%
1.	Dr. Lalit S. Kanodia Jt. Delta Infosolutions Private Limited	2	.0016
2.	Delta Infosolutions Private Limited	119,998	94.338
3.	Ligure Management Consultancy Services Private Limited	1,800	1.415
4.	Linium Management Consultancy Services Private Limited	1,800	1.415
5.	Lonicera Management Consultancy Services Private Limited	1,800	1.415
6.	Lusitania Management Consultancy Services Private Limited	1,800	1.415
	TOTAL	127,200	100.00

Ligure Management Consultancy Services Private Limited

Ligure was incorporated as Ligure Investments Private Limited on March 2, 1989 under the Companies Act in the state of Maharashtra, India. Subsequently, the name of the company was changed to Ligure Management Consultancy Services Private Limited on April 17, 2000. It is engaged in the business of consulting. Currently, the company's revenue comprises of income from investments.

The board of directors of Ligure comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Dr. M.S. Kothari.



Financial Performance

The operating results of Ligure as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	741.63	6,804.73	59.67
PAT	707.36	6,750.63	(74.78)
Equity Capital	3.64	3.64	100.00
Reserves	2,089.39	8,840.02	8,670.23
EPS (Rs.)	194.44	1,855.58	(0.91)
Book Value/Share (Rs.)	575.32	2,430.91	87.70

(Source: Audited Financial Statements)

Shareholding Pattern: All the shares of the company are held by Dr. Lalit S. Kanodia, Latasha, Lonicera, Linium and Lusitania.

Sr. No.	Name of Shareholders	Equity shares of Re. 1/- each	%
1.	Dr. Lalit S. Kanodia	20	0.02
	Jt. Delta Infosolutions Private Limited		
2.	Latasha Advisory Services Private Limited	45,980	45.98
3.	Lonicera Management Consultancy Services Private Limited	18,000	18.00
4.	Linium management Consultancy Services Private Limited	18,000	18.00
5.	Lusitania Management Consultancy Services Private Limited	18,000	18.00
	TOTAL	100,000	100.00

Linium Management Consultancy Services Private Limited

Linium was incorporated as Linium Investments Private Limited on March 2, 1989 under the Companies Act in the state of Maharashtra, India. The name of the company was subsequently changed to Linium Management Consultancy Services Private Limited on May 22, 2000. It is engaged in the business of consulting. Currently, the company's revenue comprises of income from investments.

The board of directors of Linium comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Dr. M.S. Kothari.

Financial Performance

The operating results of Linium as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	980.02	8,951.42	82.65
PAT	938.25	8,881.02	(55.61)
Equity Capital	3.64	3.64	100.00
Reserves	2,647.78	11,528.80	11,378.16
EPS (Rs.)	257.90	2,441.18	(0.56)
Book Value/Share (Rs.)	728.81	3,169.99	114.78

(Source: Audited Financial Statements)



Shareholding Pattern: Dr. Lalit S. Kanodia and Latasha, Lonicera, Lusitania and Ligure hold all the shares of the company.

Sr. No.	Name of Shareholder	Equity shares of Re. 1/- each	%
1.	Dr. Lalit S. Kanodia Jt. Delta Infosolutions Private Limited	20	0.02
2.	Latasha Advisory Services Private Limited	45,980	45.98
3.	Ligure Management Consultancy Services Private Limited	18,000	18.00
4.	Lonicera Management Consultancy Services Private Limited	18,000	18.00
5.	Lusitania Management Consultancy Services Private Limited	18,000	18.00
	TOTAL	100,000	100.00

Lonicera Management Consultancy Services Private Limited

Lonicera was incorporated as Lonicera Holdings Private Limited on March 7, 1989 under the Companies Act in the state of Maharashtra, India. The name of the company was subsequently changed to Lonicera Management Consultancy Services Private Limited on April 17, 2000. It is engaged in the business of consulting. Currently, the company's revenue comprises of income from investments.

The board of directors of Lonicera comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, and Dr. M.S. Kothari.

Financial Performance

The operating results of Lonicera as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	970.80	8,917.59	89.51
PAT	949.15	8,858.12	(47.56)
Equity Capital	3.64	3.64	100.00
Reserves	2,642.64	11,500.76	11,358.20
EPS (Rs.)	260.90	2,434.89	(0.47)
Book Value/Share (Rs.)	727.39	3,162.28	114.58

(Source: Audited Financial Statements)

Shareholding Pattern: All the shares of Lonicera are held by Dr. Lalit S. Kanodia, Latasha, Linium, Lusitania and Ligure.

Sr. No.	Name of Shareholders	Equity shares of Re. 1/- each	%
1.	Dr. Lalit S. Kanodia Jt. Delta Infosolutions Private Limited	20	0.02
2.	Latasha Advisory Services Private Limited	45,980	45.98
3.	Ligure Management Consultancy Services Private Limited	18,000	18.00
4.	Linium Management Consultancy Services Private Limited	18,000	18.00
5.	Lusitania Management Consultancy Services Private Limited	18,000	18.00
	TOTAL	100,000	100.00



Lusitania Management Consultancy Services Private Limited

Lusitania was incorporated as Lusitania Holdings Private Limited on March 7, 1989 under the Companies Act in the State of Maharashtra, India. The name of the company was subsequently changed to Lusitania Management Consultancy Services Private Limited on March 23, 2000. It is engaged in the business of consulting. Currently, the company's revenue comprises of income from investments.

The board of directors of Lusitania comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Dr. M.S. Kothari.

Financial Performance

The operating results of Lusitania as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	960.95	8,911.56	81.51
PAT	948.42	8,857.96	60.88
Equity Capital	3.64	3.64	100.00
Reserves	2,540.89	11,398.85	11,216.51
EPS (Rs.)	260.70	2,434.84	(0.61)
Book Value/Share (Rs.)	699.43	3,134.27	113.17

(Source: Audited Financial Statements)

Shareholding Pattern: All the shares of the company are held by Dr. Lalit S. Kanodia, Latasha, Lonicera, Linium and Ligure.

Sr. No.	Name of Shareholders	Equity shares of Re. 1/- each	%
1.	Dr. Lalit S. Kanodia Jt. Delta Infosolutions Private Limited	20	0.02
2.	Latasha Advisory Services Private Limited	45,980	45.98
3.	Ligure Management Consultancy Services Private Limited	18,000	18.00
4.	Linium Management Consultancy Services Private Limited	18,000	18.00
5.	Lonicera Management Consultancy Services Private Limited	18,000	18.00
	TOTAL	100,000	100.00

The primary source of income of Latasha, Ligure, Lonicera, Lusitania and Linium is dividend from the Company and interest income. For the financial year ended March 31, 2002, a total of 30% dividend was paid out by the Company which included 10% as final dividend for year ended March 31, 2001, and interim dividend of 20% for year ended March 31, 2002. No final dividend pertaining to year ended March 31, 2002 was declared and paid during the financial year ended March 31, 2003. No interim dividend for financial year ended March 31, 2003 was declared. The final dividend for financial year ended March 31, 2003, was declared and paid in October 2003. Hence, no dividend income was accounted by any of the abovementioned companies for the financial year ended March 31, 2003 as compared to 30% dividend in the financial year ended March 31, 2002. Hence, there were fluctuations in their incomes during these years.

Pending Litigations/Disputes

There are no pending disputes/litigations towards tax liabilities for any criminal prosecutions against the promoters for any offence; economic or otherwise and no other defaults to financial institutions/banks and no other cases of any payment of statutory dues.



SUBSIDIARIES

The Company has seven subsidiaries. Details of these have been provided below:

A. Saztec International, Inc. (“Saztec”)

Saztec, a company incorporated on April 3, 1986 under the laws of California, USA, and having its principal place of business at 900 Middlesex Turnpike Building 5, Billerica Massachusetts 01821, is a wholly owned subsidiary of the Company. Saztec is an information technology enabled services/business process outsourcing company as well as a software services provider. Saztec specializes in design, construction and maintenance of electronic databases, resume processing, and claims processing. This company employs about 59 professionals. As a strategic investment, the Company acquired a 5% stake in Saztec International Inc., in 1996. In 2000, the Company increased its stake to over 40%, which was then increased to 100% in 2003.

Saztec’s common stock was traded in the over the counter trade (OTC) market NASDAQ. With the approval of its board of directors, on November 6, 2002, Saztec filed a form with the Securities and Exchange Commission (SEC) for termination of registration of the Company’s common stock from the OTC bulletin board, NASDAQ, under the Securities Exchange Act, 1934 as amended. Accordingly the stock was delisted.

Saztec also had a wholly owned subsidiary in Europe, viz. Saztec Europe Limited, which in turn had a subsidiary in Germany, viz. Saztec GmbH. Saztec Europe Limited filed a petition for liquidation on January 26, 2001 and was liquidated in May, 2002.

Shareholding pattern

As on December 31, 2003, the entire paid up equity capital of Saztec was held by the Company.

The board of directors of Saztec comprises of Dr. Lalit S. Kanodia, Mr. Manish Modi and Mr. Vidur Bhogilal.

Financial Performance

Please refer to section titled “Unconsolidated Financial Performance of the Company” at page 266 of this Prospectus.

B. CorPay Solutions Inc., USA, (“CorPay”)

CorPay, a company incorporated on March 5, 1999 under the laws of Delaware, USA, and having its principal place of business at 31557, School Craft Road, Ste. 100, Livonia, MI 48150-1825, is a wholly owned subsidiary of the Company and was acquired by the Company on September 27, 2003. CorPay is an information technology enabled services/business process outsourcing company as well as a software services provider. It is a provider of accounts payable processing and is headquartered in Detroit, Michigan, USA with processing facilities located in Michigan, California, and Kentucky. CorPay employs about 205 professionals.

CorPay provides a variety of business process outsourcing services. It occupies a premium space in the processing of accounts payable. The other services provided are imaging solutions, specialized transaction processing, data capture solutions using OCR / ICR technology and offshore applications. CorPay has very strong processes as well as state of the art technologies and methods.

Shareholding pattern

As on December 31, 2003, the entire paid up equity capital of CorPay was held by the Company.

The board of directors of CorPay comprises of Dr. Lalit S. Kanodia, Mr. Manish Modi, and Mr. Vidur Bhogilal.

Financial Performance

Please refer to section titled “Unconsolidated Financial Performance of the Company” at page 262 of this Prospectus.

C. Datamatics Technologies GmbH

Datamatics Technologies GmbH, a company incorporated on July 17, 1998 under the laws of the Germany, and having its principal place of business at Karlstr. 65, 64347 Griesheim, is a wholly owned subsidiary of the Company. This company was



formerly called Datamatics GmbH and its name was changed to Datamatics Technologies GmbH on August 22, 2003. The Company acquired Datamatics Technologies GmbH on October 4, 2002. Datamatics GmbH has been set up as an information technology enabled services/business process outsourcing company as well as a software services provider. Its main line of activity is building customer relationship and it is the marketing arm of the Company in Germany.

Shareholding pattern

As on December 31, 2003, the entire paid up equity capital of Datamatics GmbH was held by the Company.

The board of directors of Datamatics GmbH comprises of Mr. Michael Thuleweit.

Financial Performance

Please refer to section titled “Unconsolidated Financial Performance of the Company” at page 258 of this Prospectus.

D. Datamatics Technologies, Inc.

Datamatics Technologies Inc., a company incorporated on June 18, 2001 under the laws of the State of New Hampshire, USA, and having its principal place of business at 20 Trafalgar Square, Suite 445, Nashua, NH 03063, is a wholly owned subsidiary of the Company. Datamatics Technologies Inc. has been set up as an information technology enabled services/business process outsourcing company as well as a software services provider. Its main line of activity is building customer relationship and it is the marketing arm of the Company in USA.

Shareholding pattern

As on December 31, 2003, the entire paid up equity capital of Datamatics Technologies Inc. was held by the Company.

The board of directors of Datamatics Technologies Inc. comprises of Dr. Lalit S. Kanodia, Mr. Manish Modi, and Mr. Vidur Bhogilal.

Financial Performance

Please refer to section titled “Unconsolidated Financial Performance of the Company” at page 254 of this Prospectus.

E. Datamatics Infosolutions Limited (“Datamatics Infosolutions”)

Datamatics Infosolutions, a company registered under the Companies Act was incorporated on July 21, 2000 and having its principal place of business at Unit No. 20-24 SDF I, SEEPZ – SEZ, Andheri (E), Mumbai. Datamatics Infosolutions is a wholly owned subsidiary of the Company. Datamatics Infosolutions, has been set up as an information technology enabled services/business process outsourcing company as well as a software services provider. The Company may decide at a later date to divest its shareholding in Datamatics Infosolutions.

Shareholding pattern

Datamatics Infosolutions is a wholly owned subsidiary of the Company.

The board of directors of Datamatics Infosolutions comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, Mr. Rahul Kanodia and Mr. Manish Modi.

Financial Performance

Please refer to section titled “Unconsolidated Financial Performance of the Company” at page 249 of this Prospectus.

F. Datamatics Technologies UK Limited

At its meeting held on July 8, 2003, the Board of Directors of the Company passed a resolution approving the creation of a wholly owned subsidiary in the United Kingdom in the name and style of Datamatics Technologies UK Limited as a strategic business step to augment its marketing effort in the United Kingdom. This company has been incorporated on November 10,



2003, under the laws of the England and Wales. The Company has acquired one ordinary share of 1 pound each of Datamatics Technologies UK Limited on March 2, 2004.

Shareholding pattern

As on March 2, 2004, the entire paid up equity capital of Datamatics Technologies UK Limited was held by the Company. The board of directors of Datamatics Technologies UK Limited comprises of Dr. Lalit S. Kanodia, and Mr. Manish Modi.

G. Datamatics Softworld Private Limited

By its resolution of July 8, 2003, the Board of Directors of the Company approved the acquisition of Khubsurat I-tech Solutions Private Limited in order to carry out its domestic operations. The name of Khubsurat I-tech Solutions Private Limited was changed to Datamatics Softworld Private Limited pursuant to a certificate dated December 31, 2003 issued by the Registrars of Companies, Mumbai. Datamatics Softworld Private Limited is a company incorporated under the Companies Act on September 30, 2002 to provide information technology products and services. The entire equity capital comprising 10,000 shares in Datamatics Softworld Private Limited was transferred to the Company on March 1, 2004. Currently, Datamatics Softworld Private Limited has no significant operations.

The board of directors of Datamatics Softworld Private Limited comprises of Dr. Lalit S. Kanodia, and Mr. Manish Modi.

Financial Performance

The financial performance as on March 31, 2003, is set forth below:

(Rs. Million)

Particulars	As on March 31, 2003
Equity Share Capital	0.01
Current Assets	0.01

The Company and all its subsidiaries offer the following services:

- Content Management
- Back Office Processing
- Related Software Services

Content Management and back office processing fall in the gamut of information technology enabled services/ business process outsourcing. Related software services involve the providing of software solutions in document management and workflow and data migration/ consolidation services.

As cross selling of all the above services is of primary importance, each of the subsidiaries offer all of the Company's services to their customers.



JOINT VENTURE

Knowledgeworks Global Limited (“KGL”)

KGL, a company incorporated under the Companies Act on February 5, 2003. KGL is a joint venture between Cadmus KnowledgeWorks International Limited, Mauritius (“**Cadmus**”) and the Company to provide a full range of content processing, content management, and related services to scientific, technical, and medical journal publishers and other organizations around the world. Cadmus owns 80% in KGL whereas 20% is owned by the Company. The Company did not commence business as of June 30, 2003.

Shareholding pattern

As on December 31, 2003, 80% of the paid up equity capital of KGL was held by Cadmus KnowledgeWorks International Limited and 20% of the paid up equity capital of KGL was held by the Company.

The board of directors of KGL comprises of three directors namely Mr. Stephen Hare, Mr. Walter Peter and Dr. Lalit S. Kanodia.

Financial Performance

The operating results of KGL as at and for the years ended June 30, 2003

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended June 30, 2003
Sales & Other Income	—
PAT	—
Equity Capital	1,000
Share Application Money	4,000
EPS (Rs.)	—
Book Value/Share (Rs.) (excluding Share Application money) *	7.95

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

Highlights of the Joint Venture Agreement

The Company and Cadmus entered into a joint venture agreement on June 30, 2003 (“Joint Venture Agreement”) for setting up KGL

Pursuant to the Joint Venture Agreement, certain key matters such as issue of capital, sale of equity shares, transfer of all or substantially all assets, reorganization can be decided at meetings of the board of directors of KGL only with the affirmative vote of one director nominated by the Company. Both Cadmus and the Company are restricted from transferring shares of KGL without prior written consent of the other. Each of Cadmus and the Company are entitled to a referral commission for any work referred to KGL by them. Under the Joint Venture Agreement, the Company shall have the irrevocable option to require Cadmus to purchase all of the Company’s shares in the joint venture company on June 30, 2006 and on each June 30 thereafter. Further, Cadmus shall have the irrevocable option to require the Company to sell all of its shares in the joint venture company to Cadmus or its affiliates on the same dates. Such put and call option can be exercised at valuations comparable to business process outsourcing companies in India. Further, in the event the joint venture company issues new equity capital for the value of \$1,000,000 or more during any financial year beginning July 1, 2006, and the Company declines to subscribe to the same, the Company shall have the option to require Cadmus to purchase all of its shares immediately on the same terms as under the put option.

Under the Joint Venture Agreement, the operations of both the parties have been restricted in the following manner:

- (i) The Company or its affiliates cannot directly or indirectly provide or perform any services which are provided by KGL to Cadmus Professional Communications (being Cadmus Journal Services Inc., a Virginia corporation) under a content



services agreement for any direct competitors of Cadmus, to any society, association or any commercial publisher, customers of Cadmus, or any scientific, technical and medical publisher, with respect to any scientific, technical and medical content, without prior written consent of Cadmus.

- (ii) Cadmus or its affiliates cannot directly or indirectly enter into any arrangement or agreement with any third party to establish for Cadmus an offshore production facility in India or perform any services that are identical or similar to those provided by KGL to Cadmus Professional Communications under a content services agreement to the extent that such action would have material adverse impact on the business operations of KGL. However, Cadmus may enter into such an agreement or provide such services with the prior written consent of the Company.
- (iii) Cadmus or its affiliates cannot outsource outside North America any services that are identical or similar to those provided by KGL to Cadmus Professional Communications under a content services agreement to the extent that such action would have material adverse impact on the business operations of KGL. However, Cadmus may outsource such services with the prior written consent of the Company.

As regards transfer of the shares held in KGL, the same cannot be transferred without the prior written consent of the non-transferring shareholder.

The Joint Venture Agreement shall terminate on the occurrence of the following:

- (i) The Company exercising the put option or the accelerated put option under the joint venture Agreement.
- (ii) Cadmus exercising the call option under the joint venture Agreement.
- (iii) Cadmus acquires all the equity shares held by the Company and/or its affiliates as a result of default on the part of the Company.

Both Cadmus and the Company are entitled to referral commissions for work referred to the joint venture company as agreed to between the Company and Cadmus from time to time.

The joint venture company shall, subject to the approval by the board of directors and the shareholders, distribute as dividends the joint venture company's legally distributable after-tax profits, after taking into account the annual business plan for the coming year.



GROUP COMPANIES

Anju Advisory Services Private Limited

Anju Advisory Services Private Limited was incorporated on March 26, 2002 under the Companies Act in the state of Maharashtra, India. The main object of this company is consulting. Currently, the Company's revenue comprises of income from investments.

The board of directors of Anju Advisory Services Private Limited comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. Suresh Achhipalia.

Financial Performance

The operating results of Anju Advisory Services Private Limited as at and for the years ended March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	—	311.30
PAT	—	(411.21)
Equity Capital	100	2500
Reserves	—	(411.21)
EPS (Rs.)	—	(1.65)
Book Value/Share (Rs.)*	7.81	8.29

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

Shareholding Pattern: Anju Advisory Services Private Limited is a wholly owned subsidiary of Lalit Corporate Advisory Services Private Limited.

Lalit Corporate Advisory Services Private Limited

Lalit Corporate Advisory Services Limited was incorporated on March 14, 2002 under the Companies Act in the state of Maharashtra, India. The main business of this company is consulting.

The board of directors of Lalit Corporate Advisory Services Limited comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. Suresh Achhipalia.

Financial Performance

The operating results of Lalit Corporate Advisory Services Limited as at and for the years ended March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	—	—
PAT	—	—
Equity Capital	100	100
Reserves	0	0
EPS (Rs.)	—	—
Book Value/Share (Rs.) *	6.71	6.09

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.



Shareholding Pattern: All the shares of Lalit Corporate Advisory Services Limited are held by Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. Sameer Kanodia.

Datamatics Consultants Limited

Datamatics Consultants Limited was incorporated as Datamatics Consultants Private Limited on April 10, 2002 under the Companies Act in the state of Maharashtra, India. It was subsequently converted into a public limited company and it obtained a fresh certificate of incorporation upon change of its name to Datamatics Consultants Limited on February 21, 2003. The main business of this company is management consultancy.

The board of directors of Datamatics Consultants Limited comprises of Dr. Lalit S. Kanodia and Mr. Manish Modi.

Financial Performance-

The operating results of Datamatics Consultants Limited as at and for the year ended March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2003
Sales & Other Income	3,084.90
PAT	(73.91)
Equity Capital	500.00
Reserves	(73.91)
EPS (Rs.)	(1.48)
Book Value/Share (Rs.)	8.41

(Source: Audited Financial Statements)

Shareholding Pattern: Datamatics Consultants Limited is a wholly owned subsidiary of Datamatics Global Services Limited.

Datamatics Global Services Limited

Datamatics Global Services Limited was incorporated as Vasudha Trading & Agencies Limited on October 3, 1981 under the Companies Act in the state of Maharashtra, India. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Datamatics Global Services Limited on March 19, 2003. This company is engaged in the business of trading in shares and debentures, chemicals, paper and providing various kinds of services for computer software and software products.

The board of directors of Datamatics Global Services Limited comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia, Mr. Mahesh Somani and Mr. K.K. Damani.

Financial Performance

The operating results of Datamatics Global Services Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	1,611.66	602.11	1,064.40
PAT	80.93	(171.70)	205.78
Equity Capital	500.00	500.00	1,500.00
Reserves	377.06	198.48	1,391.32
EPS (Rs.)	1.62	(3.43)	1.37
Book Value/Share (Rs.) *	17.54	13.97	18.46

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.



During the year ended March 31, 2002, the sales and other income was Rs. 6,02,110 as compared to Rs. 16,11,663 for the year ended March 31, 2001. The decrease in the financial year ended March 31, 2002 was due to the fact that there was no trading income in chemicals and papers due to adverse market conditions.

In the year ended March 31, 2003, the company changed its name from Vasudha Trading & Agencies Limited to Datamatics Global Services Limited and included in its object clause to carry on business in IT services. In the financial year ended March 31, 2003, increase in revenue was primarily due to increase in income from providing professional services for computer software.

Shareholding Pattern: 89.85% of the equity shares are held by Anju Advisory Services Private Limited and Dr. Lalit S. Kanodia and family while the remaining 10.15% is held by the public.

Datamatics Global Services Limited is listed on the BSE. It is traded in the "Z" category, The highest and the lowest market price of shares of the company on the BSE are as under:

Month	Highest (Rs.)	Lowest (Rs.)
September 2003	12.67	12.67
July 2003	10.56	10.56

(Source: www.bseindia.com)

No right issue/public issue has been made in last 3 years.

Anemone Management Consultancy Services Private Limited

Anemone Management Consultancy Services Private Limited (formerly known as Anemone Investments Private Limited) was incorporated on March 2, 1989 under the Companies Act in the state of Maharashtra, India. The main object of the Company is management consultancy. With effect from April 1, 2001, Auriferous Management Consultancy Services Private Limited, Ashul Management Consultancy Services Private Limited, Aleesha Advisory Services Private Limited and Agora Management Consultancy Services Private Limited merged with Anemone Management Consultancy Services Private Limited. Pursuant to the scheme of amalgamation, the assets and liabilities of the erstwhile above companies have been transferred to and now vest in Anemone Management Consultancy Services Private Limited. The amalgamation was accounted for under the 'pooling of interest method'. Accordingly, the assets and liabilities and other reserves of the erstwhile above companies as of April 1, 2001 have been taken over at their book values as specified in the scheme of amalgamation. The inter se investments and inter se holdings in share capital amongst these companies have been cancelled and no payment was required to be made to the shareholders. Currently the company's revenue comprises income from investments.

The board of directors of Anemone Management Consultancy Services Private Limited comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. Y.S. Kanodia.

Financial Performance

The operating results of Anemone Management Consultancy Services Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	293.12	3,667.51	982.30
PAT	173.34	2,770.12	600.64
Equity Capital	3.66	0.06	100.00
Reserves	3,464.92	19,098.30	19,598.61
EPS (Rs.)	47.31	43, 283.09	6.00
Book Value/Share (Rs.)	946.67	298,411.93	196.99

(Source: Audited Financial Statements)



The revenues for the year ended March 31, 2001 is for Anemone Management Consultancy Services Private Limited alone. Financials for March 31, 2002 represents revenues for all the merged entities. All these companies were holding company of Datamatics Financial Software & Services Limited (DFSSL) On account of the merger there has been an increase in revenues, majority of this income was from receipt of dividends and interest. In year ended March 31, 2003 no dividend was received and also reduction in interest rate resulted in decrease in the revenue.

(Figures in Rs. Thousands)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	Remarks
Dividend	Nil	2115.00	Nil	
Interest Income	293.12	1552.51	982.30	Reduction in interest rate (March, 2003)
Total	293.12	3667.51	982.30	

Shareholding Pattern: Anemone Management Consultancy Services Private Limited is a wholly owned subsidiary of Datamatics Management Services Private Limited.

Sameer Microtronics Private Limited

Sameer Microtronics Private Limited was incorporated on February 9, 1979 under the Companies Act in the state of Maharashtra, India. The main object of the company is to provide management consultancy services. Currently, the company's revenue comprises of income from investments.

The board of directors of Sameer Microtronics Private Limited comprises of Mrs. Asha L. Kanodia, Mr. Y.S. Kanodia, Dr. M.S. Kothari, Mr. S. Padmanabhan, Mr. Rahul Kanodia and Mr. Dilip Thakore.

Financial Performance

The operating results of Sameer Microtronics Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	193.724	97.345	39.300
PAT	154.135	(293.168)	(497.515)
Equity Capital	1,027.500	1,027.500	1,027.500
Reserves	60,395.478	60,099.248	59,603.347
EPS (Rs.)	1.50	(2.85)	(4.84)
Book Value/Share (Rs.)	597.79	594.90	590.08

(Source: Audited Financial Statements)

For the year ended March, 2002 loss was incurred in the partnership firm in which Sameer Microtronics Private Limited was a partner. In the year ended March 31, 2003 the revenue declined because of investments made in growth options scheme of mutual funds in which interest income is realized on redemption and the company has not redeemed those investments in FY 2003



(Figures in Rs. Thousands)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	Remarks
Revenue:				
Interest Income	55.38	65.68	39.30	Reduction of Interest in March, 2003 as amount invested in Mutual funds-Growth option.
Profit/(Loss) from Partnership firms (net)	138.34	—	—	
Profit on sale of Investments	Nil	31.66	Nil	
Total Revenue	193.72	97.34	39.30	
Expenses				
Loss from Partnership firms	—	338.37	10.91	
Loss on sale of Shares	—	492.82	—	

Shareholding Pattern: Sameer Microtronics Private Limited is a wholly owned subsidiary of Bellona Infotech Private Limited.

Bellona Infotech Private Limited

Bellona Infotech Private Limited was incorporated as Bellona Trading Company Private Limited on October 12, 1994 under the Companies Act in the state of Maharashtra, India. It was converted into a public limited company on August 26, 1996 and the name was changed to Bellona Trading Company Limited. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Bellona Infotech Limited on July 22, 1999. The company's status has changed from public to private limited under section 43A(2A) of the Companies Act with effect from September 30, 2002. The main object of the company is to provide information technology services. Currently the company's revenue comprises of only income from investments.

The board of directors of Bellona Infotech Private Limited comprises of Dr. Lalit S. Kanodia and Mr. Rahul Kanodia.

Financial Performance

The operating results of Bellona Infotech Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	133.34	145.09	85.05
PAT	67.19	84.12	46.51
Equity Capital	100.00	100.00	100.00
Reserves*	3,040.47	3,112.43	3,160.28
EPS (Rs.)	6.72	8.41	4.65
Book Value/Share (Rs.) *	314.05	321.24	326.03

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.



Reduction in income for the year ended March 31, 2003, is due to the reduction in interest received on loans outstanding.

(Figures in Rs. Thousands)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	Remarks
Interest Income	133.34	145.09	85.05	Reduction of interest in March, 2003 as amount invested in Mutual funds - growth option
Total	133.34	145.09	85.05	

Shareholding Pattern: All the equity shares of Bellona Infotech Private Limited are held by Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mrs. Priyadarshini Kanodia.

Datamatics Limited

Datamatics Limited was incorporated as Datamatics Consultants Private Limited on July 18, 1975 under the Companies Act in the state of Maharashtra, India. It was converted into a deemed public limited company on July 16, 1981 and the name was changed to Datamatics Consultants Limited. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Datamatics Limited on November 21, 1989. It is engaged in the business of information technology, especially, product implementation services, industry specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of Datamatics Limited comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia, Mr. M.P. Gupta and Mr. S.C. Bhatia.

Financial Performance

The operating results of Datamatics Limited as at and for the periods ended September 30, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the period ended Sept 30, 2001 (18 Months)	As at and for the period ended March 31, 2002 (6 Months)	As at and for the year ended March 31, 2003
Sales & Other Income	632,108.45	203,905.99	456,660.35
PAT	62,060.34	22,685.12	59,490.81
Equity Capital	150,000.00	150,000.00	150,000.00
Reserves (excluding revaluation reserve)	110,286.79	124,955.19	173,604.96
EPS (Rs.)	*2.76	*3.02	3.97
Book Value/Share (Rs.)	17.35	18.33	21.57

* Annualized

(Source: Audited Financial Statements)

The variation in the financials is because the figures upto September 30, 2001 is for 18 months, up to March 31, 2002 is for 6 months and March 31, 2003 is for 12 months.

Shareholding pattern: 95.62% of the equity shares of Datamatics Limited are held by Sameer Microtronics Private Limited, while the rest of the shares are held by Dr. Lalit S. Kanodia and family, employees and others.

Datamatics Software Services Limited

Datamatics Software Services Limited was incorporated as Sigma Share Services Private Limited on January 17, 1992 under the Companies Act in the state of Maharashtra, India. The name of the company was changed to Sigma Infosolutions Private Limited on December 14, 1998. It was converted into a deemed public limited company on December 18, 1998. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Datamatics Software Services Limited on March 6, 2003. It is engaged in the business of information technology, especially, product implementation services, industry



specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of Datamatics Software Services Limited comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia and Mr. Suresh Achhipalia.

Financial Performance

The operating results of Datamatics Software Services Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	1,028.08	140.38	9,614.60
PAT	(825.75)	(1,241.15)	804.38
Equity Capital	1,000.00	1,000.00	1,000.00
Reserves	(1,039.61)	(2,280.75)	(685.42)
EPS (Rs.)	(8.26)	(12.41)	8.04
Book Value/Share (Rs.)*	(1.78)	(14.02)	2.10

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

Being a project driven company, the revenues depend on the number and type of projects executed during a particular financial year. The fluctuation in revenue has a direct relationship to the projects received and executed in a particular year.

Shareholding Pattern: Datamatics Software Services Limited is a wholly owned subsidiary of Datamatics Limited.

Zedtech Software Design (India) Limited

Zedtech Software Design (India) Limited was incorporated on January 14, 1992 under the Companies Act in the state of Maharashtra, India. It is engaged in the business of information technology, especially, product implementation services, industry specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of Zedtech Software Design (India) Limited comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia and Mr. R.K. Saraswat.

Financial Performance

The operating results of Zedtech Software Design (India) Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	7,874.45	2,656.62	2,076.03
PAT	(3,531.92)	(4,466.74)	(3,902.82)
Equity Capital	5,000.00	5,000.00	5,000.00
Reserves	(7,613.46)	(12,086.39)	(15,989.20)
EPS (Rs.)	(7.06)	(8.93)	(7.81)
Book Value/Share (Rs.)*	(5.24)	(14.18)	(21.99)

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.



Being a project driven company, the revenues depend on the number and type of projects executed during a particular financial year. The fluctuation in revenue has a direct relationship to the projects received and executed in a particular year.

Shareholding Pattern: Zedtech Software Design (India) Limited is a wholly owned subsidiary of Datamatics Limited.

Datamatics Information Technology Limited

Datamatics Information Technology Limited was incorporated as Hybrid Electronic Systems Private Limited on March 27, 1981 under the Companies Act in the state of Maharashtra, India. It was converted into a deemed public limited company on February 20, 1997 and the name was changed to Hybrid Electronic Systems Limited. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Datamatics Information Technology Limited on July 23, 1997. This company is carrying on business in the field of electronics security systems. The company also maintains these systems. It is also involved in trading of goods in related fields.

The board of directors of Datamatics Information Technology Limited comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia and Mr. M.P. Gupta.

Financial Performance

The operating results of Datamatics Information Technology Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	119,791.66	72,661.04	70,885.18
PAT	(2,792.581)	(10202.90)	3401.16
Equity Capital	23,400.00	23,400.00	23,400.00
Reserves	(34,737.00)	(44,921.00)	(41,564.06)
EPS (Rs.)	(11.93)	(43.60)	14.53
Book Value/Share (Rs.)*	(48.83)	(92.29)	(77.88)

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

The decline in revenue is due to a decline in the trading activity. The company consciously reduced the trading activity as the margins in this business shrank over the years. The break up of revenues is as under:

(Figures in Rs. Thousands)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003
Contracts/Software Services in electronic security systems	3143.11	3824.36	2422.29
Traded Goods	113484.00	65357.11	65916.83
Commission on sales	1762.44	1585.44	1110.86
Other Income	1402.11	1894.13	1435.20
Total	119791.66	72661.04	70885.18

Shareholding Pattern: Datamatics Information Technology Limited is a wholly owned subsidiary of Datamatics Limited.

Datamatics Technosoft Limited

Datamatics Technosoft Limited was incorporated as Senum Computer Systems Private Limited on July 15, 1981 under the Companies Act in the Union Territory of Delhi, India. The name of the company was subsequently changed to Datamatics Technosoft Private Limited. The company obtained a fresh certificate of incorporation upon change of its name on December



10, 1998. It was converted into a deemed public limited company with effect from December 12, 1997 and the name was changed to Datamatics Technosoft Limited. The company is engaged in the business of software development, especially, product implementation services, industry specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of Datamatics Technosoft Limited comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia and Dr. M.S. Kothari.

Financial Performance

The operating results of Datamatics Technosoft Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	19,014.94	4,159.65	352.49
PAT	(56,466.31)	(62,884.91)	(37,605.95)
Equity Capital	274.05	274.05	274.05
Reserves	(41,328.35)	(104,214.43)	(141,820.37)
EPS (Rs.)	(2,060.44)	(2,368.71)	(1,728.85)
Book Value/Share (Rs.)	(1,498.05)	(3,792.75)	(5,164.98)

(Source: Audited Financial Statements)

Being a project driven company, the revenues depend on the number and type of projects executed during a particular financial year. The fluctuation in revenue has a direct relationship to the projects received and executed in a particular year.

Shareholding Pattern: Datamatics Limited holds 48.19% of shares, while Dr. Lalit S. Kanodia and family hold the rest of the shares of Datamatics Technosoft Limited.

Datamatics Infotech Inc.

Datamatics Infotech Inc. was incorporated on January 07, 1998 under the laws of Delaware, USA. It is engaged in the business of information technology, especially, product implementation services, industry specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of Datamatics Infotech Inc. comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia and Mr. R.K. Saraswat.

Financial Performance

The operating results of Datamatics Infotech Inc. for the year ended December 31, 2000, December 31, 2001 and December 31, 2002, as per US GAAP, are set forth below:

(in US\$ thousand, except per share data)

Particulars	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Sales & Other Income	554.64	6.38	-
PAT	(9.99)	(7.94)	(13.30)
Equity Capital	100.00	100.00	100.00
Reserves	1.73	(6.21)	(19.52)
EPS (US\$)	(1.00)	(0.79)	(1.33)
Book Value/Share (US\$)	10.17	9.37	8.04



These financial statements of Datamatics Infotech Inc. have been reported in US\$ and have been translated into Rupees for each period presented, solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the amount of Rupees for which one US\$ could be exchanged at the rate given by the Reserve Bank of India. The Company has translated the statements of income and balance sheet data for each period at the rate on the last business day of such period. The translations should not be considered as a representation that such US\$ amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	As at December 31,			
	2000	2001	2002	2003
Noon Buying Rate	Rs. 46.74	Rs. 48.16	Rs. 47.995	Rs. 45.59

Convenience Translation. Please refer to “Currency of Presentation” on page I of this Prospectus.

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Sales & Other Income	25,923.67	307.45	-
PAT	(466.89)	(382.25)	(638.48)
Equity Capital	4,674.00	4,674.00	4,674.00
Reserves	80.63	(157.17)	(811.12)
EPS (Rs.)	46.74	38.05	63.83
Book Value/Share (Rs.)	475.34	451.26	385.88

(Source: Audited Financial Statements)

The company had a few clients contributing to a majority of its business. Most of its business was project based. The fluctuation in revenue has a direct relationship to the projects received and executed in a particular year.

Shareholding Pattern: Datamatics Infotech Inc. is a wholly owned subsidiary of Datamatics Limited.

Datamatics Global Services Private Limited

Datamatics Global Services Private Limited was incorporated as a limited liability company on January 25, 2000 under the laws of Mauritius. The main objects of the company are providing international consulting services, international data processing, other information technology services and investment holding and management services. Currently, the company's revenue comprises income from investments.

The board of directors of Datamatics Global Services Private Limited comprises of Dr. Lalit S. Kanodia, Mr. Rahul Kanodia, Mr. D Joory and Mr. C Lala.

Financial Performance

The operating results of Datamatics Global Services Private Limited for year ended March 31, 2001, March 31, 2002 and March 31, 2003, as per applicable International Accounting Standards, are set forth below:

(in US\$ thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	1.16	0.72	3.97
PAT	(15.58)	(6.82)	(6.64)
Equity Capital	300.00	300.00	300.00
Reserves	(42.50)	(49.32)	(55.96)
EPS US\$	(0.05)	(0.02)	(0.02)
Book Value/Share US\$	0.85	0.83	0.81

(Source: Audited Financial Statements)



These financial statements of Datamatics Global Services Private Limited have been reported in US\$ and have been translated into Rupees for each period presented, solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the amount of Rupees for which one US\$ could be exchanged at the rate given by the Reserve Bank of India. The Company has translated the statements of income and balance sheet data for each period at the rate on the last business day of such period. The translations should not be considered as a representation that such US\$ amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	As at March 31,			
	2000	2001	2002	2003
Noon Buying Rate	Rs. 43.6075	Rs. 46.625	Rs. 48.805	Rs. 47.515

Convenience Translation. Please refer to “Currency of Presentation” on page I of this Prospectus.

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	54.09	34.90	188.777
PAT	(726.46)	(333.00)	(315.50)
Equity Capital	13,987.50	13,987.50	13,987.50
Reserves	(1,981.52)	(1,753.16)	(2,391.94)
EPS (Rs.)	2.33	0.98	0.95
Book Value/Share (Rs.)	39.63	40.51	38.49

(Source: Audited Financial Statements)

Shareholding Pattern: Datamatics Global Services Private Limited is a wholly owned subsidiary of Datamatics Limited.

Datamatics Worldwide Services ApS

Datamatics Worldwide Services ApS (earlier known as SCSK 2946 APS registered with Danish Commerce & Companies agency in Denmark) was incorporated on December 3, 1999. Subsequently the company was taken over by Datamatics Global Services Private Limited on March 15, 2000 and changed its name to Datamatics Worldwide Services ApS. This Company is engaged in the business of conducting trade and financial activities including acquisition of and investment in share capital as a holding company in Danish and foreign countries.

The board of directors of Datamatics Worldwide Services ApS comprises of Dr. Lalit S. Kanodia, Mr. S. C. Bhatia, Mr. Kumar Gidwani and Ms. Illa Jhaveri.

Financial Performance

The operating results of Datamatics Worldwide Services ApS as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in DKK. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	21.82	18.22	56.11
PAT	(128.73)	(21.78)	(55.32)
Equity Capital	425.00	425.00	425.00
Reserves	(140.35)	(162.13)	(217.45)
EPS (in DKK)	(302.90)	(51.25)	(130.17)
Book Value/Share (in DKK)	669.76	618.51	488.34

(Source: Audited Financial Statements)



These financial statements of Datamatics Worldwide Services ApS have been reported in DKK and have been translated into Rupees for each period presented, solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the amount of Rupees for which one DKK could be exchanged at the rate given by the Reserve Bank of India. The Company has translated the statements of income and balance sheet data for each period at the rate on the last business day of such period. The translations should not be considered as a representation that such DKK amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	As at March 31,			
	2000	2001	2002	2003
Noon Buying Rate	5.620	5.493	5.739	6.929

Convenience Translation: Please refer to “Currency of Presentation” on page I of this Prospectus.

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	119.85	104.57	388.77
PAT	(707.12)	(125.01)	(383.33)
Equity Capital	2,334.53	2,334.53	2,334.53
Reserves	(770.94)	(825.93)	(896.44)
EPS (Rs.)	(1,663.80)	(294.13)	(901.94)
Book Value/Share (Rs.)	3,679.01	3,549.64	3,383.73

(Source: Audited Financial Statements)

Shareholding Pattern: 48.24% of the equity share capital of this company is held by Datamatics Global Services Private Limited and 51.76% is held by America Infotech Technologies.

Datamatics Infotech Limited

The Company was incorporated on March 20, 2003 as a private company under the laws of England and Wales. The Company carries on the business of information technology and allied trades, especially, product implementation services, industry specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of the company comprises of Mr. Rahul Kanodia.

Shareholding Pattern: Datamatics Infotech Limited is a wholly owned subsidiary of Datamatics Global Services Private Limited.

Datamatics Inc.

Datamatics Inc. was incorporated on January 1, 2000 under the laws of Delaware, USA. It is engaged in the business of information technology, especially, product implementation services, industry specific solutions, maintenance and enhancement services, web-enabling of legacy, applications, custom application development and others.

The board of directors of Datamatics Inc. comprises of Dr. Lalit S. Kanodia and Ms. Illa Jhaveri.



Financial Performance

The operating results of Datamatics Inc. as at and for the years ended December 31, 2000, December 31, 2001 and December 31, 2002, as per US GAAP, are set forth below:

(in US\$. thousand, except per share data)

Particulars	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Sales & Other Income	0.15	0.67	80.50
PAT	(3.49)	0.56	(5.87)
Equity Capital	10.00	10.00	60.00
Reserves	(3.49)	(2.93)	(8.80)
EPS (US\$)	(349.30)	56.00	(97.86)
Book Value/Share (US\$)	650.70	706.80	853.26

These financial statements of Datamatics Inc. have been reported in US\$ and have been translated into Rupees for each period presented, solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the amount of Rupees for which one US\$ could be exchanged at the rate given by the Reserve Bank of India. The Company has translated the statements of income and balance sheet data for each period at the rate on the last business day of such period. The translations should not be considered as a representation that such US\$ amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	As at December 31,			
	2000	2001	2002	2003
Noon Buying Rate	Rs. 46.74	Rs. 48.16	Rs. 47.995	Rs. 45.59

Convenience Translation. Please refer to “Currency of Presentation” on page I of this Prospectus.

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Sales & Other Income	6.96	32.27	3,863.74
PAT	(163.26)	26.97	(281.83)
Equity Capital	467.40	467.40	2,867.15
Reserves	(163.26)	(127.01)	(410.00)
EPS (Rs.)	(16,326.30)	2,697.00	(4,697.12)
Book Value/Share (Rs.)	30,413.70	34,039.50	40,952.53

(Source: Audited Financial Statements)

The company has steadily increased its business and customers over the years.

Shareholding Pattern: Datamatics Inc. is a wholly owned subsidiary of Datamatics Global Services Private Limited.

White Label LLC

White Label LLC is a joint venture between Datamatics Inc. and The Mariner Group LLC entered into on May 1, 2003. The



company provides management consultancy, advisory services, software development, support and maintenance and other related services. It also markets Datamatics products & services to clients in U.S.A.

The managers of White Label LLC are Mr. Rahul Kanodia, Mr. Pradeep Sen, Mr. Robert Thibodeau and Mr. Jerry Zadow.

Shareholding Pattern: Datamatics Inc. holds 51% of the equity share capital while the Mariner Group LLC holds 49%.

Datamatics Management Services Private Limited

Datamatics Management Services Private Limited was incorporated on February 18, 1998 under the Companies Act in the state of Maharashtra, India. It is engaged in the business of management consultancy.

The board of directors of Datamatics Management Services Private Limited comprises of Dr. Lalit S. Kanodia, Mrs. Asha L. Kanodia and Mr. S.C. Bhatia.

Financial Performance

The operating results of Datamatics Management Services Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	—	—	—
PAT	—	—	—
Equity Capital	0.20	150.00	150.00
Reserves	—	—	—
EPS (Rs.)	—	—	—
Book Value/Share (Rs.)*	(983.25)	8.25	7.99

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

Shareholding Pattern: Dr Lalit S. Kanodia and Mrs. Asha L. Kanodia hold the entire share capital of Datamatics Management Services Private Limited.

Datascan Services

Datascan Services is a partnership firm registered under the Indian Partnership Act, 1932. The partnership firm was originally constituted vide a Deed of Partnership dated May 17, 1990 between four companies, Datamatics Limited, Sameer Microtronics Limited (renamed Sameer Microtronics Private Limited), Interface Consultants Limited (renamed as Datamatics Financial Software and Services Private Limited) and Interface Software Resources Private Limited (renamed Datamatics Technologies Limited). Subsequently, by a Deed of Admission to Partnership dated April 25, 1991 Latasha Consultancy Services Private Limited was admitted to the partnership with effect from April 1, 1991. Thereafter, by a Deed of Retirement cum Reconstitution dated October 9, 2002 Datamatics Technologies Limited retired from the partnership with effect from October 1, 2002. The primary business of the firm is data processing, key punching and verification, and software consultancy.

The present partners of this firm are Datamatics Limited, Sameer Microtronics Private Limited, Datamatics Financial Software and Services Limited and Latasha Consultancy Services Private Limited.



Financial Performance

The operating results of Datascan Services as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	1.74	—	—
Net Loss	(1.15)	(2.20)	(0.73)
Partner's Capital	50.00	50.00	50.00
Reserves (Partners Current A/c)	(1.15)	(2.43)	(0.53)
EPS (Rs.)	N.A	N.A	N.A
Book Value/Share (Rs.)	N.A	N.A	N.A

(Source: Audited Financial Statements)

Partnership Pattern: Each partner holds 25% of the capital.

Datamatics Data Processors

Datamatics Data Processors is a partnership firm registered under the Indian Partnership Act, 1932. The partnership firm was originally constituted vide a Deed of Partnership dated November 15, 1976, between Datamatics Consultants Private Limited (renamed Datamatics Limited), Dr. Lalit S. Kanodia, Mrs. Gita Gupta, Mr. Sajan Gupta, Mr. Sohanlal Kothari as trustee of the Rahul Kanodia Trust and Mr. Mahendra Kothari as trustee of the Sameer Kanodia Trust. However, under a Deed of Retirement dated January 27, 1979, Mr. Sohanlal Kothari and Mr. Mahendra Kothari retired from the partnership, with effect from January 1, 1979. Thereafter, the remaining partners resolved to continue the partnership, and the partnership was reconstituted vide a Deed of Partnership dated February 1, 1979 (with effect from January 1, 1979) amongst the remaining partners. Subsequently, by a Deed of Partnership dated October 3, 1992, Datamatics Limited retired as a partner with effect from September 30, 1992, and Sameer Microtronics Limited (renamed Sameer Microtronics Private Limited) was added as a partner with effect from October 1, 1992. The principal business of the firm is managing and running computers, providing data processing services, and acting as consultants.

Financial Performance

The operating results of Datamatics Data Processors as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	2,459.88	874.63	122.91
PAT	346.42	(844.81)	(26.83)
Partners Capital	100.00	100.00	100.00
Reserves(partner's Current account)	2,243.71	1,398.89	1,372.07
EPS (Rs.)	N.A	N.A	N.A
Book Value/Share (Rs.)	N.A	N.A	N.A

(Source: Audited Financial Statements)



Partnership Pattern: Sameer Microtronics Private Limited has a 40% share in the partnership, Dr. Lalit S. Kanodia has a 40% share, and Mrs. Gita Gupta and Mr. Sajan Gupta have a 10% share each.

Datamatics Corporation Private Limited

Datamatics Corporation Private Limited was incorporated on April 25, 2003 under the Companies Act in the state of Maharashtra, India with paid up equity share capital of Rs 1,00,000. The main business of this company is management consultancy.

The board of directors of Datamatics Corporation Private Limited comprises of Dr. Lalit S. Kanodia and Mrs. Asha L. Kanodia.

Shareholding Pattern: The equity share capital of Datamatics Corporation Private Limited is held by Dr. Lalit S. Kanodia and Mrs. Asha L. Kanodia.

Datamatics Staffing Services

Datamatics Staffing Services is a sole proprietorship set up in April 1974. Mrs. Asha L. Kanodia is the sole proprietress of this entity. The main line of activity of this firm is providing recruitment services to various organizations as well as to the group companies.

Financial Performance

The operating results of Datamatics Staffing Services as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	29,826.66	32,363.37	28,999.72
Net Profit	4,521.38	1,284.09	2,488.80
Proprietor's Capital	4,264.91	3,701.96	5,089.66
Reserves	—	—	—
EPS (Rs.)	NA	NA	NA
Book Value/Share (Rs.)	NA	NA	NA

(Source: Audited Financial Statements)

Ownership Pattern: 100% of the capital is held by Mrs. Asha L. Kanodia

Datamatics Financial Software and Services Limited

Datamatics Financial Software and Services Limited was incorporated as Interface Consultants Limited on October 11, 1982 under the Companies Act in the state of Maharashtra, India. The name of this company was changed to Datamatics Financial Services Limited and the company obtained a fresh certificate of incorporation on April 21, 1992. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Datamatics Financial Software and Services Limited on February 2, 2000. The main line of activity of this company is to act as registrars to public and rights issues of corporate organizations, mutual funds, and banks, maintenance of share/debenture, unit holder's accounts and records. The company is registered with SEBI as a Category I registrar to issue and share transfer agent.

The board of directors of Datamatics Financial Software and Services Limited comprises of Mr. Y.S. Kanodia, Mr. S.C. Bhatia, Mrs. U.M. Rao and Mr. S. Padmanabhan.



Financial Performance

The operating results of Datamatics Financial Software and Services Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	118,425.37	76,953.36	71,708.16
PAT	26,004.36	8,660.19	4,314.79
Equity Capital	18,000.00	18,000.00	18,000.00
Reserves	206,681.04	216,746.50	208,426.87
EPS (Rs.)	14.45	4.81	2.39
Book Value/Share (Rs.) *	124.79	130.39	125.77

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.

Shareholding Pattern: Anemone Management Consultancy Services Private Limited holds 58.75% of the share capital of Datamatics Financial Software and Services Limited, Nishant Securities Private Limited holds 30.498% and the rest of the shares are held by Dr. Y.S. Kanodia and family and Dr. Lalit S. Kanodia and family.

Nishant Securities Private Limited

Nishant Securities Private Limited was incorporated on April 16, 1992 under the Companies Act in the state of Maharashtra, India. The name of the company was changed to Nishant Securities Limited and the company obtained a fresh Certificate of incorporation on March 28, 1996. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to Nishant Securities Private Limited on November 12, 2001. The main activity of this company is hire purchase, lease financing and investments.

The board of directors of Nishant Securities Private Limited comprises of Mr. Y.S. Kanodia, Mr. V.G. Apte and Mrs. R.Y. Kanodia.

Financial Performance

The operating results of Nishant Securities Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total Income	1,253.62	1,910.99	816.92
PAT	156.76	930.43	167.64
Equity Capital	865.00	865.00	865.00
Reserves	8,276.11	8,872.91	9,498.26
EPS (Rs.)	1.81	10.75	1.93
Book Value/Share (Rs.)*	105.67	112.57	119.80

(Source: Audited Financial Statements)

* Net of miscellaneous expenditure to the extent not written off.



Shareholding Pattern: 99.93% of the equity share capital is held by Mr. Y.S Kanodia and family and the rest by Dr. Lalit S. Kanodia and family.

Datamatics Direct Marketing Private Limited

Datamatics Direct Marketing Private Limited was incorporated on March 1, 1995 under the Companies Act in the state of Maharashtra, India. It provides a complete range of solutions in direct marketing.

The board of directors of Datamatics Direct Marketing Private Limited comprises Dr. Lalit S. Kanodia, Mr. Y.S. Kanodia, Mr. R K Saraswat and Mr. Dilip Thakore.

Financial Performance

The operating results of Datamatics Direct Marketing Private Limited as at and for the years ended March 31, 2001, March 31, 2002 and March 31, 2003, are set forth below:

(in Rs. thousand, except per share data)

Particulars	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Sales & Other Income	4,389.99	5,894.66	4,138.21
PAT	(1,331.85)	1,755.21	1,071.60
Equity Capital	500.00	500.00	500.00
Reserves	(3,212.24)	(1,457.03)	(280.11)
EPS (Rs.)	(26.64)	35.10	21.43
Book Value/Share (Rs.)	(54.76)	(19.48)	4.22

(Source: Audited Financial Statements)

Shareholding Pattern: 51% of the equity share capital is held by Mr. Y.S. Kanodia and family while 49% is held by Datamatics Financial Software and Services Limited

Common Notes to the above Group companies:

- All companies' reserves are excluding revaluation reserves.
- Since all group companies are closely held and not listed companies except Datamatics Global Services Limited, the enhancement in capital made in the last three years are in the nature of bonus issues and private placement of shares. Hence there is no Promise Vs Performance.
- **Companies of the promoter group/subsidiaries referred to BIFR/under winding up/ having negative net worth**
None of the promoter group companies of the Promoters or ventures promoted by the Promoters have been referred to the BIFR.
None of the subsidiaries / promoter group companies of the Promoters or ventures promoted by the Promoters have negative net worth except Saztec, CorPay, Datamatics Technologies Inc. Zedtech Software Design (India) Limited, Datamatics Information Technology Limited and Datamatics Technosft Limited.
- None of the group company's names have been struck off from the register of the relevant Registrar of Companies.
- There have been no sales or purchases between companies in the promoter group exceeding in value in the aggregate 10% of the total sales or purchases of the Company.
- Latasha, Lonicera, Linium, Lusitania, Ligure, Delta Infosolutions Limited and Nishant Securities Private Limited had applied to the RBI seeking registration as non-banking financial companies. The RBI rejected these applications as they failed to meet the net-owned funds requirement. The RBI directed these companies to: (i) cease operations of a non-banking finance company; (ii) pass a specific resolution not to carry on the business of a non-banking finance company; and (iii) delete non-banking financial activities from the memorandum of association and articles of association. These companies have complied with these requirements. However, while these companies do not accept public deposits, they continue to hold shares.



- The Sick Industrial Companies Act, 1985 does not apply to the following companies which have accumulated losses:

(in Rs. '000)

Name of the Company	PAT			Accumulated Losses		
	2001	2002	2003	2001	2002	2003
Delta Infosolutions Private Limited	19.34	(5.23)	(7.17)	(32.35)	(37.57)	(45.04)
Anju Advisory Services Private Limited	—	—	(411.21)	—	—	(411.21)
Datamatics Consultants Limited	—	—	(73.91)	—	—	(73.91)
Datamatics Software Services Limited	(825.75)	(1,241.15)	804.38	(1,039.61)	(2,280.75)	(685.42)
Zedtech Software Design (India) Limited	(3,531.92)	(4,466.74)	(3,902.82)	(7,613.46)	(12,086.39)	(15,989.20)
Datamatics Information Technology Limited	(2,792.58)	(10,202.90)	3,401.16	(34,737.00)	(44,921.00)	(41,564.06)
Datamatics Technosoft Limited	(56,466.31)	(62,884.91)	(37,605.95)	(41,328.35)	(104,214.43)	(141,820.37)
Datamatics Infotech Inc	(466.89)	(382.25)	(638.48)	80.63	(157.17)	(811.12)
Datamatics Global Services Private Limited	(726.46)	(332.00)	(315.41)	(1,981.52)	(1,753.16)	(2,391.94)
Datamatics Worldwide Services ApS	(707.12)	(125.01)	(383.33)	(770.94)	(825.93)	(896.44)
Datamatics Inc.	(163.26)	26.97	(281.83)	(163.26)	(127.01)	(410.00)
Datamatics Datascan Services	(1.15)	(2.20)	(0.73)	(1.15)	(2.43)	(0.53)
Datamatics Direct Marketing Private Limited	(1,331.85)	1,755.21	1,071.60	(3,212.24)	(1,457.03)	(280.11)

(in '000)

Name of Wholly Owned Subsidiaries	PAT			Accumulated Losses		
	2002	2003	Period Ended December 2003	2002	2003	Period Ended December 2003
Saztec International, Inc. ("Saztec") for the year ended June (US\$)	(438.24)	(623.49)	(455.67)	(14,518.18)	(15,141.67)	(15,597.33)
CorPay Solutions Inc. USA, ("CorPay") for the Year ended March (US\$)	2,827.93	(1,436.37)	(1,093.86)	(7,759.48)	(9,195.84)	(5,770.32)
Datamatics Technologies, Inc for the Year ended March (US\$)	(142.74)	(127.43)	96.99	(142.74)	(270.17)	(173.18)
Datamatics Infosolutions Ltd for the Year ended March (Rs.)	(860.71)	274.92	(665.48)	(860.71)	(585.79)	(1,251.27)



RELATED PARTY TRANSACTIONS

For details of related party transactions, please see page 237 onwards of this Prospectus.



SECTION V: SELECTED FINANCIAL INFORMATION AND MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA (AS PER CONSOLIDATED FINANCIAL STATEMENT UNDER INDIAN GAAP)

The following financial data have been prepared in accordance with Indian GAAP and as described in the Auditor's Report of Kanu Doshi Associates dated January 29, 2004 in the section entitled "Financial Information" on page 271 of this Prospectus. Investors should read this financial data in conjunction with the financial statements for the period ended March 31, 2001, 2002, 2003 and the nine months ended December 31, 2003 including the notes thereto and the reports thereon, which appear elsewhere in this Prospectus, and "Managements Discussion and Analysis of Financial Condition and Results of Operations".

CONSOLIDATED BALANCE SHEET

	31-Dec-03	31-Mar-03	31-Mar-02	31-Mar-01
	Rupees Million	Rupees Million	Rupees Million	Rupees Million
SOURCES OF FUNDS				
Shareholders Funds				
Share Capital	160.37	153.43	153.43	183.43
Reserves and Surplus	491.75	418.43	295.80	232.13
	652.12	571.86	449.23	415.56
Loan Funds				
Secured Loans	127.92	61.04	133.24	109.43
Unsecured Loans	16.15	0.20	0.70	—
	144.07	61.24	133.94	109.43
Deferred Tax Liability (Net)	18.71	17.80	—	—
Minority Interest	—	—	0.42	0.46
	814.90	650.90	583.59	525.45
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	537.53	282.64	271.73	224.79
Less : Depreciation	280.44	57.98	42.96	29.64
Net Block	257.09	224.66	228.77	195.15
Capital Work in Progress	—	1.14	—	32.06
Investments	118.46	114.89	114.90	54.90
Current Assets, Loans and Advances				
a) Interest Accrued on Investments	—	—	—	—
b) Stock in Trade/ Work in Progress	13.74	10.73	—	—
c) Sundry Debtors	216.54	144.04	143.53	139.56
d) Cash and Bank Balance	119.59	38.54	26.45	62.69
e) Other Current Assets - Investments in debt mutual funds	171.01	110.40	42.31	29.07
f) Loans and Advances	63.29	71.82	64.63	61.96
	584.17	375.53	276.92	293.28



	31-Dec-03	31-Mar-03	31-Mar-02	31-Mar-01
	Rupees Million	Rupees Million	Rupees Million	Rupees Million
Less: Current Liabilities and Provisions				
a) Current Liabilities	140.86	44.18	33.99	29.36
b) Provisions	15.38	29.54	12.71	27.30
	156.24	73.72	46.70	56.66
Net Current Assets	427.93	301.81	230.22	236.62
Miscellaneous Expenditure (to the extent not written off/adjusted)	11.42	8.40	9.70	6.72
	814.90	650.90	583.59	525.45



CONSOLIDATED PROFIT AND LOSS ACCOUNT

	31-Dec-03	31-Mar-03	31-Mar-02	31-Mar-01
	Rupees Million	Rupees Million	Rupees Million	Rupees Million
INCOME				
Services				
Export	691.07	587.36	408.75	289.38
Domestic	0.42	0.85	1.05	—
Sales - Trading (net)	—	—	—	—
Sales - Trading (net)	—	0.88	—	—
Other Income	25.11	4.48	19.30	8.08
Increase/(decrease) in Traded goods stock	10.70	10.73	—	—
	727.30	604.30	429.10	297.46
EXPENDITURE				
Purchase of IT Products and Licenses	3.74	8.45	-	-
Operational Expenses	415.45	312.89	215.48	153.37
Administration and Other Overheads	67.72	85.59	62.08	38.43
Interest	4.64	11.76	11.54	8.66
Depreciation	13.39	15.58	13.30	11.25
Miscellaneous Expenditure written off	4.47	3.45	3.23	0.75
	509.41	437.72	305.63	212.46
	217.89	166.58	123.47	85.00
Add: Exchange Fluctuation on Consolidation	(0.06)	0.02	(0.06)	—
Add: Share of Profits of Associate	2.67	—	—	—
Profit before tax	220.50	166.60	123.41	85.00
Provision for Current year tax	6.95	8.90	3.31	1.70
Provision for Deferred tax	0.91	2.37	—	—
Profit after tax	212.64	155.33	120.10	83.30
Less: Minority interest in profits	—	—	(0.08)	—
Add: Exchange Fluctuation on Investment	1.84	0.06	0.05	—
Add: Tax Adjustment for Earlier Years	(0.14)	(0.08)	(0.33)	(0.83)
	214.34	155.31	119.90	82.47
Balance brought forward from last year	246.58	128.58	61.14	8.66
Amount Available for Appropriations	460.92	283.89	181.04	91.13



CONSOLIDATED CASH FLOW STATEMENT

	31-Dec-03 Rupees	31-Mar-03 Rupees	31-Mar-02 Rupees	31-Mar-01 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before Tax	220.50	166.58	123.47	85.00
Adjusted for:				
Profit from an Associate	(2.67)	—	—	—
Exchange fluctuation on P&L Account	(0.06)	0.02	(0.06)	—
Depreciation	13.39	15.58	13.30	11.25
Interest Expenses	4.64	11.76	11.54	8.66
Miscellaneous Expenditure written off	4.47	3.45	3.23	0.75
(Profit)/Loss on sale of Fixed Assets	0.59	0.21	—	—
Provision for Bad & Doubtful Debts	0.23	3.15	8.18	—
Fixed Assets written off	—	0.03	—	—
Interest Received	(2.62)	(3.26)	(3.04)	(5.18)
Dividend Received	(17.78)	(0.60)	(9.25)	(0.50)
(Profit)/Loss on sale of Investments	(5.46)	(0.31)	(5.01)	(0.12)
Excess Provisions written Back	(0.19)	(1.64)	(1.32)	—
Software Purchase Deferred	(7.50)	(2.13)	(5.89)	—
Pre operative Expenses	—	—	(0.29)	(0.36)
Foreign Currency Gain/ loss	—	(0.10)	(0.03)	—
Operating Profit before Working Capital Changes	207.54	192.74	134.83	99.50
Adjusted for:				
(Increase)/ Decrease in Sundry Debtors	(21.02)	(35.32)	(12.99)	(13.04)
(Increase)/ Decrease in Loans and Advances	(24.10)	(4.47)	(2.00)	(30.81)
(Increase)/ Decrease in Inventories	(2.82)	(10.73)	—	—
(Decrease)/ Increase in Current Liabilities	47.67	42.26	14.20	8.89
Cash Generated from Operations	207.27	184.48	134.04	64.54
Tax Paid	1.67	8.26	7.64	12.20
Net Cash From Operating Activities	205.60	176.22	126.40	52.34
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Sale / (Purchase) of Fixed Assets(Refer note below)	(18.23)	(12.76)	(50.15)	(52.84)
Sale / (Purchase) of Investments	(56.05)	(77.01)	(89.36)	(131.36)
Consideration paid on acquisition of subsidiaries	(241.61)	—	—	—
Interest on Fixed Deposit & Others	2.62	3.26	3.04	5.18
Proceeds from sale of discontinued operations	—	—	—	—
Dividend Received	17.78	0.60	9.25	0.50
Net Cash from Investing Activities	(295.49)	(85.91)	(127.22)	(178.52)



C. CASH FLOW FROM FINANCING ACTIVITIES:

Proceeds from issuance of share capital (net)	140.00	4.93	–	–
Share Issue Expenses(Deducted from Share Premium)	(4.22)	–	–	–
Proceeds from Long Term Borrowings	38.18	(72.20)	24.02	21.61
Short term Loan	–	(0.50)	0.50	–
Interest Paid	(4.64)	(11.76)	(11.54)	(8.66)
Equity capital	–	–	2.41	47.10
Dividend paid	(15.17)	–	(50.81)	(8.15)
Tax paid on dividend	(1.97)	–	–	–
Net Cash Flow from Financing Activities	152.18	(79.53)	(35.42)	51.90
Net Increase in Cash and Cash Equivalent during the Year	62.29	10.78	(36.24)	(74.28)
Cash and Cash equivalents at the beginning of the period	57.30	27.76	62.69	136.97
Cash and Cash equivalents as at end of the period	119.59	38.54	26.45	62.69



MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONSOLIDATED)

Overview

The Company has been spearheading the Datamatics Group's business activities in to the business process outsourcing/ information technology enabled services sector for over 10 years. The Company has, over the years, developed competencies in the business process outsourcing segment and moved up the value chain by providing a suite of third party business process outsourcing services.

The Company offers end-to-end services in

- **Content Management** services encompass managing valuable content and delivering it to a targeted audience. Content management includes data management and data delivery services. The data preparation, context addition and repository services focus on the data management aspect. The data delivery services provide efficient and effective means to make the processed data available in optimum time, minimizing delays and improving the value of service.
- **Back Office Processing** in finance and accounts and human resource and claims processing. Back office processing involves fulfilling specific transaction processing functions like accounting, claims, payroll, tax forms, resumes etc. in a customized format and
- **Related Software Services** include the reselling and implementation of third party document management and workflow solutions as well as data consolidation / migration services.

Consolidated Service Offerings Financials

(Rs. in million)

Service Offerings Financials	2001	2002	2003	Nine months ended December 31, 2003
Content Management	184.00	242.00	364.00	282.00
	64%	59%	61%	40%
Back Office Processing	47.00	70.00	116.00	233.00
	16%	17%	19%	33%
a) Applicant Tracking System	41.00	48.00	36.00	56.00
	14%	12%	6%	8%
b) Finance, Accounts, & Tax	0.00	1.00	43.00	135.00
	0%	0%	7%	19%
c) Claims Processing	6.00	21.00	37.00	42.00
	2%	5%	6%	6%
Related Software Services	58.00	98.00	120.00	187.00
	20%	24%	20%	27%
Total	289.00	410.00	600.00	702.00

The Company's track record

The Company's total income has grown at a CAGR of 38% from Rs. 297.4 million in 2001 to Rs. 727.3 million for the nine months ended December 31, 2003 while the net profit has increased at a CAGR of 42% from Rs. 82.4 million in 2001 to Rs. 214.4 million for the nine months ended December 31, 2003. The EBITDA margins over this period have been 36% in 2001, 36% in 2002, 32% in 2003 and 34% in December 2003. The net profit margin over this period has been 28% in 2001, 28% in 2002, 26% in 2003 and 29% in December 2003.



Factors affecting the Company's business operations

The information technology enabled services / business process outsourcing industry demands that vendors are able to deliver critical but non-core activities of the clients with extremely high quality and significant cost benefits. The management of the Company believes that the Indian business process outsourcing industry is still at an early stage of development and the Company, as an early entrant, has the ability to fully participate in the industry's growth. The abundant availability of trained and talented manpower pool in the country, the English language skills of the population and the improving infrastructure are some of the key factors that will positively impact the industry. On the other hand protectionist pressure in the client countries (if they do materialize) may adversely impact the growth of this industry. The industry and the Company derive most of their income from export of services except for marginal revenue from domestic business. As a consequence any fluctuations in the strength of the Indian Rupee against global currencies may affect the industry and the Company materially.

Transfer Pricing policies with subsidiaries

Datamatics Inc and Datamatics GmbH

As both are primarily marketing arms for the Company, all the off shore contracts signed by them are out sourced to the Company in India. A back-to-back contract is signed with the Company after retaining a fixed margin with Datamatics Inc and Datamatics GmbH.

Saztec and CorPay

These companies off shore part of their work to the Company in India while retaining project management and on site work in the US. The Company charges Saztec and CorPay on a cost plus basis without including their selling costs.

Sundry Debtors & Sundry Creditors

The following table represents the average debtors and creditors of the Company. These figures are based on the average revenues through the accounting period under consideration. As given below the company acquired CorPay Solutions Inc. on September 27, 2003 and Saztec International Inc. on November 27, 2003. The revenues of these two companies have been consolidated from the above dates. However, the sundry debtors and sundry creditors figures represent balance as on December 31, 2003. The Company has been able to consistently reduce the average debtor days and broadly keep the creditor days close to around a month (barring due the full year ending March 2003).

	31-Dec-03	31-Mar-03	31-Mar-02	31-Mar-01
Debtor Days	86	89	128	176
Creditor Days	26	19	23	27

Comparison of the financials for the nine months ended December 31, 2003 with financials for the full year ended March 31, 2003

The total income of the Company for the nine months ended December 31, 2003 was Rs. 727.3 million as against Rs. 604.3 million for the year ended March 31, 2003. Sales accounted for Rs. 702.2 million for the nine months ended December 31, 2003 as against Rs. 599.8 million for the year ended March 31, 2003. Segment wise content management contributed Rs 282 million, back office processing Rs 233 million and related software services Rs 187million, against Rs 364 million, Rs 116 million and Rs 120 million respectively for the full financial year ending March 2003. Other income accounted for Rs. 25.1 million for the nine months ended December 31, 2003 as against Rs. 4.5 million for the year ended March 31, 2003.

Total expenditure was Rs. 491.4 million for the nine months ended December 31, 2003 as against 410.4 million for the year ended March 31, 2003. For the nine months ended December 2003, Wages and KA cost stood at Rs. 208 million (29% of total income), Selling costs Rs. 24.1 million (3.3% of total income), and other overheads were Rs. 259.2 million (35.6% of total income).

EBIDTA was Rs. 235.9 million (34% of sales) for the nine months ended December 31, 2003 as against Rs. 193.9 million (32% of sales) for the year ended March 31, 2003. The net profit after taxes was Rs. 214.4 million (29% of total income) as against Rs. 155.3 million (26% of total income).



Unusual or infrequent events or transactions

1. The Company entered into a joint venture from 1st July 2003, with Cadmus Communications Corporation, to form a company in India called KnowledgeWorks Global Limited (KGL). The Company holds 20% of the share capital of KGL. KGL provides a full range of content processing, content management, and related services to STM (Scientific-Technical and Medical) publishers and other organizations around the world. Prior to this joint venture, the Company used to directly bill Cadmus Corporation for all the services. It believes that the joint venture will permit it to substantially increase its share of revenues in the STM market.
2. The Company has acquired 100% of the shares in CorPay Solutions Inc., an accounts payable processing company in US on 27th September 2003. Hence, CorPay has become a wholly owned subsidiary of the Company from the above date and its accounts are consolidated with the Company from 27th September 2003 to 31st December 2003.
3. The Company has acquired the balance 53.25% shareholding, on 27th November 2003, of Saztec International Inc., a diversified information processing company in US. Hence, it has now become its wholly owned subsidiary. The accounts of Saztec are consolidated with the Company from 27th November 2003 to 31st December 2003.

Comparison of financial year ended March 31, 2003 with financial year ended March 31, 2002.

Income

The total income of the Company for the year ended March 31, 2003 was Rs. 604.3 million representing an increase of 41% from Rs. 429.1 million for the year ended March 31, 2002. The increase in total income was attributable to 46% increase in sales and a decrease in other income from Rs. 19.3 million to Rs. 4.5 million. Segment wise content management contributed Rs 364 million, back office processing Rs. 116 million and related software services Rs 120 million, against Rs 242 million, Rs 70 million and Rs 98 million respectively for the financial year ending March 2002. The content management business grew by 50%, the back office processing grew by 66% and the revenues from sale of related software services grew by 22%. The increase in back office processing was primarily due to the introduction of the tax processing service.

Other income

Other income decreased from Rs. 19.3 million to Rs. 4.5 million mainly due to the non-declaration of dividend on preference shares held by the Company during the year ended March 31, 2003.

Total Expenditure

Total expenditure increased by 46% from Rs. 280.8 million to Rs. 410.4 million. Wages and KA cost stood at Rs. 188.2 million (31.1% of total income), Selling costs Rs. 41.2 million (6.8% of total income), and other overheads were Rs. 180.9 million (30% of total income).

The increase in Wages and Knowledge Associate costs was 40%, selling costs 117% and other overheads 42%. Expenditure as a percentage of total sales reduced marginally from 69% in 2002 to 68% in 2003. As can be seen from the above, the Company has increased its investment in sales and marketing network and balanced it by controlling other costs.

EBIDTA

EBIDTA was Rs. 193.9 million (32% of sales) for the year ended March 31, 2003 as against Rs. 148.3 million (36.2 % of sales) for the year ended March 31, 2002. The EBIDTA thus increased by 30.7%.

Interest

Interest paid during the year increased by 2% from Rs. 11.5 million to Rs. 11.8 million. Interest as a percentage of sales reduced from 3% to 2%.

Depreciation

Depreciation during the year increased by 17% from Rs. 13.3 million to Rs. 15.5 million. Depreciation as a percentage of sales remained constant at 3%.



Income Tax

Provision for income tax increased by 212% from Rs. 3.64 million to Rs. 11.35 million. As a percentage of sales it increased from 1% to 2%.

This increase was mainly attributable to the change in the Income Tax Act, where units covered under Section 10-A were subject to a tax of 10% instead of a total tax exemption enjoyed by them earlier. In addition the Company provided for deferred tax in line with Accounting standard No. 22 "Accounting for Deferred Tax".

Net Profit after taxes

As a result of the foregoing factors, the net profit after taxes in 2003 grew 30% to Rs. 155.3 million over Rs. 119.9 million in 2002. As a percentage of total income, net profit after taxes reduced from 27.9% to 25.7%. The drop in other income and increase in taxes were the main reasons behind the drop in net profits as a percentage to sales.

New Product or Business Segment

During the current financial year ending March 2003, the company successfully started processing individual tax returns for U.S. Certified Public Accountants (CPAs). This was a result of the successful pilots done during the previous year. The Company plans to provide a major thrust to the business of outsourcing work from the CPAs.

Significant economic/regulatory changes

Income Tax Act

Under Section 10-A of the Income Tax, all profits arising out of exports in units in Special Economic Zone (SEZ) and registered with Software Technology Parks (STP) were exempt from income tax. However, under the Finance Act 2002, the exemption has been limited to 90% of the eligible profits (instead of 100% of such profits in the prior years) for the financial year ended March 31, 2003.

As the majority of the Company's units are covered under Section 10-A, it has impacted the tax provision of the company for the year ended March 31, 2003.

Comparison of financial year ended March 31, 2002 with financial year ended March 31, 2001.

Income

The total income of the Company for the year ended March 31, 2002 was Rs. 429.1 million representing an increase of 44% from Rs. 297.5 million for the year ended March 31, 2001. The increase in total income was attributable to 42% increase in sales and an increase in other income from Rs. 8.1 million to Rs. 19.3 million. Segment wise content management contributed Rs. 242 million, back office processing Rs. 70 million and related software services Rs. 98 million, against Rs. 184 million, Rs. 47 million and Rs 58 million respectively for the financial year ending March, 2001. The content management business grew by 31.5%, the back office processing grew by 49% and the revenues from sale of related software services grew by 68%.

Other income

Other income increased from Rs. 8.1 million to Rs. 19.3 million mainly on account of the income received from the Company's investments in units of debt mutual funds and dividend from the Company's investments in preference shares.

Total Expenditure

Total expenditure increased by 46% from Rs. 192.5 million to Rs. 280.8 million. Wages and KA cost stood at Rs. 134 million (31.23% of total income), selling costs Rs. 19 million (4.4% of total income), and other overheads were Rs. 127.7 million (29.7% of total income).

The increase in expenditure was wages and Knowledge Associate costs 39%, selling costs 42% and other overheads 55%. Expenditure as a percentage of total sales increased from 67% in 2001 to 69% in 2002.

EBIDTA

EBIDTA was Rs. 148.3 million (36.2% of sales) for the year ended March 31, 2002 as against Rs. 104.9 million (36.2 % of sales) for the year ended March 31, 2001. The EBIDTA thus increased by 41.4%.



Interest

Interest paid during the year increased by 33% from Rs. 8.7 million to Rs. 11.5 million but as a percentage of sales it remained constant at 3%.

Depreciation

While depreciation during the year increased by 18% from Rs. 11.3 million to Rs. 13.3 million as a percentage of sales this expense stood reduced from 4% in 2001 to 3% in 2002.

Income Tax

Provision for income tax increased by 41% from Rs. 2.5 million to Rs. 3.6 million. As a percentage of sales it remained constant at 1%. This increase was mainly attributable to the tax on other income.

Net Profit after taxes

As a result of the foregoing factors, the net profit after taxes in 2002 grew 45% to Rs. 119.9 million over Rs. 82.5 million in 2001. As a percentage of total income, net profit after taxes increased from 27.7% to 27.9%.

Cash Flow

The table below summarizes the cash flows for the nine months ended 2003, financial years ended March 31, 2003, March 31, 2002 and March 31, 2001.

Rs. Million

	March 31, 2001	March 31, 2002	March 31, 2003	December 31, 2003
Net Cash from Operating Activities	52.34	126.39	176.22	205.60
Net Cash from Investing Activities	(178.52)	(127.23)	(85.91)	(295.49)
Net Cash from Financing Activities	51.90	(35.42)	(79.53)	152.18
Net Increase in Cash and Cash Equivalents	(74.28)	(36.24)	10.78	62.29

Note : Figures in brackets indicate cash outflow

For the nine months ended December 31, 2003:

The net cash flow from operating activities was Rs. 205.6 million, primarily on account of net profit before tax. The net cash flow from investment activities was Rs. 295.49 million, comprising largely of Rs. 241.67 million being considerations paid on acquisition of subsidiaries and Rs. 56.04 million being investments in debt mutual funds. The net cash flow from financing activities was Rs. 152.18 million primarily due to proceeds from issuance of share capital to SARA Fund and IT Fund and increase in loan funds on account of new subsidiaries.

For the financial year ended March 31, 2003:

The net cash flow from operating activities was Rs. 176.22 million, primarily on account of net profit before tax. The net cash flow from investment activities was Rs. 85.91 million, comprising Rs. 77 million being investments in debt mutual funds. The net cash flow from financing activities was Rs. 79.53 million primarily on account of repayment of long term borrowings.

For the financial year ended March 31, 2002

The net cash flow from operating activities was Rs. 126.39 million, primarily on account of net profit before tax. The net cash flow from investment activities was Rs. 127.23 million, comprising of Rs. 50.15 million from purchase of fixed assets and Rs. 89.37 million being investments in debt mutual funds. The net cash flow from financing activities was Rs. 35.42 million primarily on account of tax paid on dividends.

For the financial year ended March 31, 2001

The net cash flow from operating activities was Rs. 52.34 million, primarily on account of net profit before tax and changes in working capital. The net cash flow from investment activities was Rs. 178.52 million, largely comprising of Rs. 131.36 million



being investments in debt mutual funds. The net cash flow from financing activities was Rs. 51.90 million largely comprising of proceeds from long term borrowings.

Significant economic/regulatory changes

NIL

Unusual or infrequent events or transactions

NIL

Significant dependence on a single or few suppliers or customers

	2002	2003	2004 (9months)
Top Client Revenues % of Top client to total DTL	19%	17%	26%
Top 5 Client Revenues % of Top 5 to total DTL	72%	63%	49%
Top 10 Client Revenues % of Top 10 to total DTL	88%	78%	62%

The Company has been focusing on growing the number of its clients as well as growing each of the client accounts. The success in its endeavour has resulted in the fall in the concentration of its revenues from its top five and top ten customers. Similarly the revenues from its top client continued to fall from FY2002 to FY2003. The company successfully executed a major related software project for the top customer in the period ended 31.12.03. The regular content management business from this customer as a percentage to total revenue however reduced over the previous year. The Company expects to grow other client accounts in a manner that will reduce its dependence from its top client.

Quarterly variations in the Company's results of operations

The Company's business operations are not seasonal in nature, except for the tax processing business. The US tax processing business is mainly carried out in the period January - April and that comprises the majority of the present tax processing business. However, there could be significant variation in the quarterly revenues based on projects from the related software services.

Competitive Conditions

The Company expects the competition to increase. For further details, please refer to page 59 of the Prospectus.

Significant developments after December 30, 2003 that may have an impact on the Company's future results or operations

NIL



SELECTED FINANCIAL DATA (AS PER UNCONSOLIDATED FINANCIAL STATEMENT UNDER INDIAN GAAP)

The following financial data have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and as described in the Auditor's Report of Kanu Doshi Associates dated January 29, 2004 in the section entitled "Financial Information" on page 215 of this Prospectus. Investors should read this financial data in conjunction with the financial statements for the period ended March 31, 2001, 2002, 2003 and the nine months ended December 31, 2003 including the notes thereto and the reports thereon, which appear at page 192 of this Prospectus, and "Managements Discussion and Analysis of Financial Condition and Results of Operations".

SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

	For the Years / 9 Months ended			
	March 31, 2001	March 31, 2002	March 31, 2003	Dec. 31, 2003
	(Rs. in million)			
A. Income				
Services:				
Export	289.38	405.55	522.91	425.06
Domestic	—	1.05	0.85	0.42
Sales:				
Of products traded in by the company	—	—	0.88	—
Total	289.38	406.60	524.64	425.48
Other Income	8.07	19.38	4.37	25.87
Increase / (Decrease) in Traded goods stock	—	—	7.69	3.73
	297.45	425.98	536.70	455.08
B. Expenditure				
Purchase of IT Products and Licenses	—	—	8.45	3.74
Employee Cost	73.24	94.22	126.78	111.33
Other Operational Expenses	81.20	116.90	139.06	73.91
Administration and Other Overheads	38.43	55.19	59.72	37.03
Interest	8.66	11.53	11.73	4.61
Depreciation	11.25	13.31	14.84	12.19
Miscellaneous Expenditure written off	0.75	2.71	3.42	4.44
	213.53	293.86	364.00	247.25
C. Net Profit before tax and extraordinary items	83.92	132.12	172.70	207.83
D. Taxation: Current Year tax	1.70	3.31	8.90	3.15
Deferred tax	5.19	4.52	2.36	0.91
Net Profit before Extraordinary Items	77.03	124.29	161.44	203.77
E. Extra-ordinary items (net of tax)	—	—	—	—
F. Net Profit after Extraordinary Items (PAT)	77.03	124.29	161.44	203.77



STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

	As at			
	March 31, 2001	March 31, 2002	March 31, 2003	Dec. 31, 2003
	<i>(Rs. in million)</i>			
A. Assets :				
Fixed Assets				
Gross Block	224.79	271.52	279.58	298.65
Less : Depreciation	(29.64)	(42.96)	(57.18)	(67.10)
Net Block	195.15	228.56	222.40	231.55
Less : Revaluation Reserve	—	—	—	—
Net Block after adjustment for Revaluation Reserve	195.15	228.56	222.40	231.55
Capital Work in Progress	32.07	—	1.14	—
	227.22	228.56	223.54	231.55
B. Investments	141.53	193.59	202.83	433.34
C. Current Assets, Loans & Advances :				
Stock in Trade	—	—	7.69	3.73
Sundry Debtors	139.56	150.65	148.08	150.96
Cash and Bank Balances	62.64	15.23	30.83	66.72
Interest Accrued on Investments	—	—	0.66	—
Other Current Assets	—	38.09	106.56	169.27
Loans and Advances	61.94	69.68	69.31	96.51
	264.14	273.65	362.47	487.85
D. Liabilities and Provisions :				
Secured Loans	109.43	133.24	61.04	99.35
Unsecured Loans	—	0.50	—	—
Current Liabilities	35.01	30.38	31.54	34.03
Proposed Dividend	16.83	—	17.31	—
Provision for Taxation	11.02	12.93	12.35	15.36
Deferred Tax Liability	10.92	15.44	17.80	18.71
	183.21	192.49	140.04	167.45
Net worth	449.68	503.31	648.80	985.29
F. Represented by				
1) Share Capital : Equity	153.44	153.44	153.44	153.45
Preference	30.00	—	—	6.92
2) Reserves	272.63	359.47	503.67	836.29
Less : Revaluation Reserve	—	—	—	—
Reserves (Net of Revaluation Reserves)	272.63	359.47	503.67	836.29
Less : Miscellaneous Expenditure (to the extent not written off)	6.41	9.60	8.31	11.37
Net worth	449.68	503.31	648.80	985.29



MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION & RESULTS OF OPERATIONS (UNCONSOLIDATED)

Overview

The Company has been spearheading the Datamatics Group's business activities in to the business process outsourcing / information technology enabled services sector for over 10 years. The Company has, over the years, developed competencies in the business process outsourcing segment and moved up the value chain by providing a suite of services third party business process outsourcing services.

The Company offers end-to-end services in

- **Content Management** Content management services encompass managing valuable content and delivering it to a targeted audience. Content management includes data management and data delivery services. The data preparation, context addition and repository services focus on the data management aspect. The data delivery services provide efficient and effective means to make the processed data available in optimum time, minimizing delays and improving the value of service.
- **Back Office Processing in Finance and Accounts and Human Resource & Claims processing:** Back office processing involves fulfilling specific transaction processing functions like accounting, claims, payroll, tax forms, resumes etc. in a customized format.

And related software services include the reselling and implementation of third party document management and workflow solutions as well as data consolidation / migration services.

Track record

The total income of the Company has grown at a CAGR of 17% from Rs. 297.45 million in 2001 to Rs. 455.08 million for the nine months ended December 31, 2003 while its net profit has increased at a CAGR of 42% from Rs. 77.03 million in 2001 to Rs. 203.76 million for the nine months ended December 31, 2003.

Factors affecting business operations

The business process outsourcing / information technology enabled services industry demands that vendors are able to deliver critical but non-core activities of the clients with extremely high quality and significant cost benefits. The management of the Company believes that the Indian business process outsourcing industry is still at an early stage of development and the Company, as an early entrant, has the ability to fully participate in and drive the industry's growth. The abundant availability of trained and talented manpower pool in the country, the English language skills of the population and the improving infrastructure are some of the key factors that will positively impact the industry. On the other hand protectionist pressure in the client countries (if they do materialize) may adversely impact the growth of this industry. The industry and the Company derive most of their income from export of services. Consequently, any fluctuations in the strength of the Indian Rupee against global currencies may affect the industry and the Company materially.

Results of operations for the nine months ended December 31, 2003

The total income of the Company was Rs. 455.08 million in the nine months ended December 31, 2003, of which sales accounted for Rs. 429.21 million and other income was Rs. 25.87 million. Total expenditure was Rs. 230.45 million, which as a percentage of sales was 54%. Interest was Rs. 4.61 million, which as a percentage of sales was 1%. Depreciation was Rs. 12.19 million, which as a percentage of sales was 3%. Income tax was Rs. 4.06 million, which as a percentage of sales was 1%. As a result of the above, profit after tax was Rs. 203.76 million, which as a percentage of sales was 47% and percentage of income was 45%.

Comparison of financial year ended March 31, 2003 with financial year ended March 31, 2002

Income

The total income of the Company for the year ended March 31, 2003 was Rs. 536.7 million representing an increase of 26% from Rs. 425.98 million for the year ended March 31, 2002. The increase in total income was attributable to 31% increase in sales and a decrease in other income from Rs. 19 million to Rs. 4 million. Sales improved by 31% due to improvement in



revenues in content management by 25%, back office processing by 68% and sales of related software by 22% respectively. The increase in back office processing was primarily due to the introduction of the tax processing service.

Other income

Other income decreased from Rs. 19 million to Rs. 4 million mainly due to the non-declaration of dividend on preference shares on shares held by the Company during the year ended March 31, 2003.

Total Expenditure

Total expenditure increased by 25% from Rs. 269.02 million to Rs. 337.4 million. The main heads that saw an increase in expenditure were: wages and Knowledge Associate costs 27%, selling costs 40% and other overheads 20%. Expenditure as a percentage of total sales reduced from 66% in 2002 to 63% in 2003

Interest

While interest paid during the year increased by 2% from Rs. 11.5 million to Rs. 11.7 million, as a percentage of sales it stood reduced from 3% to 2%.

Depreciation

Depreciation during the year increased by 11% from Rs. 13.3 million to Rs. 14.8 million. Depreciation as a percentage of sales remained constant at 3%.

Income Tax

Provision for income tax increased by 44% from Rs. 7.83 million to Rs. 11.3 million. As a percentage of sales it increased from 1% to 2%.

This increase was mainly attributable to the change in the Income Tax Act, where units covered under Section 10-A were subject to a tax of 10% instead of a total tax exemption enjoyed by them earlier.

Net Profit after taxes

As a result of the foregoing factors, the net profit after taxes of the Company in 2003 grew 30% to Rs. 161.4 million over Rs. 124.29 million in 2002. As a percentage of sales, net profit after taxes reduced from 31% to 30%.

New Product or Business Segment

During the financial year i.e. year ending March 31, 2003, the Company successfully started processing individual tax returns for U.S. Certified Public Accountants (CPAs). This was a result of the successful pilots done during the previous year.

The Company plans to provide a major thrust to the business of outsourcing work from the CPAs.

Significant economic/regulatory changes

Income Tax Act

Under Section 10-A of the Income Tax, all profits arising out of exports in units in Special Economic Zone (SEZ) and registered with Software Technology Parks (STP) were exempt from income tax. However, under the Finance Act 2002, the exemption has been limited to 90% of the eligible profits (instead of 100% of such profits in the prior years) for the financial year ended March 31, 2003.

As the majority of units of the Company are covered under Section 10-A, it has impacted the tax provision of the Company for the year ended March 31, 2003.

Comparison of financial year ended March 31, 2002 with financial year ended March 31, 2001.

Income

Total income of the Company for the year ended March 31, 2002 was Rs. 425.98 million representing an increase of 43% from Rs. 297.45 million for the year ended March 31, 2001. The increase in total income was attributable to 41% increase in sales and an increase in other income from Rs. 8 million to Rs. 19 million. Sales improved by 41% due to improvement in revenues in content management by 27%, back office processing by 46% and sales of related software by 62% respectively.

**Other income**

Other income increased from Rs. 8 million to Rs. 19 million mainly on account of the income received from investments in units of debt mutual funds and dividend from investments in preference shares.

Total Expenditure

Total expenditure increased by 39% from Rs. 193.62 million to Rs. 269.02 million. The main heads that saw an increase in expenditure were: wages and Knowledge Associate costs 35%, selling costs 42% and other overheads 46%. Expenditure as a percentage of total sales remained constant at 66% .

Interest

Interest paid during the year increased by 33% from Rs. 8.66 million to Rs. 11.53 million. Interest as a percentage of sales remained constant at 3%.

Depreciation

Depreciation during the year increased by 18% from Rs. 11.3 million to Rs. 13.3 million. Depreciation as a percentage of sales reduced from 4% in 2001 to 3% in 2002.

Income Tax

Provision for income tax increased by 14% from Rs. 6.89 million to Rs. 7.83 million. As a percentage of sales remained constant at 2%. This increase was mainly attributable to the tax on other income.

Net Profit after taxes

As a result of the foregoing factors, the net profit after taxes in 2002 grew 61% to Rs. 124.29 million over Rs. 77.03 million in 2001. As a percentage of sales, net profit after taxes increased from 27% to 31%.

Significant economic/regulatory changes

NIL

Unusual or infrequent events or transactions

NIL

Significant dependence on a single or few suppliers or customers

	2002	2003	2004 (nine months)
Top Client Revenues % of Top client to total of the Company	19%	18%	43%
Top 5 Client Revenues % of Top 5 to total of the Company	73%	66%	76%
Top 10 Client Revenues % of Top 10 to total of the Company	90%	82%	81%

Quarterly variations in results of operations

The Company's business operations are not seasonal in nature, except for the tax processing business. The US tax processing business is mainly carried out in the period January - April and that comprises the majority of the present tax processing business. However, there could be significant variation in the quarterly revenues of the Company based on projects from the related software services.

Competitive Conditions

The Company expects the competition to increase. For further details, please refer to page 59 of this Prospectus.



Significant developments after December 31,2003 that may have an impact on future results or operations

NIL

PARTICULARS REGARDING THE COMPANY AND LISTED COMPANIES UNDER THE SAME MANAGEMENT WHICH HAVE MADE ANY CAPITAL ISSUES DURING THE LAST THREE YEARS

The Equity Shares of the Company are not listed. There are no listed companies under the same management which have made any capital issues during the last three years.



SECTION VI: LEGAL & REGULATORY INFORMATION

DETAILS OF OUTSTANDING LITIGATION

Save as stated below under, based on records available, there are no outstanding/pending litigations, suits, criminal/civil prosecutions, proceedings initiated for offence (including past cases, economic offences etc) irrespective of whether specified in paragraph (1) of part 1 of Schedule XIII of the Companies Act and litigations for tax liabilities against the Company, its subsidiaries, the promoter companies and group companies and its directors and there are no defaults/non payment/overdues of statutory dues, institutional/bank dues and dues towards holders of debentures, bonds and fixed deposits and arrears of Preference Shares etc, other than unclaimed liabilities of the Company, and other Group Companies.

There will be no material effect on the financial position of the Company due to any adverse findings in these litigation.

Against the Company

There are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against the Company, and there are no defaults, non-payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by the Company specified under paragraph (1) of part 1 of Schedule XIII of the Companies Act that would result in a material adverse effect on the consolidated business taken as a whole.

By the Company

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions or proceedings initiated by the Company.



a. Civil Proceedings :

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	O.S. No. 533/2000	August 28, 2000	Datamatics Limited and Datamatics Technologies Limited	Innovative Datamatics Limited	Chief Judge, City Civil Court, Hyderabad	Rs. 5 million	<p>Suit was filed against the defendant on the grounds that the defendant was passing off its goods / services as those of the plaintiffs by using the mark "Datamatics". The plaintiffs have inter alia prayed for a p e r m a n e n t injunction restraining the defendant from using the trademark "Datamatics" and for payment of a sum of Rs. 5,000,000 as and by way of damages. The plaintiffs have also taken out an interim application praying for an order inter alia restraining the defendant from using the "Datamatics" mark in relation to goods or services deceptively similar to the plaintiff's mark, and from passing off the "Datamatics" mark by using the same in a private placement prospectus, letter of offer etc.</p> <p>The defendant filed its counter-affidavit and has stated that his business is confined to Hyderabad and that he is engaged in medical transcription which the plaintiff is not engaged in, and that the name Datamatics is not distinctive.</p> <p>The case is currently pending.</p>



b. Tax Proceedings :

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	N.A.	February 24, 2004	N.A.	N.A.	N.A.	6,065,031	<p>The Company received a notice of demand under Section 156 of the Income-tax Act from the Income Tax department for payment of a sum of Rs. 6,065,031 for the assessment year 2001-2002 pursuant to the assessment order of the Deputy Commissioner of Income Tax. The Company has also received a notice under Section 274 read with Section 271 of the Income-tax Act for levy of penalty on the Company. The assessment order of the Deputy Commissioner of Income Tax is based on the following:</p> <p>i) disallowance of interest expenses relating to funds utilized to earn tax free dividend; ii) treating exchange fluctuation gains pertaining to invoices raised in the previous year as income; iii) disallowing interest income as business income and adding to other income; and iv) disallowing software development charges.</p>



Against the subsidiaries of the Company

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities by or against the subsidiaries of the Company, and there are no defaults, non-payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by subsidiaries of the Company specified under paragraph (1) of part 1 of Schedule XIII of the Companies Act that would result in a material adverse effect on the consolidated business taken as a whole.

CorPay

a. Civil Proceedings :

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	Michigan Department of Civil Rights Complaint No. 291917 and United States Equal Employment Opportunity Commission Charge No. 23AA300155.	November 26, 2002	Cordelia White	CorPay Solutions Inc.	State of Michigan Department of Civil Rights and the U.S. Equal Employment Opportunity Commission	None	Cordelia White, a current employee of CorPay, filed a charge of discrimination with the State of Michigan Department of Civil Rights and the EEOC. White alleges that she was discriminated against on account of her race and in retaliation for filing an internal complaint regarding a l l e g e d discrimination, when CorPay transferred her to a different position within the company. CorPay has not terminated White. CorPay intends to contest vigorously the charge of discrimination. On January 17, 2003, CorPay filed a statement of position with the MDCR denying wrongdoing and requesting a no cause determination. On January 29, 2003, MDCR indicated that it wished to schedule a site visit to interview CorPay employees. No visit has been scheduled.



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
2.	Michigan Department of Civil Rights Case No. 314737 United States Equal Employment opportunity commission case No. R23AA400 276	November 7, 2003	Lora Zielinsky	CorPay Solutions Inc.	State of Michigan Department of Civil Rights and the U.S. Equal Employment Opportunity Commission	None	<p>The complainant, a current employee of the respondent, filed a charge of discrimination with the State of Michigan Department of Civil Rights and the U.S. Equal Employment Opportunity Commission. The complainant alleges that she was unfairly disciplined and harassed on account of her race when her supervisor issued her a written warning.</p> <p>The Equal Employment Opportunity Commission has notified the respondent that it is deferring this matter to the Michigan Department of Civil Rights and will await its final determination before issuing its own final determination. On January 12, 2004, the respondent notified the Michigan Department of Civil Rights that the respondent was willing to participate in the Michigan Department of Civil Rights' voluntary facilitation program in an effort to resolve the complainant's charge of discrimination. Efforts are currently under way to schedule a date for the facilitation.</p>



Against the Directors

There are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against the Directors of the Company except as follows:

Mr. M.G. Diwan

1. Two cases have been filed under the Negotiable Instruments Act, 1938 against Chemox Laboratories Limited, a company of which a Director, Mr. M.G. Diwan, was a non-executive director until March 7, 1998. In these cases, Mr. Diwan was named as a party, in his capacity a non-executive director of Chemox Laboratories. The total liability in both cases is Rs. 4,30,000/-.

Against the Promoters

There are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against the Promoters of the Company except as follows:

Dr. Lalit Kanodia

1. See Serial No. 2 in Civil proceedings under litigation in respect of Datamatics Information Technology Limited.

Group companies

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities by or against the group companies of Datamatics Technologies Limited, and there are no defaults, non-payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by subsidiaries of the group companies specified under paragraph (1) of part 1 of Schedule XIII of the Companies Act that would result in a material adverse effect on the consolidated business taken as a whole.



Datamatics Limited

a. Civil Proceedings :

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	Q.B.G. No. 297 / 2000	January, 26, 2000	Datamatics Limited	Parax Development International Inc.	The Court of Queen's Bench of Saskatchewan in Bankruptcy	US\$ 120,451.94	<p>Under an agreement entered into in January, 1997 the plaintiff had between 1997 and 1998 provided software services to the defendant and raised certain invoices thereon totaling Rs. 10,883,060 Parax, however, paid only Rs. 8,298,006.</p> <p>The plaintiff filed suit Q.B.G. No. 297 / 2000 before the Queen's Bench of Saskatchewan in Bankruptcy against the defendant for recovery of a sum of \$108,331.08 along with interest thereon. On September 15, 2000 the Court of Queen's Bench ordered the defendant to pay to DL the sum of \$ 1 2 0 , 4 5 1 . 9 4 (including interest). In lieu of payment, the defendant executed a guarantee for the above sum of \$120,451.94, and DL will refrain from pressing its claim. Presently, the plaintiff holds such guarantee However, as and by way of abundant caution, DL filed the present bankruptcy petition which is still being maintained.</p>



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
2.	Suit No. 2725 of 1998	April 28, 1998	Datamatics Limited	ST Computer Systems & Services Limited, Singapore	High Court of Judicature at Bombay	US\$ 18,289	From 1995 the plaintiff had developed certain software for the defendant, and raised invoices totalling the equivalent of Rs. 3,381,976. However, the defendant paid only the equivalent of Rs. 2,353,803/-. Accordingly, the plaintiff filed suit to recover the sum of US \$ 18,289 along with interest. The same has been disputed by the defendant. The defendant has filed its written statement, and the matter is currently pending.
3.	C.S No. 384/2000	September 19, 2000	Datamatics Limited And Datamatics Financial Software & Services Limited	Maheshwari Datamatics Private Limited	High Court at Calcutta	Rs. 5 million	The plaintiffs filed a suit against the defendant on the grounds that the defendant was passing off its goods / service by using the mark "Datamatics". The plaintiffs have prayed for inter alia a permanent injunction restraining the defendant from using the mark "Datamatics" and for a sum of Rs. 5,000,000/- as and by way of damages. The plaintiffs also filed an application for interim relief.



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
4.	C.S. No. 53 of 2000	February 15, 2000	Datamatics Limited and DFSSL	Octal Datamatics Private Limited	High Court at Calcutta	Rs. 5 million	The plaintiffs filed suit against the defendant on the grounds that the defendant was passing off its goods / service by using the trademark / corporate name "Datamatics". The plaintiffs have inter alia prayed for a permanent injunction restraining the defendant from using the mark "Datamatics" and for payment of a sum of Rs. 5,000,000 as and by way of damages. At the hearing on March 7, 2000 the Respondent gave an undertaking to the Court that it shall not use the word "Datamatics" in its name. The respondent has since changed its name.
5.	ICC Ar. No. 12957/ MS	January 5, 2004	Datamatics Limited	WiseKey SA	Arbitration before the International Chamber of Commerce	Euro 156,278 plus interest.	Respondent won a tender for Mauritius Export Processing Zones Development Authority and the claimant and the respondent entered into a sub-contracting agreement. The claimant provided services under the terms of the sub-contracting agreement, however certain amounts due in relation such services were not paid by the respondent. Under



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							the terms of the sub-contracting agreement, the claimant initiated arbitration proceedings against the respondent in Geneva for the recovery of unpaid invoice amounting to Euro 156,278 plus interest.
6.	Suit No. 2179 of 1998	May 5, 1998	Datamatics Limited	Arabic Computer Systems Limited	The High Court of Bombay	US\$ 48,630 along with interest	The plaintiff had done certain work for the defendant, for which it raised invoices amounting to the equivalent of Rs. 6,863,160/-. Arabic Computers only paid the equivalent of Rs. 5,510,283/-. Suit was filed by the Plaintiff against the defendant for recovery of an amount of US\$ 48,630 along with interest thereon. The defendant has filed its Written Statement inter alia disputing jurisdiction of the court and disputing liability. The defendants have further claimed that the services of the plaintiff were not accepted by their clients and that being the case, no liability for payment arose on the part of the defendant.



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
7.	Suit No. 2776/ 2000	December 8, 2000	Datamatics Limited	Educomp Datamatics Private Limited	The High Court of Delhi	Rs. 2 million	<p>The plaintiff has filed a suit against the defendant on the grounds that the defendant was passing off its goods / service, by using the mark "Datamatics", inter alia praying for a perpetual injunction, against the defendant from using the mark "Datamatics", and for payment of Rs. 2 million as and by way of damages. On December 14, 2000, the Court granted an ex parte ad interim order of injunction restraining the Defendant from using in relation to any goods or services the mark "Datamatics".</p> <p>The defendant filed an application dated March 7, 2001 for setting aside the ad interim order and claiming that "Datamatics" is a Danish word for computer science. Further, the defendant had claimed that he provides services under the trademark Educomp and not Datamatics. The plaintiffs have filed their reply dated 28th April, 2001.</p> <p>Respondent issued an advertisement in New Delhi edition of the Times of India dated 25th April, 2001. Datamatics has initiated contempt proceedings by filing an application dated 28th April, 2001.</p> <p>The matter is currently pending.</p>



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
8.	2604 of 1996	July 22, 1996	Datamatics Limited	Sudhin Shetty and Sanjiva Shetty	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3 years from the date of commencement of training was Rs. 400,000, after 3 years and within 4 year from the date of commencement of



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							training was Rs. 300,000, after 3 years and within 5 year from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3 years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.
9.	2606 of 1996	May 10, 1996	Datamatics Limited	Alok Srivastava and Rajiv Srivastava	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							<p>serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3 years from the date of commencement of training was Rs. 400,000, after 3 years and within 4 year from the date of commencement of training was Rs. 300,000 and after 4 years and within 5 years from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3 years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.</p>



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
10.	2607 of 1996	July 22, 1996	Datamatics Limited	Sunil Coutinho and Clifford Coutinho	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3 years from the date of commencement of training was Rs. 400,000, after 3



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							years and within 4 year from the date of commencement of training was Rs. 300,000 and after 4 years and within 5 years from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3 years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.
11.	2560 of 1996	July 29, 1996	Datamatics Limited	Randeep Pal and RM Pal	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3 years from the date of commencement of training was Rs. 400,000, after 3 years and within 4 year from the date of commencement of training was Rs. 300,000 and after 4 years and within 5 years from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3 years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
12.	2559 of 1996	July 29, 1996	Datamatics Limited	K. Ramakrishnan and Krishnamurthy	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							years from the date of commencement of training was Rs. 400,000, after 3 years and within 4 year from the date of commencement of training was Rs. 300,000 and after 4 years and within 5 years from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3 years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.
13.	Suit No. 4842/ 1995	November 14, 1995	Datamatics Limited	Sudhin Nayak, American Airlines and Keshav Nayak	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3 years from the date of commencement of training was Rs. 400,000, after 3 years and within 4 year from the date of commencement of training was Rs. 300,000 and after 4 years and within 5 years from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.
14.	Suit No. 4843/ 1995	November 14, 1995	Datamatics Limited	Abhijit Desai, American Airlines and Vijayanti Desai	The High Court of Bombay	Rs. 400,000	The first defendant was employed by the plaintiff and an Agreement was entered into between the plaintiff and the first defendant, with the second defendant standing as a surety for the due performance of the Agreement. Under the terms of the Agreement, the first defendant was to be appointed as a trainee for a year and would undergo training at Singapore. The terms of the Agreement also stipulated that on completion of the period of training, the first defendant would serve the plaintiff for a minimum of four years. The Agreement also provides for liquidated damages which the surety was required to pay to the plaintiff in the event of the first defendant



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/	Respondent	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							<p>leaving the services of the plaintiff before the expiry of the stipulated period. The liquidated damages stipulated for leaving the services of the plaintiff within 2 years from the date of commencement of training was Rs. 500,000, after 2 years and within 3 years from the date of commencement of training was Rs. 400,000, after 3 years and within 4 year from the date of commencement of training was Rs. 300,000 and after 4 years and within 5 years from the date of commencement of training was Rs. 200,000. The first defendant left the services of the plaintiff within 3 years of joining the plaintiff, and joined a competitor. The suit has been filed for recovery of liquidated damages of Rs. 400,000 and an injunction restraining the first defendant from in any manner disclosing the proprietary information of the plaintiff.</p>



b. Labour

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	Complaint (ULP) No.665/1998	May 4, 1998	Omkar Narnavare	Datamatics Limited, Dilip Thakore, Jude Andrade and Frederic Fernandes	Industrial Court, Mumbai	N.A.	The complainant who had been employed as a peon by the respondent was shown on the muster rolls of the respondent as a temporary employee and his employment was terminated. The Complainant filed ULP No. 559 of 1994 before the Industrial Court, Mumbai and ULP No.222 of 1994 before the Labour Court, Mumbai. The respondents agreed to pay overtime to the complainant from May 21, 1993 to May 30, 1994 and reinstate him and accordingly the complaints were disposed off. The respondents also paid Rs. 85,000 by way of back wages to the complainant. The complainant has alleged that subsequently, when he went to the respondent to report for work, he was told to leave. He has also alleged that overtime for the period May 21, 1993 to May 30, 1994 was not paid to him. The present complaint has been filed claiming the unpaid overtime and for reinstatement of the complainant



b. Labour

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
2.	ULP No. 241/ 1999	N.A.	N.K. Sridhar	Datamatics Limited	The XII Labour Court, Mumbai	N.A.	The complainant was employed by the respondent as a senior executive administration. The respondent issued a transfer order to the c o m p l a i n a n t transferring him to Noida. The complainant wrote to the respondent stating his inability to move to Noida. The complainant has alleged that the r e s p o n d e n t terminated his employment in violation of the relevant standing orders and without following the due process of law, and accordingly filed the present complaint, s e e k i n g reinstatement



c. Tax

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	Sales Tax Reference No.16 of 2000 in Reference Application 57 of 1992	May 19, 1992	Commissioner of Sales Tax	Datamatics Consultants Limited	High Court of Mumbai	N.A.	Reference application was filed by the Commissioner of Sales Tax against an order of the Sales Tax Tribunal holding that the activities carried on by the respondent were not liable to sales tax in Maharashtra as a transfer of the right to use. The application of the department was made in respect of the assessment years 1986 to 1989. In consideration of the fact that an application is pending, orders have been passed by the Deputy Sales Tax Commissioner staying the assessment for the years 1989-1995 vide orders No. DCI /Assmt/92-93/U/ s.33(4A)/B-92253 dated 19.3.93 for staying assessment of period April 1, 1989 to March 31, 1990, And order No. DC(Adm.) /N.P.Div/ Lease Act/1/95-96/L/ IA-00042/P-6627 dated 27.3.1996 staying the assessment for the period April 1, 1991 to March 31, 1995 April 1, 1989 to March 31, 1990.



c. Tax

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
2.	N.A.	September 30, 2003	Datamatics Limited	Additional Commissioner of Income Tax, Range 8(1), Mumbai	Income Tax Appellate Tribunal	Rs.2,82,73,528	Appeal against the order of the Commissioner of Income Tax (Appeals) VIII, Mumbai in respect of assessment year 1993 - 1994 disallowing a deduction amounting to Rs. 3,54,843/-.

Datamatics Information Technology Limited

a. Criminal proceedings

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Accused	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	CC No. 434/2001	N.A.	Datamatics Information Technology Limited	Bhaskar Joshi, Prashant Belwalkar, Tata Infotech Limited, Sr. Inspector of Police, MIDC Police Station.	Metropolitan magistrate, Mumbai	N.A.	Complaint filed for forgery and criminal breach of trust for which complaint lodged. Police arrested Prashant Belwalkar and recovered a UNISYS laptop with accessories and cash of Rs. 250,000. Prashant Belwalkar is alleged to have committed fraud and forgery and he has stolen Rs. 800,000 which he has given to Bhaskar Joshi.



Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Accused	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
							<p>The 1st accused has filed a reply and has stated that he had purchased a laptop from TIL through Octagon of which PB was a director. The same was defective and he filed a consumer complaint. Further, TIL asked him to settle the same with PB and on PB paying him Rs. 250,000, he withdrew the consumer complaint. It is further alleged that the said amount was paid on august 10, 1999 whereas the complainant has alleged that the misappropriation has taken place between September 1999 and February 2000.</p>



b. Civil proceedings

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Accused	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	Civil suit No. 153 of 2003	February 17, 2003	Officetiger Database Systems Private Limited	Datamatics Information Technology Limited, Datamatics Staffing Services, Shalini Koshy, A.Anand, Ashish Devkar and Masood Ameen, Dr. Lalit Kanodia	High Court of Judicature at Madras	N.A.	<p>Suit filed by plaintiff alleging predatory hiring and conspiracy and inducement to breach contracts by the first and second defendants. The plaintiffs are seeking an injunction restraining the first and second defendants from inducing the third to sixth defendants from joining them and restrain the third to sixth defendants from joining any competitors of the plaintiffs. The third to sixth defendants were formerly employed by the Plaintiffs.</p> <p>It is also alleged that the first and second defendants have induced the third to sixth defendants to breach their contracts and that undue loss would be caused to them. The plaintiffs have also filed OA 213 and 214 for temporary injunction restraining the third to sixth defendants from being employed by the first and second defendants. The same was allowed by the court by its order dated February 24, 2003 till April 23, 2003. The same was not extended by the court and no interim injunction operates currently.</p> <p>Counter affidavits have been filed by all the defendants.</p>



Datamatics Direct Marketing Private Limited

a. Criminal proceedings

Sl. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name & Address of Court/ Arbitration Panel	Amount under Consideration	Nature of Case
1.	Case No. 282/S/97	January 1997	Datamatics Direct Marketing Private Limited	Jai Mahalaxmi Foods Limited, Laxminarayan Agarwal, Hariballabh Agarwal, IC Jain, Krishnasagar Kshirsagar, Motilal Agarwal, Bharat Shah	37 th Additional Chief Metropolitan Magistrate, Mumbai	Rs. 130,000	<p>The first accused had placed an order with the Complainant dated August 10, 1996 for services in respect to the direct marketing campaign for private placement of the equity shares of the first accused. The said order was completed by the complainant who raised two invoices for Rs. 1,25,800 and Rs. 54,250 for fees and charges respectively. The first accused issued 2 cheques for Rs. 65,000 each towards payment. But the two cheques were returned for insufficiency of funds.</p> <p>The complaint is sought to be withdrawn by Datamatics Direct Marketing Private Limited at the next date of hearing.</p>



Datamatics Staffing Services

See Serial. No. 1 in civil proceedings under litigation in respect of Datamatics Information Technology Limited

Datamatics Financial Software and Services Limited

Datamatics Financial Software and Services Limited formerly known as Datamatics Financial Services Limited is a group company registered with SEBI as category I registrars to issue (RTI) and share transfer agents (STI). There are a total of 640 cases pending for disposal in various courts and 312 cases in consumer fora. In all these cases, the defendants are Datamatics Financial Software and Services Limited being one of the parties, the concerned client, relevant buyers, regulatory authorities and brokers are also impleaded as opposite parties to the case, against whom reliefs are sought.

Datamatics Financial Software and Services Limited as registrars to issue and share transfer agents provide services to millions of investors of the clients for whom Datamatics Financial Software and Services Limited act as the security transfer agent. These investors are spread across the length & breadth of the country. The very nature of its business entails handling of large volumes of securities and live documents received from various sources such as banks, clients offices, investors, etc. processing these cases and despatching the documents using the services of the Indian postal authorities/couriers. Datamatics Financial Software and Services Limited as registrars to issue and share transfer agents, are just one of the intermediaries besides other agencies such as banks, post offices and couriers. Further, there are economic offences and problems arising out of interception in transit, title disputes etc. As a result of these situations, most of which are beyond the control of Datamatics Financial Software and Services Limited, it has to represent/defend the cases which are filed by the investors with the district fora or Courts. In such cases, besides Datamatics Financial Software and Services Limited there could be other parties such as the concerned client, relevant buyers regulatory authorities, brokers etc., who are also impleaded as parties to the cases.

The overall analysis of the cases is given below :

1.	Cases regarding loss of securities by investor and/or non-receipt of securities by investors due to loss in transit etc.	52.25%
2.	Cases involving the elements of alleged cheating by brokers i.e. non-receipt of sale proceeds by seller or dishonour of cheques given by brokers to seller of securities etc.	1.75%
3.	Broker's claims for 'stop transfer' of securities on account of loss in transit / alleged cheating by other broker etc.	16%
4.	Miscellaneous including the claims of succession, death claims, Cases, arising at times, out of errors/ omissions / delays in processing of the concerned securities	30%

The liability of Datamatics Financial Software and Services Limited as one of the defendants cannot be quantified because of the fact that:

- the liability may devolve on the other party / parties who have been impleaded
- as per the contractual agreement with its clients, liability of Datamatics Financial Software and Services Limited as an agent for the concerned client (principal) is limited.

However, in the extreme case that all liability devolves on Datamatics Financial Software and Services Limited, the total value in terms of the present market value of the securities is approximately Rs 2.6 million.

See also Serial. No.3 and 4 under litigation in respect of Datamatics Limited.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.



GOVERNMENT APPROVALS

The Company has received all the necessary consents, licences, permissions and approvals from the Government and various Government agencies / private certification bodies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the Company. It must, however, be distinctly understood that in granting the above consents/ licences/ permissions/ approvals, the Government/RBI do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

The Company has received the following approvals that are material to its business:

1. Approval No. 8/10/87-EPZ dated September 16, 1987 from the Deputy Secretary, Ministry of Commerce GoI for setting up of an Industrial unit in Santacruz Electronic Export Processing Zone (SEEPZ).
2. Extension of the approval No. 8/10/87-EPZ to M/s Interface Software Resources Private Limited by the office of the Development Commissioner, SEEPZ, Ministry of Commerce, GoI vide their letter No. NUS:APG:365:87/6537 dated December 14, 1987.
3. Approval No. STPI/MUM/VIII(A)(30)/99(05)/235, dated May 13, 1999 from the Software Technology Park of India for setting up a 100% Export Oriented Unit at Plot No. 58, Street No. 17, MIDC, Marol, Andheri (E), Mumbai, under Software Technology Park Scheme, for development of Computer Software.
4. Registration No. IT REG NO.:IT/SW/REG/II/SEEPZ SEZ/NO. 05/ 2002 as an Information Technology Software Unit for Development of Computer Software & Services dated March 20, 2002 by the Development Commissioner, Santacruz Electronics Export Processing Zone, Ministry of Commerce and Industry, GoI.
5. Permanent Account Number AAACD4471B issued by the Income Tax Department.
6. Maharashtra Sales Tax Registration number 400096/S/61 dated February 6, 1997 and Central Sales Tax Registration No. 400096/C/36 dated February 6, 1997 under the Central Sales Tax Act, 1956.
7. Registration Certificate of Establishment No. K/E II 5535 dated September 18, 1990 under the Bombay Shops and Establishments Act, 1948 in respect of Unit 117-120 SDF IV, SEEPZ, Andheri (E) for Software Development and Consultancy for Exports.
8. Registration Certificate of Establishment No. KE - II /010177 dated January 18, 1999 under the Bombay Shops and Establishments Act, 1948 in respect of Plot No. 58, Street No. 17, MIDC, Andheri (E) for Quality Checking of Data Entry Jobs.
9. Approval No. NUS/APL.365/89/Vol-III/072 dated May 12, 2003 for continuation of SEZ unit status for a period of 5 years from April 1, 2003.
10. Green Card No. 054 dated May 21, 2003 in respect of Unit No. 110, 117-120, SDF IV, Andheri (E), Mumbai – 400096.
11. Green Card No. MIT/STPI-C/2002/4631 dated March 21, 2003 in respect of 101/2 Kanakasri Nagar, Off. Cathedral Road, Chennai – 600086.
12. Certificate as a bonafide provider of information technology software and services by Software Technology Parks of India (STPI), an autonomous Society under the Department of Electronics, GoI vide its letter Number STPI/MUM/VIII (A)(30)/99(05)/987 dated March 8, 2001.
13. Permission under the STP Scheme for setting up of 100% Export Oriented Unit at 101/2, Kanakasri Nagar, off Cathedral Road, Chennai - 600086 by Software Technology Parks of India (STPI), an autonomous Society under the Department of Electronics, GoI vide its letter Number STPIC/G/037/2002-03/1192 dated February 13, 2003.
14. Permission under the STP Scheme for development/manufacture of software & information technology enabled services at 101/2, Kanakasri Nagar, off Cathedral Road, Chennai - 600086 by Software Technology Parks of India (STPI), an autonomous Society under the Department of Electronics, GoI vide its letter Number STPIC/G/037/2002-03/1193 dated February 13, 2003.



15. Approval No. BY JRB 960108 dated August 13, 1996 from the RBI for acquiring 800,000 common shares being 6% of the total equity of Saztec International Inc., USA.
16. Acknowledgement No. EC.CO.OID 3146/19.0466/2001-2002 dated October 31, 2001 from RBI noting the submission of Form ODA for investments made in Saztec International Inc., USA.
17. Acknowledgement No. EC.MRO.SEEPZ.651/10.06.274/2000-2001 dated November 28, 2000 from RBI noting the submission of Form FC-GPR for investments made in the Company by Infologix (BVI) Limited under the automatic route.
18. Approval No. BYJRB19960108 dated September 30, 2003 from RBI to set up a special purpose vehicle company for merger and acquisition of the shareholding of Saztec International Inc.
19. Acknowledgement No. EC.CO.OID.2723/19.04.66/2003-2004 dated October 22, 2003 from RBI noting the submission of Form ODR for investments made in Saztec International Inc., USA by forming a wholly owned subsidiary.
20. Form ODA dated September 26, 2003 for direct investment in CorPay, a wholly owned subsidiary under the automatic route.
21. RBI letter giving Identification No. BYWAZ20020317 to the WOS in Germany vide their letter No.EC.CO.OID/3327/19.04.156/2002 – 2003 dated December 26, 2002 for the investment of EUR 77,000/- in the WOS, Datamatics Technologies GmbH.
22. RBI letter giving identification No. BYWAZ20010280 to the WOS in USA vide their letter No. EC.CO.OID/4572/19.04.135/2001 – 2002 dated January 16, 2002 for investment of US\$ 100,000 in the WOS, Datamatics Technologies Inc.
23. Acknowledgement No. EC.CO.OID. 4431/19.04.66/2000-2001 dated March 30, 2001 from RBI noting the submission of Form ODA through State Bank of India for investment of US\$ 1,498,550 in Saztec International Inc.
24. Acknowledgement No. EC.CO.OID. 4991/19.04.66/2002-2003 dated March 6, 2003 from RBI noting the submission of Form ODA for issue of guarantee of US\$400,000 for credit facilities granted to Saztec Inc.
25. Certificate of Importer Exporter Code No. 0388150475 dated January 9, 1998 issued by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, GoI.
26. Tamil Nadu General Sales Tax Registration number TNGST NO 0721252/2003-2004 dated April 27, 2003 and Central Sales Tax Registration No 700337 dated April 25, 2003 under the Central Sales Tax Act, 1956.

The Company undertakes that no further material approvals are required from any other government authority or the RBI and that all requisite approvals have been renewed.



STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Tax Benefits Available to the Company and its Shareholders

We hereby report that the enclosed annexure states the possible tax benefits available to Datamatics Technologies Limited (the "Company") and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the Selling Shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether :

- (i) the Company or its shareholders will continue to obtain these benefits in future; or
- (ii) the conditions prescribed for availing the benefits have been / would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

for **KANU DOSHI ASSOCIATES**

Chartered Accountants

JAYESH PARMAR

Partner

Membership No. 45375

Place : Mumbai

Date : January 29, 2004

Annexure:

Statement of possible tax benefits available to Datamatics Technologies Limited and to its Shareholders

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to Datamatics Technologies Limited and its shareholders.

Benefits available to the Company

Under Direct Taxes

Under the Income Tax Act, 1961

1(A) Tax holiday under Section 10A of the Act

The Company has following five units:

Three Units in SEEPZ, Special Economic Zone

- Unit No. 110, Unit No.117 and Unit No. 118 – 120 Andheri (E), Mumbai



Two Units registered as Software Technology Park units

- Knowledge Centre in MIDC, Andheri (E), Mumbai and a Unit in Chennai

As per the provisions of Section 10A of the Act, the Company is eligible to claim a benefit with respect to profits derived by all of the above units, except unit no 118-120 in respect of which the eligibility period under Section 10A is over, from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertakings begin to manufacture or produce such articles or things or computer software. The eligible amount would be in the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertaking/s.

For the Assessment Year 2003-2004, the tax holiday under section 10A of the Act has been limited to 90 percent of the eligible profits instead of 100 percent of such profits. As a consequence, 10 percent of the eligible profits of the undertakings would be taxable at the normal corporate tax rate of 36.75 % (including surcharge of 5 %) for Assessment Year 2003-2004.

The benefit is available subject to fulfillment of terms and conditions stipulated by the section. However, no deduction under this section shall be allowed to any undertaking for the Assessment Year beginning on the 1st day of April, 2010 and any subsequent year.

1(B) Deduction under section 80HHE of the Act

As per the provisions of Section 80HHE, an Indian Company engaged in the business of –

- (a) export out of India of computer software or its transmission from India, to a place outside India by any means; or
 - (b) providing technical services outside India in connection with the development or production of computer software -
- can claim a deduction under this section. The eligible amount would be the proportion that the profits of the Company bear to the export turnover of the Company vis-à-vis the total turnover of the Company.

In respect of all other undertakings (not covered in 1(A) above), the Company is entitled to a deduction of the profits derived therefrom, in accordance with and subject to the conditions and to the extent specified in Section 80 HHE of the Act. The Finance Act 2001 has amended this section as per which this deduction would be gradually phased out over a period of four years starting from Assessment Year 2002-2003 as follows:

	AY 2001-02	AY 2002-03	AY 2003-04	AY 2004-05	AY 2005-06
Profit eligible for deduction u/s 80 HHE	80%	70%	50%	30%	NIL

The Company is not eligible to claim deduction under this section if a benefit is claimed in respect of profit of an undertaking of the Company under Section 10A. Once a tax benefit under this section is claimed, no further tax deduction is allowed to be claimed under any other provisions of the Act.

In the event, the Company becomes ineligible for claiming Section 10A benefits in respect of profit of any of its undertakings due to non compliance with the conditions of Section 10A, it could claim a deduction under Section 80HHE of the Act up to Financial Year 2003-2004, provided the conditions specified in the said Section are fulfilled.

2. As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at a rate of 20% (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated @ 20% with indexation benefits exceeds the gains computed @ 10% without indexation benefits, then such gains are, at the option of the tax payer, chargeable to tax @ 10% without indexation benefits (plus applicable surcharge).
3. Long term capital gain arising from transfer of an 'eligible equity share' in a Company purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 (both days inclusive) and held for a period of 12 months or more is exempt from tax under section 10(36) of the Act.



‘Eligible equity share’ means:

- any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or
- any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transactions of sale of such equity share is entered into on a recognized stock exchange in India.

The Central Board of Direct Taxes (CBDT) has clarified vide Circular No. 7/2003 dated September 5, 2003 that ‘public issue’ shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

4. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset if such capital gain is invested in any of the long- term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
5. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an ‘eligible issue of share capital’ in the manner prescribed in the said section.

‘Eligible issue of share capital’ has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Benefits available under Indirect Tax Laws

The Company has two Units registered under the Software Technology Parks (‘STP’) Scheme & one Unit under the SEZ Scheme. The key benefits that could be available under indirect tax laws to a STP/SEZ unit, subject to satisfaction of the specified conditions, are as under :

1. Customs duty

Specified goods, which are in the nature of capital goods, office equipment, components, etc. procured by a STP/ SEZ unit are exempt from customs duty as per Exim Policy 2002-2007.

2. Excise duty

Exemption from Central Excise Duty on procurement of capital goods, raw materials etc. from the domestic market by a STP/SEZ unit.

3. Sales tax

Concessions under the State Sales Tax legislations (depending upon the relevant State where the unit is set-up) are available. Further, the Company can claim a reimbursement of the Central Sales Tax paid on its local purchases. Further, export sales made by the Company would not be subject to sales tax. Purchases by a unit in a SEZ are exempt from payment of Central Sales Tax.

4. Service tax

The Company is eligible for exemption available to “Consulting Engineer” from levy of service tax on services rendered in relation to computer software (Notification no. 4/99-ST, dated 28 February 1999).



Further ST circular no. 55/4/03 dated 24.4.03 exempted from payment of Service Tax, in respect of all taxable services, rendered by a service provider to SEZ units.

Further, in terms of ST circular no. 56/5/2003 and F. No. 254/1/2003-CX-4 dated 25 April 2003 issued by the Central Board of Excise and Customs ('CBEC'), the Company should be eligible for exemption from Service Tax in respect of export of computer software services, which are consumed outside India.

5. Electricity Duty

All units located in Maharashtra are exempted from payment of Electricity Duty vide Notification No. ELD.2001/CR-1140/NRG-1 dated 6th July 2001 issued by INDUSTRIES, ENERGY AND LABOUR DEPARTMENT, Mantralaya, Mumbai 400 032, for a period of 10 year from the date of issue of this notification.

6. Octroi Duty

SEZ units are exempted from payment of Octroi Duty on procurement of capital goods, raw materials etc.

Further, in order to avail the above benefits, the unit will be required to meet the export obligations as prescribed in the Exim Policy 2002-2007.



Benefits available to Resident Shareholders

Under Direct Taxes

Under the Income Tax Act, 1961

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with and subject to the conditions and to the extent specified in Section 112(1)(b) of the Act, tax on long term capital gains arising on sale of listed securities or units will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge at an appropriate rate on the tax so computed in either case.
3. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible equity shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.

'Eligible equity share' means:

- any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or
- any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transactions of sale of such equity share is entered into on a recognized stock exchange in India.

The Central Board of Direct Taxes (CBDT) has clarified vide Circular No. 7/2003 dated September 5, 2003 that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

4. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
5. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

'Eligible issue of share capital' has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.
6. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.



7. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1,500 per minor child per year.

Benefits available to Non- Resident Indian Shareholders

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1,500 per minor child per year.
3. In the case of a shareholder being a non-resident Indian, and subscribing to the shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the Act, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10% as increased by a surcharge at an appropriate rate on the tax so computed, without any indexation benefit.
4. In case of a shareholder being a non-resident Indian, and subscribing to the shares in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non-resident Indian shareholder would be entitled to exemption from long term capital gains on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
5. In accordance with the provisions of Section 115G of the Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
6. In accordance with the provisions of Section 115H of the Act, when a Non Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
7. As per the provisions of section 115I of the Act, a Non Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
8. In accordance with and subject to the conditions and to the extent specified in Section 112(1)(b) of the Act, tax on long term capital gains arising on sale of listed securities or units will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge at an appropriate rate on the tax so computed in either case.
9. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible equity shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.

'Eligible equity share' means:

- any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India: or



- any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transactions of sale of such equity share is entered into on a recognized stock exchange in India.

The Central Board of Direct Taxes (CBDT) has clarified vide Circular No. 7/2003 dated September 5, 2003 that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

10. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
11. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
'Eligible issue of share capital' has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.
12. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

Provisions of the Act vis-à-vis provisions of the tax treaty

As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

Benefits available to other Non-residents

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1,500 per minor child per year.
3. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible equity shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.

'Eligible equity share' means:

- any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or



- any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transactions of sale of such equity share is entered into on a recognized stock exchange in India.

The Central Board of Direct Taxes (CBDT) has clarified vide Circular No. 7/2003 dated September 5, 2003 that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

4. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
5. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
'Eligible issue of share capital' has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.
6. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

Provisions of the Act vis-à-vis provisions of the tax treaty

As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

Benefits available to Foreign Institutional Investors ('FII')

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain will be 10% and on short term capital gain will be 30% as increased by a surcharge at an appropriate rate on the tax so computed in either case. It is to be noted that the benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.
2. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.
3. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible equity shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.

'Eligible equity share' means:



- any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India: or
- any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transactions of sale of such equity share is entered into on a recognized stock exchange in India.

The Central Board of Direct Taxes (CBDT) has clarified vide Circular No. 7/2003 dated September 5, 2003 that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

4. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
5. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring equity shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

'Eligible issue of share capital' has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Benefits available to Mutual Funds

In case of a shareholder being a Mutual fund, as per the provisions of Section 10(23D) of the Act, any income of Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Benefits available to Venture Capital Companies / Funds

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would be exempt from Income Tax, subject to the conditions specified.

Benefits available under the Wealth Tax Act, 1957

As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

Benefits available under the Gift Tax Act

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

Note :

All the above benefits are as per the current tax laws as amended by the Finance Act, 2003.

All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by joint holders.



In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.

In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

OTHER INFORMATION

Stock Market Data For The Equity Shares

This being an initial public offering of the Company, the Equity Shares of the Company are not listed on any stock exchange.

Particulars Regarding Public Issues During The Last Five Years

The Company has not made any public issues during the last five years.

Details of Borrowings Of The Company

Please refer to page 226 of this Prospectus under “Financial Information” for details of borrowings in the Company as specified under Annexure VI to the report on the unconsolidated financial statements under Indian GAAP.

Mechanism Evolved By The Company For Redressal Of Investor Grievances

The Company’s investor grievances will be handled by their Registrars, Intime. The agreement between the Company and the Registrars to the Issue provides for retention of Issue records for a period of 12 months from the last date of despatch of Letter of Allotment/Share Certificates/Refund Orders to enable the investor to approach the Registrars to the Issue for redressal of their complaints.

Time Taken For Disposal Of Grievances

The average time taken by the Registrars for redressing routine grievances will be seven days from the date of receipt. For non routine grievances including investor grievances where verification at other agencies involved also has to be undertaken, it would be the endeavour of the Registrars to attend to them as expeditiously as possible.



SECTION VII: FINANCIAL INFORMATION
UNCONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND
FOR THE NINE MONTHS ENDED DECEMBER 31, 2003.

AUDITOR'S REPORT

To the Board of Directors of
DATAMATICS TECHNOLOGIES LIMITED
Unit No. 117 – 120,
SDF IV, SEEPZ, Andheri (East),
Mumbai – 400 096, INDIA

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of Equity Shares, we state as follows:

1. We have audited the attached Balance Sheet of Datamatics Technologies Limited (“the Company”) as at December 31, 2003 and the Profit and Loss Account and the Cash Flow Statement for the nine months 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. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Company.
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 report that:
 - (a) 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;
 - (b) 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;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standard issued by the Institute of Chartered Accountants of India, to the extent applicable;
 - (e) 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 notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2003 ;



-
- ii. in the case of the Profit and Loss Account, of the profit of the Company for the nine months ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the nine months ended on that date.

For KANU DOSHI ASSOCIATES

Chartered Accountants

JAYESH PARMAR

Partner

Membership No. : 45375

Place: Mumbai

Date: January 29, 2004



DATAMATICS TECHNOLOGIES LIMITED

BALANCE SHEET AS ON DECEMBER 31,2003 AND MARCH 31,2003

	Schedule	31-Dec-03 Rs. in million	31-Mar-03 Rs. in million
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	160.37	153.44
Reserves and Surplus	B	836.29	503.81
		<u>996.66</u>	<u>657.24</u>
Loan Funds			
Secured Loans	C	99.35	61.04
Deferred Tax Liability (Net)		18.71	17.80
(Refer note no. 7 Of Schedule 'T')			
		<u>1,114.72</u>	<u>736.09</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	298.65	279.58
Less : Depreciation		<u>67.10</u>	<u>57.18</u>
Net Block		231.55	222.40
Capital Work in Progress		–	1.14
Investments	E	433.34	202.83
Current Assets, Loans and Advances			
a) Interest Accrued on Investments		0.66	–
b) Stock in Trade	F	3.73	7.69
c) Sundry Debtors	G	150.97	148.08
d) Cash and Bank Balance	H	66.73	30.84
e) Other Current Assets - Investments in debt mutual funds	I	169.27	106.56
f) Loans and Advances	J	<u>96.51</u>	<u>69.31</u>
		487.87	362.48
Less: Current Liabilities and Provisions	K		
a) Current Liabilities		34.03	31.54
b) Provisions		<u>15.36</u>	<u>29.52</u>
		49.39	61.06
Net Current Assets		438.48	301.42
Miscellaneous Expenditure (to the Extent not written off/adjusted)	L	11.35	8.30
		<u>1,114.72</u>	<u>736.09</u>
Significant Accounting Policies	S		
Notes to Accounts	T		

The Schedules referred to above and the Notes there on form integral part of the Accounts

As per our Report of even date

For Kanu Doshi Associates

Chartered Accountants

Jayesh Parmar

Partner

Mem. No. 45375

Mumbai

Dated : January 29, 2004

for and on behalf of the Board

Dr.Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
*General Legal Counsel
& Company Secretary*



DATAMATICS TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

	Schedule	Nine months ending 31-Dec-03 Rs. in million	Nine months ending 31-Dec-02 Rs. in million
INCOME			
Services			
Export		425.06	376.59
Domestic		0.42	0.63
Sales - Trading (net)		–	0.83
Other Income	M	25.88	2.74
Increase/(decrease) in Traded goods stock	N	3.73	7.93
		455.09	388.72
EXPENDITURE			
Purchase of IT Products and Licenses		3.74	7.87
Operational Expenses	O	185.24	194.67
Administration and Other Overheads	P	37.02	41.15
Interest	Q	4.61	9.33
Depreciation		12.19	10.99
Miscellaneous Expenditure written off	R	4.44	2.03
		247.24	266.04
Profit before tax		207.85	122.68
Provision for Current year tax		3.15	6.70
Provision for Deferred tax		0.91	1.77
(Refer note no. 7 of Schedule 'T')			
Profit after tax		203.79	114.21
PRIOR PERIOD ADJUSTMENTS			
Tax Adjustment for Earlier Years		(0.14)	–
		203.65	114.21
Balance brought forward from last year		260.13	136.09
Amount Available for Appropriations		463.78	250.30
APPROPRIATIONS :			
Dividend on Preference Shares		–	–
Proposed Dividend on Equity Shares		–	–
Tax on Proposed Dividend		–	–
Transfer to General Reserve		350.00	–
Amount Carried Forward		113.78	250.30
		463.78	250.30
Earnings per share (Face Value Rs. 5 each)			
Basic (Not annualized)		6.64	3.72
Diluted (Not annualized)		6.59	3.72
(Refer note no. 6 of Schedule 'T')			
Significant Accounting Policies	S		
Notes to Accounts	T		

The Schedules referred to above and the notes there on form 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

Manish Modi
Managing Director & CEO

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

Kumar Gidwani
General Legal Counsel
& Company Secretary



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES TO THE BALANCE SHEET AS AT DECEMBER 31, 2003

31-Dec-03 Rs. in million	31-Mar-03 Rs. in million
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SCHEDULE 'A'

Share Capital

AUTHORISED

48,000,000 (PY 48,000,000) Equity Shares of Rs. 5 each	240.00	240.00
30,000,000 (PY 5,000,000) Redeemable Preference Shares of Rs.5 each	150.00	50.00
	390.00	290.00

ISSUED, SUBSCRIBED & PAID UP

30,689,000 (P.Y. 30,687,000) Equity Shares of Rs.5 each fully paid	153.45	153.44
13,84,137(P.Y. nil) Redeemable Optionally Convertible Cumulative Preference shares of Rs. 5 each	6.92	–
	160.37	153.44

Note:

- Of the above, 28,480,000 Equity Shares of Rs. 5 each (P.Y. 28,480,000 of Rs. 5 each) have been allotted as fully paid Bonus Shares by capitalization of General Reserve and Share Premium.
- During the period, the company has allotted 2,000 equity shares of Rs. 5 each at a premium of Rs. 96 each and 13,84,137 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs 5 each at a premium of Rs. 96 each. The Preference shares are convertible into equity shares at the option of the investors as per Subscription and Shareholders' Agreement. Each ROCCPS has a variable coupon rate equivalent to the rate of dividend declared for equity Shares each time.

SCHEDULE 'B'

Reserves and Surplus

CAPITAL RESERVE

Balance as per last Balance Sheet	3.52	3.45
Addition during the period	–	0.08
	3.52	3.53

CAPITAL REDEMPTION RESERVE

Balance as per last Balance Sheet	37.78	37.78
	37.78	37.78

GENERAL RESERVE

Balance as per last Balance Sheet	85.57	81.02
Less: Net Deferred Tax Liability	–	(15.44)
Add: Transferred From Profit & loss during the Period	350.00	20.00
	435.57	85.58

SHARE PREMIUM

Balance as per last Balance Sheet	116.79	116.79
Add : Received during the period (Refer note. 2 of Schedule A)	133.07	–
Less : share issue expenses	(4.22)	–
(Refer note no. 10 of Schedule T)	245.64	116.79



	31-Dec-03 Rs. in million	31-Mar-03 Rs. in million
SURPLUS IN PROFIT AND LOSS ACCOUNT	113.77	260.13
	836.29	503.81

SCHEDULE 'C'

Secured Loans

Term Loan	30.00	40.00
Packing Credit	69.35	17.71
Cash Credit Account	–	3.33
	99.35	61.04

Note :

1. Term Loan of Rs. 30 million from EXIM Bank is secured by first charge on all immovable fixed assets, both present and future of the Company, and hypothecation over all movable assets of the Company both present and future, ranking pari-passu with State Bank of India and also covered by unconditional and irrevocable, personal guarantee of a Director.
2. Packing Credit from State Bank of India is secured by hypothecation of the Company's movable assets, both present and future, ranking pari passu with EXIM Bank and second charge on immovable assets of the company, both present and future, and also covered by unconditional irrevocable personal guarantee of a Director.
3. Cash Credit Accounts from Banks are secured by lien on Fixed Deposit Receipts.
4. Secured Loans include Loans of Rs. 20,000,000 repayable within a year (P.Y. Rs 20,000,000)

SCHEDULE 'D'

FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.03	Additions during the year	Deductions during the year	Balance as on 31-Dec-03	Balance as on 01.04.03	For the period	Deductions during the period	Balance as on 31-Dec-03	Balance as on 31-Dec-03	Balance as on 31.03.03
BUILDINGS	140.76	0.52	–	141.28	6.58	1.73	–	8.31	132.97	134.18
COMPUTERS	50.45	9.99	1.79	58.65	28.28	6.16	1.62	32.81	25.84	22.17
AIR CONDITIONERS	9.86	–	–	9.86	2.37	0.35	–	2.72	7.14	7.50
ELECTRICAL FITTINGS	17.34	0.70	–	18.04	3.41	0.64	–	4.04	14.00	13.93
OFFICE EQUIPMENTS	11.05	8.08	–	19.13	2.62	0.68	–	3.30	15.83	8.43
VEHICLES	6.70	0.73	1.78	5.65	1.13	0.41	0.65	0.89	4.77	5.57
FURNITURE	43.42	2.61	–	46.03	12.80	2.23	–	15.03	31.00	30.62
TOTAL	279.58	22.64	3.57	298.65	57.18	12.19	2.27	67.10	231.55	222.40
PREVIOUS YEAR	271.52	9.09	1.03	279.58	42.96	14.84	0.62	57.18	222.40	–



SCHEDULE 'E'
Investments (At Cost)
Long Term Investments

	31-Dec-03	31-Mar-03
	Rs. in million	Rs. in million
Investment		
A UNQUOTED (Trade)		
In Subsidiary Companies		
I) In Shares		
500,000 (PY 500,000) fully paid Equity Shares of Datamatics Infosolutions Limited of Rs10 each.	5.00	5.00
155 (P.Y. 155) no par value fully paid Common Stock in Datamatics Technologies, Inc., a company incorporated in USA	7.41	7.41
1540 (P.Y. 1540) fully paid Shares in Datamatics GmbH a company incorporated in Germany of 50 Euro each	3.71	3.71
20,000,000 (P.Y.NIL) fully paid Common Stock of US \$ 0.001 each in CorPay Solutions Inc., a company incorporated in in USA	7.65	—
(Refer note no. 8 of Schedule T)		
7,204,596 (P.Y. 3,367,842) no par value Common Stock In Saztec International, Inc., a company incorporated in USA	91.48	71.83
(Refer note no. 11 of Schedule T)		
(Refer note no. 1 of this Schedule)		
II) In Others		
Investments in Notes of CorPay Solutions Inc. (Refer note no. 8 of Schedule T)	214.30	—
In other Companies		
NIL (PY 400,000) fully paid Equity Shares of Saha Electronics Private Limited of Rs 10 each.	—	12.00
100,000(PY NIL) fully paid Equity Shares of Knowledgeworks Global Limited of Rs. 10 each	1.00	—
Aggregate of Unquoted Investment (Trade)	330.55	99.95
B. UNQUOTED (Non-trade)		
In Shares		
10,000,000 (PY 10,000,000) fully paid 9 % Redeemable Cumulative Preference Shares of Datamatics Limited of Rs 10 each .	100.00	100.00
C. QUOTED (Non-Trade)		
In Shares		
i 198 (P. Y. 576) fully paid Equity Shares of Rs. 10 each in Aptech Limited	0.05	0.15
ii 900 (P. Y. 900) fully paid Equity Shares of Rs. 10 each of Cybertech Limited	0.51	0.51
iii 300 (P. Y.300) fully paid Equity Shares of Rs. 2 each of Wipro Limited	2.11	2.11



iv	100 (P.Y. 100) fully paid Equity Shares Of Rs. 10 each in Silverline Industries Limited	0.01	0.01
v	384 (P. Y 384) fully paid Equity Shares of Of Rs. 10 each in Hexaware Technologies Limited	0.10	0.10
Aggregate of Quoted Investments		2.78	2.88
		433.34	202.83
Market Value of Quoted Investments		0.71	3.62

Notes:

1. Market value as on March 31, 2003 includes market value of Common stock of Saztec International Inc. which has been delisted in the current period. Hence, it is not considered in the current periods market value.
2. During the current period the Company has purchased:
 - a) 100,000 equity shares of Knowledgeworks Global Limited @ Rs. 10 each fully paid.
 - b) 20,000,000, fully paid shares (par value US\$ 0.001) of CorPay Solutions Inc., a company incorporated in USA.
 - c) 38,36,754 no par value common stock of Saztec International Inc. a company incorporated in USA.
3. During the period the Company has sold:
 - 378 equity shares of Aptech Limited
 - 400,000 equity shares of Saha Electronics Private Limited

SCHEDULE 'F'

Stock in Trade

(As verified, valued & certified by the management)

Stock in Trade	3.73	7.69
(Refer note no. 14 of Schedule T)		
	3.73	7.69

SCHEDULE 'G'

Sundry Debtors

Unsecured

outstanding for a period exceeding six months

considered good	29.89	9.50
considered doubtful	7.30	7.08
others, considered good	121.07	138.58
	158.27	155.16

Less : Provision for Doubtful Debts

7.30	7.08
150.97	148.08

SCHEDULE 'H'

Cash and Bank Balances

Cash on Hand	0.06	0.03
Cheques on Hand	–	0.25
Balance with Scheduled Banks		
In Current Accounts	25.66	0.64
In Fixed Deposit Accounts	40.47	28.93
In Exchange Earner's Foreign Currency Account	0.29	0.93
In Unclaimed Dividend Accounts	0.23	0.06
	66.73	30.84



SCHEDULE 'I'

Other Current Assets

Investment in Units of Debt Mutual Funds	169.27	106.56
	169.27	106.56

SCHEDULE 'J'

Loans and 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. 8,9,11 and 18 of Schedule T)	53.60	32.89
Other Advances		
Considered good	28.61	17.07
Considered doubtful	–	0.98
Advance Income Tax	12.15	11.30
Deposits(Trade)	2.15	8.05
	96.51	70.29
Less : Provision for Bad & Doubtful Advances	–	0.98
	96.51	69.31

SCHEDULE 'K'

Current Liabilities and Provisions

A. CURRENT LIABILITIES

a. Sundry Creditors		
- due to Subsidiary	1.08	–
- Others	16.16	14.39
b. Unclaimed Dividend*	0.22	0.05
c. Interest accrued but not due	0.02	1.58
d. Advance received from Customer	0.71	–
e. Other Liabilities	4.62	5.82
	22.81	21.84

Employees Liabilities

(Includes Rs. 2,058,637 (P.Y. Rs. 1,773,250) due as commission to Directors)

(Refer note no. 12 of Schedule ' T')

	34.03	31.54
B. PROVISIONS		
For Proposed Dividend on Equity Shares.	–	15.34
For Tax on Proposed Dividend	–	1.97
For Income Tax	15.36	12.21
	15.36	29.52

* This figure does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.



SCHEDULE 'L'

Miscellaneous Expenditure

(to the extent not written off/adjusted) :

Preliminary Expenses	4.35	4.91
Deferred Revenue Expenditure	7.00	3.39
(Refer note no.13 of Schedule 'T')		
	11.35	8.30

SCHEDULE 'M'

Other Income

Interest from banks & others (Tax Deducted at Source Rs. 196,829 P.Y. Rs.463,819)	3.54	1.99
Rent Received (Tax Deducted at Source Rs.3,19,800 P.Y. Rs. nil)	1.56	—
Share of Profit from Partnership firm	—	(0.00)
Exchange Fluctuations (net)	(2.90)	0.12
Dividend	17.78	0.52
Profit on Sale of Investments (Net)	5.36	0.02
Excess Provisions Written back	0.20	—
Miscellaneous Income	0.34	0.09
	25.88	2.74

SCHEDULE 'N'

Increase/(Decrease) in Traded Goods

Opening Stock as on 01.04.2003	7.69	—
Less : Capitalized during the year	(7.69)	—
Closing Stock as on 31.12.2003	3.73	7.93
(Refer note no. 14 of Schedule T)		
	3.73	7.93

SCHEDULE 'O'

Operational Expenses

Knowledge Associates Charges	33.05	29.46
Software Purchase/Development Charges	4.10	1.35
Electricity	5.82	5.17
Payments to and expenditure for employees		
a. Salaries, Wages, Bonus & allowances	100.76	81.83
b. Contribution to Provident Fund And other funds.	3.56	2.67
c. Commission (Refer Note No. 12 Of Schedule 'T')	2.06	1.25
d. Welfare Expenditure	4.95	3.85
Travelling Expenses	14.10	21.45
Technical Fees	7.04	37.04
Link Charges	8.54	10.54
Subscription Charges	0.48	—
Computer hire Charges	0.78	0.06
	185.24	194.67



SCHEDULE 'P'

Administration and Other Expenses

Rent, Rates and Taxes	3.45	1.75
Communication Expenses	4.77	3.87
Legal and Professional charges	2.93	3.14
Remuneration to Auditors (Refer Note no. 3 of Schedule T)	0.35	0.36
Repairs and Maintenance :		
- Building	0.21	–
- Plant & Machinery	2.70	2.10
- Others	1.70	1.06
Insurance Premium	2.24	1.41
Sales Commission and Marketing Expenses	5.01	15.80
Board Sitting Fees	0.11	0.04
Advertisement and Sales Promotion Expenses	4.78	3.69
Lease Rent and Hire Charges	1.60	0.79
Entertainment Expenses	0.54	0.55
Miscellaneous Expenses	2.84	2.01
Conveyance Expenses	0.18	0.28
Loss on Sale of Fixed Assets	0.63	0.21
Provision for Bad & Doubtful Debts	0.22	1.63
Bank & Other charges	0.91	0.81
Recruitment Expenses	0.37	0.53
Printing & Stationery	0.91	0.82
Photocopying Charges	0.57	0.30
	37.02	41.15

SCHEDULE 'Q'

Interest

To Financial Institutions and Banks	4.60	9.32
To Others	0.01	0.01
	4.61	9.33

SCHEDULE 'R'

Miscellaneous Expenditure Written Off

Preliminary Expenditure written off	0.56	0.56
Deferred Revenue Expenditure written off	3.88	1.47
(Refer note no.13 of Schedule 'T')	4.44	2.03



DATAMATICS TECHNOLOGIES LIMITED

CASH FLOW STATEMENT FOR THE

		Nine months ending 31-Dec-03 Rs. in million	Nine months ending 31-Dec-02 Rs. in million
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit before Tax		207.83	122.64
Adjusted for:			
Depreciation	12.19		10.99
Interest Expenses	4.61		9.33
Miscellaneous Expenditure written off	4.44		2.03
(Profit)/Loss on sale of Fixed Assets	0.63		0.21
Provision for Bad & Doubtful Debts	0.22		1.63
Interest Received	(3.54)		(1.99)
Dividend Received	(17.78)		(0.52)
(Profit)/Loss on sale of Investments	(5.36)		(0.02)
Excess Provisions written Back	(0.20)		–
Software Purchase Deferred	(7.50)		–
		(12.26)	21.68
Operating Profit before Working Capital Changes		195.56	144.32
Adjusted for:			
(Increase)/ Decrease in Sundry Debtors	(3.11)		46.03
(Increase)/ Decrease in Loans and Advances	(26.04)		(18.03)
(Increase)/ Decrease in Inventories	3.96		(0.05)
(Decrease)/ Increase in Current Liabilities	1.53		13.94
		(23.65)	41.89
Cash Generated from Operations		171.91	186.21
Tax Paid		0.99	8.86
Net Cash From Operating Activities		170.92	177.35
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Sale / (Purchase) of Fixed Assets(Refer note below)	(20.84)		(6.49)
Sale / (Purchase) of Investments	(46.24)		(57.60)
Consideration paid on acquisition of subsidiaries	(241.61)		(10.10)
Interest on Fixed Deposit & Others	3.54		1.99
Dividend Received	17.78		0.52
		(287.37)	(71.67)
Net Cash from Investing Activities		(287.37)	(71.67)

Note : This figure includes Rs. 76,94,631 which is capitalized from stock in trade

**C. CASH FLOW FROM FINANCING ACTIVITIES:**

Proceeds from issuance of share capital (net)	140.00	–	
Share Issue Expenses(Deducted from Share Premium)	(4.22)	–	
Proceeds from Long Term Borrowings	38.31	(60.23)	
Short term Loan	–	–	
Interest Paid	(4.61)	(9.33)	
Dividend paid	(15.17)	–	
Tax paid on dividend	(1.97)	–	
Net Cash Flow from Financing Activities		<u>152.34</u>	<u>(69.56)</u>
Net Increase in Cash and Cash Equivalent during the Year		35.89	36.11
Cash and Cash equivalents as on April 01		30.83	15.23
Cash and Cash equivalents as on December 31		66.72	51.34

For & on behalf of the board

Dr. Lalit S. Kanodia
Chairman

Kumar Gidwani
General Legal Counsel
& Company Secretary

Manish Modi
Managing Director & CEO

Mumbai

Dated : January 29, 2004



SCHEDULE 'S'

1) BACKGROUND

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 information technology enabled services / business process outsourcing 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 Technologies, Inc in the State of New Hampshire, USA , Datamatics Technologies GmbH a company registered under the laws of Germany, Datamatics Infosolutions Ltd, Saztec International Inc and CorPay Inc USA at the Balance Sheet date. DTL associated with Cadmus Communications Corporation in the name of Knowledgeworks Global Limited (KGL) which provide a full range of content processing, content management, and related services to STM publishers and other organizations around the world.

DTL has, over the years, developed competencies in the business process outsourcing segment and moved up the value chain by providing a suite of third party business process outsourcing services. DTL offers end-to-end services including Content Management, Back Office Processing in Finance and Accounts, HR & Claims processing and Related Software Services to customers worldwide.

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. The Company has adopted AS-25 "Interim Financial Reporting" which comes into effect in respect of accounting periods commencing on or after April 1, 2002 and has presented a complete set of financial statements as stipulated in AS-25.

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 are known /materialized.

III. Revenue Recognition:

Revenue from the Software development/services on the time and material basis is recognized based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognized on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients.

Revenue/Income from sale of traded goods is recognized on dispatch of goods. Sales are exclusive of Sales Tax.

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 Assets:

Fixed Assets are valued at cost, after reducing accumulated depreciation until the date of the Balance Sheet. Direct Costs are capitalized until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

**V. Depreciation:**

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.

VI. Inventories:

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

VII. Investments:**Investments 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 recognized 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 are valued at cost inclusive of all expenses incidental to their acquisition. Long Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments. Overseas Investments are carried out at their original rupee cost.

VIII. Employee Retirement Benefits:

Company's contribution to Provident Fund is charged to Profit and Loss account on accrual basis. Gratuity and Leave Encashment benefit at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

IX. Leave Travel Allowances:

Encashment of Leave Travel Allowances is accounted on cash basis.

X. Foreign Currency Transactions:

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

XI. Export Benefits:

Export Benefits are accounted for on realization basis.

XII. Lease Rent Transactions:

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

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.

These units enjoy a tax holiday for a period of ten consecutive years beginning with the year in which the unit has begun to manufacture or produce. The tax holidays for each of these units expires at various times from March 31, 2005 to March 31, 2009.

Temporary differences between the tax basis and carrying values of assets and liabilities as on December 31, 2003 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.

XIV. Preliminary Expenses:

Preliminary Expenses are amortized over a period of 10 years.

XV. Deferred Revenue Expenditure :

The Company follows the policy of treating expenditure including purchase of software , the benefit of which accrue to the Company over an extended period, as deferred expenditure and amortizes such expenditure over the period of 3 years for which the Company expects the benefits to accrue over such period.

XVI. Borrowing Cost :

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

XVII. 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.

SCHEDULE 'T'

NOTES TO THE ACCOUNTS

1. Contingent Liabilities to the extent not provided for.

	As At 31.12.2003 (Rs.in million)	As At 31.12.2002 (Rs.in million)
(i) Outstanding guarantees given by Banks to Sales Tax Authorities	0.02	0.01
(ii) Bank Guarantee in favour of MSEB for MSEB MIS Tender	0.5	—
(iii) Corporate Guarantees provided to Banks and Financial institutions against credit facilities extended to Subsidiaries and associate companies	27.38	91.37
(iv) Surety given under Customs Act, 1962 for Subsidiary and Associate Companies	30.28	25.71
(v) Dividend on Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS): Each ROCCPS has a variable coupon rate equivalent to the rate of dividend declared for Equity Shares declared each time.		

2. Capital and other commitments :

- (a) Estimated amount of contracts on capital account remaining to be executed and not provided for Rs.1.05 million (P.Y .Nil).
- (b) Outstanding forward contracts as at December 31,2003 aggregate Rs. 68.38 million (December 31,2002 Nil). Unamortised income in respect of forward exchange contract to be recognised in subsequent period aggregate Rs.0.04 million. (December 31, 2002 Nil)



3. Auditor's remuneration includes

	31.12.2003 (Rs.in million)	31.12.2002 (Rs.in million)
Audit Fees	0.09	0.09
Tax Audit fees	0.02	0.02
Company Law,Certification & Other Matters	0.23	0.24
Out of Pocket Expenses	0.01	0.02
	<u>0.35</u>	<u>0.37</u>

4. The Management information system of the Company identifies and monitors Information Technology and related Software Development services as its business segment. In the opinion of the management, the Company is primarily engaged in business of Information Technology Enabled Services and Software Services as the basic nature of these activities are governed by the same set of risk and return. These constitute and have been grouped as single segment as per AS17 dealing with segmental reporting. Secondary segmental reporting is on the basis of geographical location of customers.

Performance of Business Segment is as follows:

	(Rs. in million)	
	(31.12.2003)	(31.12.2002)
Revenue		
Sales	425.48	378.05
Segment result profit	186.57	129.24
Interest Expenses	4.62	9.34
Other Income	25.87	2.74
Income Taxes	4.19	8.47
Profit from Ordinary Activities	203.63	114.17
Net Profit	<u>203.63</u>	<u>114.17</u>
Other Segment Information		
Capital Expenditure	22.64	6.73
Depreciation	12.19	10.99
Non Cash Expenses other than depreciation	<u>4.66</u>	<u>3.67</u>
Particulars of Segment Assets and Liabilities:		
Segment Assets		
	467.52	404.52
Investments	603.27	289.29
Bank Deposits	40.47	35.70
Other Assets	52.84	52.86
Total Assets	<u>1,164.10</u>	<u>782.37</u>
Segment Liabilities	30.61	44.62
Other Liabilities	136.84	110.39
Total Liabilities	<u>167.45</u>	<u>155.01</u>



Geographic Segment

Revenue attributable to the location of the customers is as follows

Geographic Location	(Rs. in million)	
	(31.12.2003)	(31.12.2002)
USA	395.68	294.83
Europe	19.11	65.67
Others	10.69	17.55
Total	425.48	378.05

5. 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 period as deemed in the Accounting Standard are given below:

(A) Subsidiary Companies:

Datamatics Technologies Inc.

Datamatics GMBH
w.e.f. 4th Oct. 02

Datamatics Infosolutions Limited
w.e.f. 6th Oct. 00

CorPay Solutions w.e.f. 27th Sept 2003

Datamatics Consultants Limited
w.e.f. 18th June ' 02 up to 18 March 2003

Saztec International Inc. w.e.f. November, 27 2003

(B) Associate Companies and Joint Ventures

Datamatics Information Technologies Limited

Datamatics Limited

Datamatics Financial & Software Services Limited

Datamatics Staffing Services

Saztec International Inc.

Datamatics Global Services Limited

Datamatics Consultants Limited
w.e.f. 19th March ' 03

Datamatics Infotech Inc

Knowledgeworks Global Limited

Datamatics Direct Marketing Private Limited

(C) Key Managerial Personnel

Dr. L. S. Kanodia.

Mr. Manish Modi

(D) Relatives Of Key Managerial Personnel where transactions have taken place

Mr. Sameer Kanodia

Mrs. Asha Kanodia

Mr. Rahul Kanodia

Ms. Anju Kanodia

Mr. Vidur Bhogilal



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

(Rs. in million)

Nature of transaction	A	B	C	D
Sales				
Technical Services	111.17	42.68		
Expenses				
Legal & Professional Fee		0.03		
Repairs		0.01		
Software Development Chg.		1.05		
Reimbursement of Expenses.		0.01		
Salaries				0.09
Managerial Remuneration			2.76	
Commission			2.06	
Sitting Fee			0.02	0.02
Income				
Dividend on Pref. Shares		15.75		
Interest income	0.08	1.08		
Rent Income		1.56		
Share of Profit		Nil		
Loans And Advances Taken	5.70	15.57		
Loans And Advances Given	12.76	5.81		
Asset Sold		0.03		
Asset Purchase		0.08		
Business Purchase		Nil		
Investment in Equity Shares	17.57	1.00		
Purchase of Equity Shares			0.10	
Sale of Investment	12.00			
Guarantees				
Financial Guarantees	27.38			
Performance Guarantees	22.23	8.05		
Outstanding				
Payables	1.09	1.92		
Receivables	381.38	8.36	5.30	

Note:

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



6. Earning Per Share

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

	As of 31.12.2003 <i>(Rs. in million)</i>	As of 31.12.2002 <i>(Rs. in million)</i>
a. Net Profit After taxation	203.63	114.17
b. Weighted average number of Outstanding equity shares		
Considered for basic EPS	3,06,87,333	30,687,000
Add: Effect of dilutive issue of Preference shares	2,30,690	-
Considered for diluted EPS	3,09,18,023	30,687,000
c. Earnings per share (Nominal value per share Rs. 5 each)		
Basic	6.64	3.72
Diluted	6.59	3.72

7. Deferred Tax:

- During the period ended 31st December 2003, the Company has recognized deferred tax liability of Rs.0.91 million in the Profit & Loss Account.
- The break up of deferred tax Assets and Liabilities as at 31st December 2003 is as under:

(Rs. in million)

Deferred Tax Liability/(Asset)	As at 31.12.2003	April 03- Dec 03	As at 31.03.2003
Timing difference on account of Depreciation	24.41	3.52	20.88
Provision for Doubtful debts	(2.69)	(0.08)	(2.61)
Others	(3.01)	(2.53)	(0.47)
Net deferred tax Liability/(Asset)	18.71	0.91	17.80

- During the period, the Company has purchased all 100% Common shares of US\$.001 Par value of CorPay Solutions, Inc., an existing Company registered under the laws of the State of Delaware for the total consideration of US\$ 4,703,615. The breakup of Total Consideration is as follows : US\$ 1 towards Common Stock and balance of US\$ 4,703,614 towards note at interest rate of 1.23%. Hence CorPay Solutions , Inc., has become wholly owned subsidiary company of Datamatics Technologies Limited
- The Company has given Working Capital Loan of Euro 0.16 million to its subsidiary Datamatics Technologies GmbH for period of 18 months at a variable interest rate of 1% above the LIBOR rate.
- The Share Premium A/c has been utilized to write off expenditure aggregating to Rs.4.22 million incurred in relation to issue of shares during the year 2003.
- The company has acquired the balance 53.25% shareholding of Saztec international Inc. Hence it has become wholly owned subsidiary.

The convertible loan of US \$ 600,000 given to Saztec International Inc continues to bear a Variable interest rate of 2 % above the prime rate with the option to convert the loan along with interest accrued into Stock at a conversion price of USD 0.20 per stock on or before the maturity date.



12. Managerial Remuneration under section 198 of the Companies Act, 1956 paid or payable during the period, to the Directors is as under

	<i>(Rs. in million)</i>	
	31.12.2003	31.12.2002
Salaries and Allowances	2.09	1.51
Contribution to Provident and Other Funds	0.17	0.09
Commission Payable	2.06	1.25
Approximate money value of perquisites and benefits	0.50	0.59
Total	4.82	3.44

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

Profit Before Tax as per Profit and Loss Account		207.83
Add: Directors Remuneration paid/provided	4.82	
Loss on sale of Fixed Assets	0.63	5.45
		213.28
Less: Profit on Sale of Investments	5.36	5.36
Net Profit in accordance with Section 198(1)/349		207.92
Maximum remuneration payable, subject to the overall ceiling of sections 198 and 309		
To the Managing Director @ 5% of Profit computed above		10.40

13. The reconciliation of Deferred Revenue Expenditure as on 31st December 2003 is as follows :

	<i>Amount (Rs. in million)</i>
Opening Balance as on 1st April 2003	3.39
Additions during the period	7.50
	10.89
Amortization during the period	3.88
Balance as on 31st December 2003	7.01

14. Quantitative Details

(a) The main activity of the Company is IT Enabled Services and related software services. The production and sale of such services cannot be expressed in any generic unit. Hence, It is not possible to give the quantitative details of sales and certain information as required under paragraphs 3 and 4d of part II of Schedule VI to the Companies Act, 1956.

(b) Traded Goods:

Particulars	Opening Stock		Purchases	
	Qty (No.s)	Value (Rs in million)	Qty (No.s)	Value (Rs in million)
IT Products	—	—	64	37.35
Automatic Data Capturing	78203	7.20	—	—
Networking	1186	0.50	—	—
Total	*79389	7.70	64	37.35
Previous Year (31.03.2003)	—	—	79438	8.45



Particulars	Sales		Closing Stock	
	Qty (No.s)	Value (Rs in million)	Qty(No.s)	Value (Rs in million)
IT Products	–	–	64	3.73
Automatic Data Capturing	–	–	–	–
Networking	–	–	–	–
Total	–	–	64	3.73
Previous Year (31.03.2003)	49	0.88	79389	7.70

* The Company has capitalized opening stock of Rs. 7.70 million during the period.

15. In the opinion of the board, 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.
16. The Company has not provided for diminution in the market value of long term quoted investments as the decline in market value is considered temporary and these are held as strategic investments.
17. The convertible loan of US \$ 600,000 given to Saztec International Inc continues to bear a Variable interest rate of 2 % above the prime rate.
18. Loans and Advances to Subsidiaries given in Schedule J consists of follows :

	Amounts (Rs. in million)	
	31.12.2003	31.12.2002
Loans & Advances to Wholly Owned Subsidiary Companies		
Convertible Loan to Saztec International Inc	31.51	31.63
Loan to Datamatics Technologies GmbH	9.18	–
Advance to Datamatics Infosolutions Ltd	12.91	–
Advance to Datamatics Technologies Inc	–	0.04
	53.60	31.67

19. The Company has entered into operating lease arrangements on the 5 years basis with SEEPZ Authorities for leasing facilities in SEEPZ . The future minimum lease payments in respect of such non-cancelable operating leases are summarized below :

	Amount Rs. in million	
	December 31,2003	December 31,2002
Amount due within one year from the Balance Sheet date	1.12	1.12
Amount due in the period between one year and five years	2.81	3.71
Amount due later than five years	–	0.21

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

	Amount Rs. in million	
	December 31,2003	December 31,2002
Lease Rent	0.86	1.12

20. In the absence of declarations from sundry creditors with regard to their status as Small Scale Industrial Undertakings, it is not possible to determine the amount, if any, payable to sundry creditors falling within the meaning of Small Scale Industrial Undertaking.



21. Prior period comparative :

Previous period figures have been appropriately reclassified to conform to the current period's presentations

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

As per our Report of even date

for and on behalf of the Board

for Kanu Doshi Associates

Chartered Accountants

Dr. Lalit S. Kanodia-Chairman

Jayesh Parmar
Partner
Mem. No. 45375

Kumar Gidwani
General Legal Counsel
& Company Secretary

Mr. Manish Modi-
Managing Director & CEO

Mumbai,

Date : January 29, 2004

Details of Corporate Guarantee given by the Company for the nine months ended December 2003 is as under:

(Rs. In million)

Sr. No.	Name of the beneficiary	Amount	Purpose
1.	Saztec International Inc., USA	18.22	Guarantee to Bank of India for Saztec's Working Capital Finance
2.	CorPay Solutions Inc., USA	9.11	Guarantee to Bank of India for CorPay's Working Capital Finance

Outstanding forward contracts as at December 31, 2003 aggregating Rs.68.38 million relate to six transactions of sale of US Dollars in the forward foreign exchange market at various dates ranging from January 2004 to March 2004.

Outstanding receivables from related parties amounting to Rs. 381.38 million for the period ended December 2003 comprise of debtors of Rs. 110.31 million, loans and advances of Rs. 56.12 million (of which loan to Saztec of Rs. 32.19 million was given in October 2001 and remains outstanding as per the agreed terms) and outstanding notes of CorPay of Rs. 214.29 million (which was purchased by the Company and remains outstanding as on 31.12.03 as per the terms of the note) and interest accrued on CorPay's note of Rs. 0.66 million. Debtors range from three to six months of outstanding sales.

Details of Related Party disclosures - outstanding receivables:

An interest free housing loan was given to Mr. Manish Modi. The outstanding is Rs. 5.30 million as on December 2003.



**UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED,
UNDER INDIAN GAAP (INCLUDING SUBSIDIARIES) FOR THE YEARS ENDED MARCH 31, 1999, 2000, 2001, 2002
AND 2003 AND NINE MONTHS ENDED DECEMBER 31, 2003**

Auditors' Report

To The Board of Directors,
Datamatics Technologies Limited,
Unit No. 117 – 120, SDF – IV,
SEEPZ, Andheri (East)
Mumbai - 400 096

Dear Sirs,

We have examined the accounts of Datamatics Technologies Limited ('the Company') for the five financial years ended March 31, 1999, 2000, 2001, 2002 and 2003 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the accounts of the Company for the nine months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Offering Memorandum being issued by the Company in connection with the public issue of 10.3 million equity shares comprising fresh issue of 8.5 million equity shares of Rs. 5 each and offer for sale of 1.8 million equity shares of Rs.5 each.

We have examined the accounts of Datamatics Infosolutions Limited ('DIL'), a subsidiary of the Company, for the three financial years ended March 31, 2001, 2002 and 2003 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the accounts of the Company for the nine months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited by us.

We have accepted the relevant accounts in respect of Datamatics Technologies, Inc. ('DTI'), a subsidiary of the Company, for the two consecutive financial years ended March 31, 2002 and 2003 and for the nine months ended, December 31, 2003 being the last date to which the accounts of DTI have been prepared and approved by its Board of Directors, audited and reported by Mahesh J. Agashiwala C.P.A., P.C., the auditors of DTI.

We have accepted the relevant accounts in respect of Datamatics Technologies GmbH ('DTGmbH') a subsidiary of the Company, for the five financial years ended March 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended, December 31, 2003 being the last date to which the accounts of DT GmbH have been prepared and approved by its Board of Directors, audited and reported by Harald Fritsch, the auditors of DTGmbH.

We have accepted the relevant accounts in respect of CorPay Solutions, Inc. ('CorPay'), a subsidiary of the Company, for the four financial years ended on March 31, 2000, 2001, 2002 and 2003 being the last date to which the accounts of the CorPay have been made up and audited and reported by Ernst & Young LLP, the former auditors of CorPay. We have also accepted the accounts of CorPay for the nine months ended December 31, 2003 prepared and approved by its Board of Directors and audited and reported by Mahesh J. Agashiwala C.P.A., P.C., the present auditors of CorPay.

We have also accepted the relevant accounts in respect of Saztec International, Inc. ('Saztec'), a subsidiary of the Company, for the five financial years ended on June 30, 1999, 2000, 2001, 2002 and 2003 being the last date to which the accounts of Saztec have been made up and audited and reported by Grant Thornton LLP, the former auditors of Saztec. We have also accepted the accounts of Saztec for the six months ended December 31, 2003 prepared and approved by its Board of Directors and audited and reported by Mahesh J. Agashiwala C.P.A., P.C., the present auditors of Saztec.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (SEBI Guidelines) and our terms of reference with the Company dated 2nd January, 2004 requesting us to make this report for the purpose of the Offering Memorandum as aforesaid, we report that:



- (a) The restated profits of the Company for the financial years ended March 31, 1999, 2000, 2001, 2002 and 2003, and nine months ended December 31, 2003, are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.
- (b) The restated Assets and Liabilities of the Company as at March 31, 1999, 2000, 2001, 2002 and 2003, and December 31, 2003, are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.
- (c) The rates of dividends paid by the Company in respect of the financial years ended March 31, 1999, 2000, 2001, 2002 and 2003, and nine months ended December 31, 2003 are as shown in Annexure V to this report.
- (d) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offering Memorandum:
 - (i) Details of Secured loans as appearing in Annexure VI to this report.
 - (ii) Details of Unsecured loans as appearing in Annexure VII to this report.
 - (iii) Details of Sundry Debtors as appearing in Annexure VIII to this report.
 - (iv) Details of Loans and Advances as appearing in Annexure IX to this report.
 - (v) Details of Other Income as appearing in Annexure X to this report.
 - (vi) Details of Investments as appearing in Annexure XI to this report.
 - (vii) Details of Contingent Liabilities as appearing in Annexure XII to this report.
 - (viii) Accounting ratios as appearing in Annexure XIII to this report.
 - (ix) Capitalization statement as at December 31, 2003 as appearing in Annexure XIV to this report.
 - (x) Statement of Tax Shelters as appearing in Annexure XV to this report.

In our opinion the above financial information of the Company read with significant accounting policies attached in Annexure III to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

- (e) In accordance with para 6.18.3 of the SEBI Guidelines, also attached are restated summary financial statements of Company's subsidiaries in Annexures XVI, XVII, XVIII, XIX and XX to this report. The summary financial statements of the Company's subsidiaries have not been consolidated into the Company's financial statements.

During the year 2000-01, Datamatics Infosolutions Limited became a 90% subsidiary of the Company. Subsequently, DIL became a wholly owned subsidiary of the Company in the year 2002-03. We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of DIL for the three consecutive financial years ended March 31, 2001, 2002 and 2003 and for the nine months ended, December 31, 2003 which have been compiled and reclassified as per the Parent Company's format by the management. The restated summary financial statements of DIL read with significant accounting policies are attached in Annexure XVI to this report.

Datamatics Technologies, Inc. was incorporated under the laws of the state of New Hampshire on June 13, 2001. DTI is a wholly owned subsidiary of the Company. We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of DTI for the two consecutive financial years ended March 31, 2002 and 2003 and for the nine months ended, December 31, 2003 which have been compiled and reclassified as per the Parent Company's format by the management. The restated summary financial statements of DTI read with significant accounting policies are attached in Annexure XVII to this report.

On October 4, 2002, Datamatics Technologies GmbH became a wholly owned subsidiary of Datamatics Technologies Limited. We have accepted the relevant summary financial statements read with significant accounting policies in respect of DTGmbH for the five financial years ended March 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended, December 31, 2003 which have been compiled and reclassified as per the Parent Company's format by the management. The restated summary



financial statements of DTGmbH read with significant accounting policies are attached in Annexure XVIII to this report.

CorPay Solutions, Inc., incorporated under the laws of the state of Delaware on March 9, 1999, was acquired by the Company on September 27, 2003 as a wholly owned subsidiary. We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of CorPay for the four financial years ended on March 31, 2000, 2001, 2002 and 2003 and for the nine months ended December 31, 2003 which have been compiled and reclassified as per the Parent Company's format by the management. The restated summary financial statements of CorPay read with significant accounting policies are attached in Annexure XIX to this report.

The Company was holding 46.75% stake in Saztec International, Inc., a Company incorporated under the laws of the state of California. On November 27, 2003, Saztec became a wholly owned subsidiary of the Company. We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of Saztec for the five financial years ended on June 30, 1999, 2000, 2001, 2002 and 2003 and for the six months ended December 31, 2003 which have been compiled and reclassified as per the Parent Company's format by the management. The restated summary financial statements of Saztec read with significant accounting policies are attached in Annexure XX to this report.

This report is intended solely for your information and for inclusion in the Offering Memorandum in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

Yours faithfully

for **KANU DOSHI ASSOCIATES**

Chartered Accountants

JAYESH PARMAR

Partner

Membership No. 45375

Place: Mumbai

Date: January 29, 2004



DATAMATICS TECHNOLOGIES LIMITED
STATEMENT OF PROFITS AND LOSSES, AS RESTATED

Annexure I

For the Years / 9 Months ended

	March 31 1999	March 31 2000	March 31 2001	March 31 2002	March 31 2003	Dec 31, 2003
<i>(Rs. in million)</i>						
A. Income						
Services:						
Export	164.31	256.17	289.38	405.55	522.91	425.06
Domestic	-	-	-	1.05	0.85	0.42
Sales:						
Of products traded in by the company	-	-	-	-	0.88	-
Total	164.31	256.17	289.38	406.60	524.64	425.48
Other Income	5.25	17.81	8.07	19.38	4.37	25.87
Increase / (Decrease) in Traded goods stock	-	-	-	-	7.69	3.73
	169.56	273.98	297.45	425.98	536.70	455.08
B. Expenditure						
Purchase of IT Products and Licenses	-	-	-	-	8.45	3.74
Employee Cost	27.28	56.35	73.24	94.22	126.78	111.33
Other Operational Expenses	41.78	64.18	81.20	116.90	139.06	73.91
Administration and Other Overheads	29.94	32.67	38.43	55.19	59.72	37.03
Interest	1.28	4.52	8.66	11.53	11.73	4.61
Depreciation	3.58	7.27	11.25	13.31	14.84	12.19
Miscellaneous Expenditure written off	0.08	0.13	0.75	2.71	3.42	4.44
	103.94	165.12	213.53	293.86	364.00	247.25
C. Net Profit before tax and extraordinary items	65.62	108.86	83.92	132.12	172.70	207.83
D. Taxation: Current Year tax	1.87	6.24	1.70	3.31	8.90	3.15
Deferred tax	1.49	4.24	5.19	4.52	2.36	0.91
Net Profit before Extraordinary Items	62.26	98.38	77.03	124.29	161.44	203.77
E. Extra-ordinary items (net of tax)	-	-	-	-	-	-
F. Net Profit after Extraordinary Items (PAT)	62.26	98.38	77.03	124.29	161.44	203.77
Balance brought forward	62.70	146.89	196.94	272.64	359.46	503.67
Add: Securities Premium received during the year	22.70	75.64	41.99	-	-	133.07
Less: Share issue expenses written off against Share Premium	-	-	-	-	-	(4.22)
Less: Capitalised by issue of bonus shares	-	(114.40)	-	-	-	-
Add: Capital Reserve	3.45	-	-	-	0.08	-
Less: Paid on redemption of preference shares	-	-	(23.34)	-	-	-
APPROPRIATIONS:						
Dividend: on Preference Shares	0.63	4.12	2.71	3.30	-	-
Dividend: on Equity Shares	3.22	4.50	15.27	30.69	15.34	-
Corporate Dividend Tax	0.39	0.95	2.01	3.47	1.97	-
Balance Carried Forward to Balance Sheet	146.89	196.94	272.64	359.46	503.67	836.28

The accompanying Significant Accounting Policies (Annexure III) and Notes to the Accounts (Annexure IV) form an integral part of this statement.



DATAMATICS TECHNOLOGIES LIMITED

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

Annexure II

	As at					
	March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	Dec 31, 2003
	(Rs. in million)					
A. Assets :						
Fixed Assets						
Gross Block	48.95	201.98	224.79	271.52	279.58	298.65
Less : Depreciation	(11.37)	(18.39)	(29.64)	(42.96)	(57.18)	(67.10)
Net Block	37.58	183.59	195.15	228.56	222.40	231.55
Less : Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve	37.58	183.59	195.15	228.56	222.40	231.55
Capital Work in Progress	0.59	4.37	32.07	-	1.14	-
	38.17	187.96	227.22	228.56	223.54	231.55
B. Investments	10.45	10.05	141.53	193.59	202.83	433.34
C. Current Assets, Loans & Advances :						
Stock in Trade	-	-	-	-	7.69	3.73
Sundry Debtors	69.63	126.52	139.56	150.65	148.08	150.96
Cash and Bank Balances	122.63	136.97	62.64	15.23	30.83	66.72
Interest Accrued on Investments	-	-	0.66	-	-	-
Other Current Assets	0.01	0.05	-	38.09	106.56	169.27
Loans and Advances	9.62	35.67	61.94	69.68	69.31	96.51
	201.89	299.21	264.14	273.65	362.47	487.85
D. Liabilities and Provisions :						
Secured Loans	12.30	76.90	109.43	133.24	61.04	99.35
Unsecured Loans	15.93	10.91	-	0.50	-	-
Current Liabilities	15.00	25.06	35.01	30.38	31.54	34.03
Proposed Dividend	3.54	4.99	16.83	-	17.31	-
Provision for Taxation	16.30	21.52	11.02	12.93	12.35	15.36
Deferred Tax Liability	1.49	5.73	10.92	15.44	17.80	18.71
	64.56	145.11	183.21	192.49	140.04	167.45
Net worth	185.95	352.11	449.68	503.31	648.80	985.29
E. Represented by						
1) Share Capital : Equity	32.20	152.20	153.44	153.44	153.44	153.45
Preference	7.50	7.78	30.00	-	-	6.92
2) Reserves	146.87	196.94	272.63	359.47	503.67	836.29
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves (Net of Revaluation Reserves)	146.87	196.94	272.63	359.47	503.67	836.29
Less : Miscellaneous Expenditure (to the extent not written off)	0.62	4.81	6.41	9.60	8.31	11.37
Net worth	185.95	352.11	449.68	503.31	648.80	985.29

The accompanying Significant Accounting Policies (Annexure III) and Notes to the Accounts (Annexure IV) form an integral part of this statement.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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 aspect 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. The Company has adopted AS-25 "Interim Financial Reporting" which comes into effect in respect of accounting periods commencing on or after April 1, 2002 and has presented a complete set of financial statements as stipulated in AS-25.

2. 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 are known /materialised.

3. Revenue Recognition:

Revenue from the Software development/services on the time and material basis is recognised based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognised on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients.

Revenue/Income from sale of traded goods is recognised on dispatch of goods. Sales are exclusive of Sales Tax.

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.

4. Valuation of Fixed Assets:

Fixed Assets are valued at cost, after reducing accumulated depreciation until the date of the Balance Sheet. Direct Costs are capitalized until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

5. Depreciation:

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.

6. Inventories:

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

7. Investments:

a. Investments in Subsidiary companies:

Investments in Subsidiary Companies are valued at cost. The dividends if any declared by such subsidiaries are recognized 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.

b. Other Investments:

Investments are valued at cost inclusive of all expenses incidental to their acquisition. Long Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments. Overseas Investments are carried out at their original rupee cost.



8. Employee Retirement Benefits:

Company's contribution to Provident Fund is charged to Profit and Loss account on accrual basis. Gratuity and Leave Encashment benefit at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

9. Leave Travel Allowances:

Encashment of Leave Travel Allowances is accounted on cash basis.

10. 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 period in which it arises.

11. Export Benefits:

Export Benefits are accounted for on realization basis.

12. Lease Rent Transactions:

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

13. 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.

These units enjoy a tax holiday for a period of ten consecutive years beginning with the year in which the unit has begun to manufacture or produce. The tax holidays for each of these units expires at various times from March 31, 2005 to March 31, 2009

Temporary differences between the tax basis and carrying values of Assets and Liabilities as on December 31, 2003 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.

14. Preliminary Expenses:

Preliminary Expenses are amortized over a period of 10 years.

15. Deferred Revenue Expenditure :

The Company follows the policy of treating expenditure including purchase of software, the benefit of which accrue to the Company over an extended period, as deferred expenditure and amortizes such expenditure over the period of 3 years for which the Company expects the benefits to accrue over such period.

16. Borrowing Cost :

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

17. 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.



DATAMATICS TECHNOLOGIES LIMITED

Annexure IV

NOTES TO THE ACCOUNTS

1. The Company had a subsidiary by the name of Datamatics Softworld Private Limited (DSPL) during the financial year 1997-98. The Board of Directors and shareholders resolved to merge DSPL into the Company, which the Mumbai High Court subsequently sanctioned with effect from 1st April, 1998. Accordingly, the financial information for the financial year 1998-99 has been prepared by showing Datamatics Technologies Limited as a Merged entity by consolidating the accounts of DSPL into those of the Company.

For the Financial year 1998-99, Consolidated Financial Statements for the Company are prepared as per Accounting Standard 14 (AS-14) on the basis of the Mumbai High Court Order dated 19th August, 1999 for amalgamation of Datamatics Softworld Private Limited (100% subsidiary of DTL) with DTL with effect from 1st April, 1998.

Following item of Revenue relating to inter-company transactions between DTL and DSPL is eliminated from the consolidated financial statements:

Interest Income from DSPL to DTL Rs. 0.08 million reduced from both Expenses and Income.

DSPL Capital of Rs.5.30 million and DTL Investment of Rs.1.85 million in shares of DSPL are adjusted as under:

DSPL Share Capital	Rs.5.30 million
Less : DTL Investment	Rs.1.85 million
Treated as Capital Reserve in Consolidated Accounts	Rs.3.45 million

2. During the year 1998-99, the Company sold all the Equity shares of Datamatics Direct Marketing Pvt. Limited As a result of this, it no longer remains a subsidiary company.
3. (a) During the year 1998-99, the Company issued 750,000 Redeemable preference Shares of Rs.10 each at a premium of Rs.30 per share.
(b) During the year 1999-2000, the Company issued 28,125 Redeemable preference Shares of Rs.10 each at a premium of Rs.30 per share.
Preference shares were redeemable at a premium of Rs.30/- per share within the overall redemption period of 36 months from the date of allotment, with put and call option after 18 months.
4. The Company passed a resolution in the Extraordinary General Meeting held on December 27, 1999 to split the shares and thereby to subdivide the face value of equity shares from Rs.10/- each to face value of Rs.5/- each.
5. During the year 2000-2001, the Company redeemed 778,125 Redeemable preference Shares of Rs.10 each out of its profits. As required under proviso (d) to Section 80 (1) of the Companies Act, 1956, an amount of Rs.7.78 millions equivalent to the nominal value of such shares has been transferred from General Reserve to Capital Redemption Reserve.
6. During the year 2000-2001, the Company issued 3,000,000 11% Redeemable Cumulative Preference Shares of Rs.10 each at par.
7. During the year 2001-2002, the Company redeemed 3,000,000 Redeemable Cumulative Preference Shares of Rs.10 each out of its profits. As required under proviso (d) to Section 80 (1) of the Companies Act, 1956, an amount of Rs.30 million equivalent to the nominal value of such shares has been transferred from General Reserve to Capital Redemption Reserve.
8. During the year 2001-2002, the Company incorporated a wholly owned subsidiary Datamatics Technologies Inc, in USA and subscribed to 50 no par value Common Stock at USD 1,000 each amounting to USD 50,000.

The Company also gave an unsecured convertible loan of USD 100,000 (Rs.4.83 million) to Datamatics Technologies Inc, USA for one year at variable interest rate of 2% above the Prime Rate with the option to convert the loan together with interest accrued into Stock at a conversion price of USD 1,000 per stock on or before the maturity date.



During the year 2002-2003, interest of Rs.0.20 million has accrued to the Company up to November 2, 2002, the date of conversion of the abovementioned loan. The Company was allotted 105 no par value common stock of USD 1,000 each on conversion of the loan together with the interest accrued and due up to the date of conversion.

With the above allotment, the Company's investment in Datamatics Technologies Inc, USA has increased from 50 to 155 no par value common stock.

9. During the year 2000-2001, the Company had increased its investment in Saztec International Inc, USA a NASDAQ listed company from 200,000 no par value common stock to 2,218,174 no par value common stock. In 2001-2002, the Company subscribed to additional 310,000 common stock of Saztec International Inc, USA.

During the year 2000-2001, the Company had also given Unsecured Convertible Loan of Rs.26.93 million (USD 550,000) to Saztec International Inc for one year at variable interest rate of 2% above the Prime Rate with the option to convert the loan together with interest accrued into Stock at a conversion price of USD 0.36 per stock. In 2001-2002, the Company was allotted 839,668 no par value common stock on part conversion of convertible loan of USD 250,000 with interest amounting to USD 52,281. The Company has renewed balance Unsecured Convertible Loan of USD 300,000 (Rs 14.50 millions) and also given further Unsecured Convertible Loan of USD 300,000 (Rs.14.50 millions) to Saztec International Inc for two years at variable interest rate of 2% above the Prime Rate with the option to convert the loan together with interest accrued into Stock at a conversion price of USD 0.20 per stock on or before the maturity date.

During the year 2002-2003, the Company's investment in Saztec International Inc. has remained unchanged at 3,367,482 no par value common stock.

Interest of Rs.2.04 millions accrued to the Company on the outstanding Convertible loan of USD 600,000.

With the approval of its Board of Directors, Saztec International Inc. filed Form No. 15 on November 6, 2002 with the Securities and Exchange Commission (SEC) for termination of registration of the its Common Stock from the OTC Bulletin Board, under the Securities Exchange Act of 1934 as amended. Accordingly, the stock of the Saztec International Inc. was delisted.

The company has acquired the balance 53.25% shareholding of Saztec International Inc. on November 27, 2003. Hence it has become wholly owned subsidiary.

The convertible loan of US \$ 600,000 given to Saztec International Inc continues to bear a Variable interest rate of 2 % above the prime rate with the option to convert the loan along with interest accrued into Stock at a conversion price of USD 0.20 per stock on or before the maturity date.

10. During the year 2002-2003, the Company has purchased all 1,540 ordinary shares of nominal value of Euro 50 each of Datamatics Technologies GmbH, an existing company registered under the laws of Germany, for a total consideration of Euro 77,000. Thereby, Datamatics Technologies GmbH has become a wholly owned subsidiary of Datamatics Technologies Limited.
11. During the year 2002-03, the Company has acquired 50,000 equity shares @ Rs.10 each of Datamatics Infosolutions Limited. Thereby, it has become a wholly owned subsidiary of Datamatics Technologies Limited.
12. During the year 2002-03, the Company has acquired on a going concern basis, two divisions viz. Networking and Automatic Data Capturing of Datamatics Information Technology Limited, a company in which the Directors are interested as Directors, at a total consideration of Rs.10.10 million along with all Assets and Liabilities. The net assets in excess of consideration are Rs.0.08 which has been credited to capital reserve.
13. During the year 2002-03, the Company has retired from the partnership firm Datascan Services.
In June 2003, the Company acquired 100,000 equity shares of Rs. 10 each which comprised 100% of equity of Knowledgeworks Global Limited for a temporary period of eleven days which was subsequently diluted to 20% of equity on allotment of 400,000 equity shares of Rs. 10 each to Cadmus Knowledgeworks International Limited.
14. On September 27, 2003, the Company has purchased all 20 million Common Stock of US\$ 0.001 par value of CorPay Solutions, Inc., an existing Company registered under the laws of the State of Delaware along with note for total



consideration of US\$ 4,703,615. Hence CorPay Solutions, Inc. has become a wholly owned subsidiary of Datamatics Technologies Limited.

15. On November 13, 2003, the Company has allotted 2000 equity shares of Rs.5 each at a premium of Rs.96 and 1,384,137 redeemable optionally convertible preference shares of Rs.5 each at a premium of Rs.96. The preference shares are convertible into equity shares at the option of the investors as per Subscription and Shareholders Agreement.
16. During the period ended December 31, 2003, Share Premium A/c has been utilized to write off expenditure aggregating to Rs.4.22 million incurred in relation to issue of shares during the year 2003.



DATAMATICS TECHNOLOGIES LIMITED

Statement of Dividend paid by the company for the last 5 years/ 9 months period

Class of Shares	Face value	Year Ended March 1999	Year Ended March 2000	Year Ended March 2001	Year Ended March 2002	Year Ended March 2003	Period Ended December 2003
Equity Shares							
Interim	Rs. 5/-*	10%	5%	10%	20%	—	—
Final			—	—	—	—	10%
Preference Shares	Rs. 10/-	# 53%	# 53%	53%	***11%	—	—
				**11%			

Note :

* In the financial year 1999-2000, the Company has split the shares and thereby subdivided the face value of equity shares from the face value of Rs.10/- each to face value of Rs. 5/- each.

In the financial year 1998-1999, the Company issued 7,50,000 fully paid 53% Redeemable Preference Shares of Rs.10 each and in the financial year 1999-2000, 28125 fully paid 53% Redeemable Preference Shares of Rs.10 each were issued.

** In the financial year 2000-01, the Company issued 30,00,000 ,11% Redeemable Preference Shares of Rs.10/- each.

*** In the financial year 2000-2001, the Company redeemed 7,78,125 Redeemable Preference Shares of Rs. 10 each.



Annexure VI

DATAMATICS TECHNOLOGIES LIMITED

DETAILS OF LOANS

Secured Loans

(Rs. in Million)

AS AT	31-Mar-99	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Dec-03
Term Loan						
- EXIM Bank	—	70.00	80.00	60.00	40.00	30.00
- Bank of India	5.51	—	—	—	—	—
Long Term Working Capital Loan						
- EXIM Bank	—	—	—	40.00	—	—
Packing Credit Facility						
- State Bank of India	4.25	5.87	26.62	31.24	17.71	69.35
- Bank of India	2.02	—	—	—	—	—
Cash Credit Accounts	—	—	2.32	1.91	3.33	—
Hire Purchase	0.52	1.03	0.49	0.09	—	—
	12.30	76.90	109.43	133.24	61.04	99.35

- 1 Term Loan from EXIM Bank is secured by first charge on all immovable fixed assets, both present and future of the Company, and hypothecation over all movable assets of the Company both present and future, ranking pari-passu with State Bank of India and also covered by unconditional and irrevocable personal guarantee of a Director.
- 2 Term Loan from Bank of India are secured by hypothecation of the Companies entire stores, Receivables, Plant & Machinery, Furniture & Fixtures and Other Current Assets and also covered by the Personal Guarantee of Director Dr. Lalit .S. Kanodia.
- 3 Long Term Working Capital Term Loan from EXIM Bank is secured by hypothecation over all the movable fixed assets both present and future of the Company, ranking pari-passu with State Bank of India, and it is also covered by unconditional and irrevocable personal guarantee of a Director Dr.Lalit S Kanodia.
- 4 Packing Credit from State Bank of India is secured by hypothecation of the Company's movable assets, both present and future, ranking pari passu with EXIM Bank and second charge on immovable assets of the Company, both present and future, and also covered by unconditional irrevocable personal guarantee of a Director.
- 5 Packing Credit from Bank of India are secured by hypothecation of the Company's entire stores, Receivables, Plant & Machinery, Furniture & Fixtures and Other Current Assets and also covered by the Personal Guarantee of a Director Dr. Lalit S. Kanodia.
- 6 Cash Credit Accounts from Banks are secured by lien on Fixed Deposit Receipts.
- 7 Hire Purchase Loan is secured against hypothecation of respective assets.
- 8 Interest on loan was payable in the range of 9% to 17% , 9% to 16.5%,9% to 16.5%,7.5% to 16.5% , 8% to 14.25% and 8% to 9.5% for the year/period ended 31st March 1999, 31st March 2000,31st March 2001, 31st March 2002 , 31st March 2003 and 31st December 2003.
- 9 Interest on Term loan from EXIM bank is payable 6 monthly on 20th June and 20th December every year Principal is repayable in 6 monthly installments of 1 Crore each payable on 30th September and 31st March.



DETAILS OF LOANS

DATAMATICS TECHNOLOGIES LIMITED

Unsecured Loans

Annexure VII

	(Rs. in million)					
AS AT	31-Mar-99	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Dec-03
PROMOTERS	3.46	0.25	—	0.50	—	—
GROUP COMPANIES	10.00	—	—	—	—	—
OTHERS-						
- EMPLOYEES	1.38	—	—	—	—	—
- OTHERS	0.10	—	—	—	—	—
- PUBLIC DEPOSIT	0.99	10.65	—	—	—	—
INTEREST ACCRUED & DUE ON	—	—	—	—		
FIXED DEPOSIT	0.00	0.01	—	—	—	—
	15.93	10.91	—	0.50	—	—

Notes:

Interest on loan was payable in the range of 12 to 21% for the year ended 31st March 99, 12 to 18% for the year ended 31st March 2000 and 14% for the year ended 31st March 2002.



ANNEXURE- VIII

DATAMATICS TECHNOLOGIES LIMITED

Total (Rs. in million)

Debts outstanding for a period exceeding six months	Summary of Debtors as at					
	March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	Dec 31, 2003
considered good	13.78	14.97	37.85	29.62	9.50	29.89
considered doubtful	3.22	1.90	1.90	8.18	7.08	7.30
Others debts						
considered good	55.85	111.55	101.71	121.03	138.58	121.07
considered doubtful	—	—	—	—	—	—
	72.85	128.42	141.46	158.83	155.16	158.26
Less : Provision for Doubtful Debts	3.22	1.90	1.90	8.18	7.08	7.30
Total	69.63	126.52	139.56	150.65	148.08	150.96

The above includes the following debts due from Related Parties

DEBTORS O/S AS ON	March 31, 1999			March 31, 2000		
	Less than six months	More than six months	Total (Rs.)	Less than six months	More than six months	Total (Rs.)
1. DATAMATICS GMBH	—	—	—	—	—	—
2. DTI	—	—	—	—	—	—
3. DITL	—	—	—	—	—	—
4. SAZTEC	4.98	—	4.98	7.62	—	7.62
GRAND TOTAL	4.98	—	4.98	7.62	—	7.62
LESS:PROV.FOR DOUBTFUL DEBTS				—	—	—
TOTAL	4.98	—	4.98	7.62	—	7.62

DEBTORS O/S AS ON	March 31, 2001			March 31, 2002		
	Less than six months	More than six months	Total (Rs.)	Less than six months	More than six months	Total (Rs.)
1. DATAMATICS GMBH	—	—	—	—	—	—
2. DTI	—	—	—	8.86	—	8.86
3. DITL	—	—	—	—	—	—
4. SAZTEC	29.19	—	29.19	34.08	1.68	35.76
GRAND TOTAL	29.19	—	29.19	42.94	1.68	44.62
LESS:PROV.FOR DOUBTFUL DEBTS						
TOTAL	29.19	—	29.19	42.94	1.68	44.62


DEBTORS O/S AS ON

	March 31, 2003			December 31, 2003		
	Less than six months	More than six months	Total (Rs.)	Less than six months	More than six months	Total (Rs.)
1. DATAMATICS GMBH	8.19	–	8.19	–	–	–
2. DTI	35.10	–	35.10	53.95	2.81	56.76
3. DITL	–	0.06	0.06	–	0.06	0.06
4. SAZTEC	41.23	0.15	41.38	40.35	13.20	53.55
GRAND TOTAL	84.52	0.21	84.73	94.30	16.07	110.37
LESS:PROV.FOR DOUBTFUL DEBTS				–	–	–
TOTAL	84.52	0.21	84.73	94.30	16.07	110.37

Note :

1. The above are as per the audited financial statements for the respective years/period mentioned above
2. Related parties are being identified by the management and relied upon by the auditors.



ANNEXURE-IX

DATAMATICS TECHNOLOGIES LIMITED

Summary of Loans and Advances as at

	March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	December 31, 2003
Advances recoverable in cash or kind or for value to be received	3.25	13.25	37.69	45.81	42.85	74.44
Advance payments of Income Tax	5.44	9.88	11.14	12.36	11.30	12.15
Security/Other Deposits	0.69	0.54	1.77	1.81	8.05	2.15
Employee Loans & Advances	0.34	12.10	11.44	9.70	8.09	7.77
	9.72	35.77	62.04	69.68	70.29	96.51
Less : Provision for Bad & Doubtful Advances	0.10	0.10	0.10	-	0.98	-
Total	9.62	35.67	61.94	69.68	69.31	96.51

The above includes the following Loans & advances to the Related Parties

Advances recoverable in cash or kind or for value to be received

Datamatics Limited	0.06	-	3.89	2.79	1.63	1.50
Datamatics Direct Mktg. Pvt. Limited	0.27	-	-	-	-	-
Datamatics Technosoft Ltd	0.03	0.23	-	-	-	-
Datamatics Staffing Services	-	0.02	-	-	-	0.59
Datamatics Infosolutions Limited	-	-	2.62	0.17	1.44	13.15
Saztec International Inc	-	-	27.16	29.99	31.44	32.19
Datamatics Information Technology Limited	-	-	2.75	-	0.89	0.17
Vidur Bhogilal	-	-	0.19	0.19	0.10	-
Datamatics Technologies Inc.	-	-	-	4.96	0.29	1.60
Datamatics Financial & Software Services Limited	-	-	-	-	0.06	0.06
Datamatics GMBH	-	-	-	-	-	9.18
Datamatics Global Services Limited	-	-	-	-	-	0.00
Datamatics Consultants Limited	-	-	-	-	-	2.12
Knowledgeworks Global Limited	-	-	-	-	-	3.85
	0.36	0.25	36.61	38.10	35.85	64.41
Employee Loans & Advances	-	10.47	8.62	8.00	7.07	5.30
- Manish Modi						
Total	0.36	10.72	45.23	46.10	42.92	69.71

Note :

1. The above are as per the audited financial statements for the respective years/period mentioned above
2. Related parties are being identified/identified by the management and relied upon by the auditors.



DATAMATICS TECHNOLOGIES LIMITED

Annexure X

STATEMENT GIVING DETAILS OF OTHER INCOME FOR THE FOLLOWING YEARS / 9 MONTHS PERIOD :

SOURCES OF INCOME	For the year ended on						NATURE OF INCOME	RELATED/NOT RELATED TO BUSINESS ACTIVITY
	March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	Nine Months ended Dec. 31, 2003		
	(Rupees in Millions)							
Interest Income	3.38	4.01	5.18	3.14	3.38	3.54	Recurring	Non Related
Dividend Income	0.00	0.01	0.50	9.23	0.52	17.78	Recurring	Non Related
Share of Profit in Partnership Firm	0.01	0.00	(0.0002)	(0.0004)	(0.00004)	–	Non Recurring	Non Related
Exchange Fluctuation (Net)	0.32	2.51	1.94	1.91	(0.26)	(2.90)	Recurring	Related
Profit on Sale of Investments (Net)	0.69	9.60	0.11	5.01	0.17	5.36	Recurring	Non Related
Sundry Balance / Excess Provisions								
Written Back	0.00	0.00	–	–	0.43	0.20	Non Recurring	Non Related
Rent Received	–	–	–	–	–	1.56	Non Recurring	Non Related
Sale of Import License	0.13	0.17	0.10	–	–	–	Non Recurring	Related
Badla Finance Charges	0.31	1.46	0.19	–	–	–	Non Recurring	Non Related
Miscellaneous Income	0.41	0.05	0.05	0.09	0.14	0.34	Non Recurring	Non Related
TOTAL OTHER INCOME	5.25	17.81	8.07	19.38	4.38	25.88		
Net Profit Before Tax as Restated	65.62	108.86	83.92	132.12	172.70	207.83		
Percentage (%)	8.01	16.36	9.62	14.67	2.54	12.45		

Note :

The classification of income into recurring and non recurring is based on the current operations and business activity of the Company.

Datamatics Technologies Limited

Annexure- XI

Summary of Investments

AS AT	(Rupees in Million)					
	March-99	March-00	March-01	March-02	March-03	Nine Months ended Dec-03
Subsidiaries/ Associates	7.17	7.16	57.56	78.70	87.94	330.55
Equity Shares	3.28	2.89	14.89	14.89	14.89	2.79
Preference Shares	–	–	40.00	100.00	100.00	100.00
Units of Mutual Funds	–	–	29.07	–	–	–
Total	10.45	10.05	141.52	193.59	202.83	433.34
Aggregate Book Value of quoted Investments	3.28	10.05	55.94	74.71	74.71	2.79
Aggregate Market value of quoted Investments	5.03	8.17	57.74	13.61	3.62	0.71
Aggregate book value of Un-quoted Investments	7.17	0.00	85.59	118.88	128.12	430.55


Datamatics Technologies Limited
Annexure- XII
Contingent Liabilities
(Rs. in million)

Sr. Particulars	As At 31-Mar-99	As At 31-Mar-00	As At 31-Mar-01	As At 31-Mar-02	As At 31-Mar-03	As At 31-Dec-03
(i) Unexpired Letter of Credit given by the Bank on behalf of the Company.	–	–	–	1.78	–	–
(ii) Outstanding Guarantees given by Banks to Government Authorities	–	–	–	–	0.01	0.02
(iii) Bank Guarantee in favour of MSEB for MSEB MIS Tender	–	–	–	–	–	0.50
(iv) Corporate Guarantees provided to Banks and Financial Institutions against Credit Facilities extended to Subsidiaries and Associate Companies	9.00	–	–	72.48	19.09	27.38
(v) Guarantees given by the Bankers to Government Authorities, Counter guaranteed by the Company.	–	2.56	0.01	0.01	–	–
(vi) Surety given under Customs Act, 1962 for Subsidiary and Associate Companies	–	–	–	25.71	25.71	30.28
(vii) Estimated Amount of Contract on Capital Account remaining to be executed and not provided for	–	30.50	8.70	–	1.79	1.05
(vii) Export Obligation - As on date there is no outstanding export obligation.						



DATAMATICS TECHNOLOGIES LIMITED

Annexure XIII

ACCOUNTING RATIOS FOR THE FOLLOWING YEARS / 9 MONTHS PERIOD ENDED

			1998-99	1999-2000	2000-2001	2001-2002	2002-2003	December 31, 2003 Pre issue
(i) PAT to Revenue	%		37.89	38.40	26.62	30.57	30.77	47.89
(ii) Basic EPS :	Pre Split	Rs.	19.12	6.16	4.81	7.86	10.52	13.28
	Post Split	Rs.	9.56	3.08	2.41	3.93	5.26	6.64
(iii) Diluted EPS :	Pre Split	Rs.	19.12	6.16	4.81	7.86	10.52	13.18
	Post Split	Rs.	9.56	3.08	2.41	3.93	5.26	6.59
(iv) Cash EPS :	Pre Split	Rs.	20.72	6.93	5.93	9.20	11.87	14.42
	Post Split	Rs.	10.36	3.46	2.97	4.60	5.93	7.21
(v) Return on Net Worth	Pre Split	%	34.50	27.24	17.60	23.97	24.88	20.83
	Post Split	%	34.50	27.24	17.60	23.97	24.88	20.83
(vi) Return on Average Net Worth	Pre Split	%	44.27	35.89	19.34	26.14	28.03	25.50
	Post Split	%	44.27	35.89	19.34	26.14	28.03	25.50
(vii) Net Asset Value per share :	Pre Split	Rs.	55.42	22.62	27.35	32.80	42.28	63.76
	Post Split	Rs.	27.71	11.31	13.68	16.40	21.14	31.88
Number of equity shares of								
Rs. 10/- each - Pre Split			3,220,000	15,220,000	15,343,500	15,343,500	15,343,500	15,344,500
Rs. 5/- each - Post Split			6,440,000	30,440,000	30,687,000	30,687,000	30,687,000	30,689,000
Weighted Average Number of								
equity shares of Rs.5/- each	Basic EPS		6,440,000	30,440,000	30,687,000	30,687,000	30,687,000	30,687,333
Post Split for calculation of	Diluted EPS		6,440,000	30,440,000	30,687,000	30,687,000	30,687,000	30,918,023

Notes :

- 1) Net Profit, as restated, as appearing in the Statement of Profits & Losses as restated, has been considered for the purpose of computing the above ratios.
- 2) On December 27, 1999, the Company's Board of Directors approved a subdivision of each equity share of Rs.10 each into two shares of Rs.5 each. Accordingly, the above ratios have been computed on Pre Split & Post Split basis.
- 3) As detailed in the financial statements for the nine months period ended December 31, 2003, the Company has issued 13,84,137 redeemable optionally convertible preference shares of Rs.5 each at a premium of Rs.96. This option has a dilutive effect on the weighted average number of equity shares outstanding during the period.



Notes To Accounting Ratios

1. Profit After Tax (%) as a percentage of Revenue has been computed by dividing Profit After Tax by Income from Operations for each financial year.
2. Earnings Per share represents earnings per share calculated on the basis of Profit After Tax less Preference Dividend and tax thereon, divided by the number of equity shares at the end of each financial year.
3. Cash Earnings per share represents Profit After Tax less Preference Dividend and tax thereon plus non-cash charges divided by the number of equity shares at the end of each financial year.
Non-cash charges comprise depreciation provided and preliminary expenses written off during each financial year.
4. Net Asset Value has been computed on the basis of Net Equity Method. (Net Worth at the end of each financial year divided by the number of equity shares at the end of each financial year.)
Net Worth is equal to Equity Share Capital and Reserves & Surplus (excluding Securities Premium on Preference Shares), as reduced by Miscellaneous Expenditure, not written off or adjusted.
5. Return on Net Worth (%) as a percentage represents Profit After Tax less Preference Dividend and tax thereon, divided by the Net Worth at the end of each financial year.
6. Return on Average Net Worth represents Profit After Tax less Preference Dividend and tax thereon, divided by the average net worth for each financial year.
Average Net Worth is the aggregate net worth as at the beginning and at the end of each financial year divided by 2.
7. The shareholders in an extra-ordinary general meeting of the Company dated 27th December, 1999 have authorised the splitting of shares in accordance with the provisions of Section 94 of the Companies Act, 1956 for sub dividing the shares into shares of face value of Rs.5/- each from Rs.10/- each. The ratios have been computed on the number of equity shares both pre-split and post-split.
8. The ratios for the financial year 2002-2003 have been computed on the basis of the proposed expanded equity also. However, as the issue price is not known, the Net Worth cannot be estimated and therefore the Net Asset Value per share, Return on Net Worth and Return on Average Net Worth cannot be computed.



DATAMATICS TECHNOLOGIES LIMITED
CAPITALISATION STATEMENT

Annexure XIV
(Rs. in million)

	Pre-Issue as at 31/12/2003	Adjusted for Present Issue
Borrowings :		
Short - Term Debt **	89.35	*** NIL
Long - Term Debt	10.00	*** NIL
Total Debt	99.35	*** NIL
Shareholders' Funds :		
Share Capital - Equity	153.45	202.87
- Redeemable Optionally Convertible	—	—
Cumulative Preference Shares	6.92	
Reserves - Securities Premium	245.64	1138.14
- Other Reserves	590.65	590.65
Total Shareholders' Funds	996.66	1931.66
Total Capitalization	1,096.01	—
Long Term Debt/Equity Ratio	0.01	NIL

Notes:

** Short Term Debts are debts maturing within the next one year from the date of the above statement.

*** We are informed by the management that part proceeds of the fresh issue will be utilized to repay the short and long term loans, accordingly, it is adjusted to NIL.



DATAMATICS TECHNOLOGIES LIMITED

TAX SHELTER STATEMENT

Annexure XV

For the Year / 9 Months ended

	March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	Dec 31, 2003
	<i>(Rupees in Million)</i>					
Net Profit as Restated Before Tax	65.62	108.86	83.92	132.12	172.70	207.83
Income Tax Rates Applicable	0.35	0.385	0.3955	0.357	0.3675	0.35875
Long Term Capital Gains Tax Rate	0.2	0.11	0.00	0.102	0	0
Tax at Notional Rate	22.86	40.23	33.19	46.47	63.47	74.56
Adjustments :						
Permanent Differences						
Tax impact in respect of units under						
Section 10A	(32.76)	(56.43)	(83.96)	(102.81)	(137.21)	(179.88)
Deductions u/s 80HHE	(24.53)	(27.59)	(0.69)	(9.79)	(5.60)	(1.78)
Expenses disallowed	0.01	0.28	0.60	0.73	0.58	2.76
Indexation difference on Long Term						
Capital Gain	0.17	0.00	0.00	0.04	0.00	0.00
Dividend exempt u/s 10(33) / 10(34)	(0.00)	(0.01)	(0.50)	(9.23)	–	(16.16)
Share of Profit of Registered Partnership						
Firm u/s 10(2A)	(0.01)	(0.000)	–	–	–	–
Total	(57.13)	(83.75)	(84.55)	(121.06)	(142.23)	(195.07)
Temporary Differences						
Difference between Tax Depreciation						
and Book Depreciation	(4.58)	(5.72)	(2.80)	(0.03)	1.96	1.01
Provision for Doubtful Debts	–	–	–	2.72	–	–
Utilization of MAT credit	(0.19)	–	–	–	–	–
Provision for Retirement Benefits	0.15	0.65	0.44	0.48	0.48	0.62
Others	1.74	0.51	7.28	(3.01)	(8.70)	(5.60)
Total	(2.87)	(4.55)	4.91	0.17	(6.26)	(3.97)
Net Adjustment	(60.01)	(88.30)	(79.63)	(120.89)	(148.48)	(199.04)
Tax Saving thereon :	(21.00)	(34.00)	(31.50)	(43.16)	(54.57)	(71.41)
Total Taxation	1.86	6.24	1.70	3.31	8.90	3.15
Taxation on extra - ordinary items	–	–	–	–	–	–
Total Tax Expenses as per the Books of Account	1.86	6.24	1.70	3.31	8.90	3.15



Datamatics Technologies Limited

Related Party Transaction as on 31st December.'03

Summary of Significant transaction with related parties (as defined by the Accounting Standard 18 “ Related Parties “ issued by the Institute of Chartered Accountant of India

A) Subsidiary Companies

Datamatics Technologies, Inc.
 Datamatics Technologies GMBH (w.e.f.4th Oct.02)
 Datamatics Infosolutions Limited (w.e.f.6th Oct.00)
 Datamatics Consultants Limited
 (w.e.f. 18th June'02 upto 18th March 03)
 Saztec International , Inc. (w.e.f 27th Nov. 03)
 CorPay Inc (w.e.f.27th Sept.03)

B) Associate Companies & joint Ventures

Datamatics Information Technology Limited
 Datamatics Limited
 Datamatics Financial & Software Services Limited
 Datamatics Staffing Services
 Datamatics Infotech, Inc.
 Datamatics Direct Marketing Limited
 Datamatics Consultants Limited (w.e.f. 19th March'03)
 Saztec International , Inc.
 Datamatics Global Services Ltd
 Knowledge Works Global Limited

C) Key Managerial Personnel

Dr. Lalit S. Kanodia
 Mr. Manish Modi

D) Relatives of Key Managerial Personnel with whom transactions have taken place

Mrs. Asha Kanodia
 Mr. Rahul Kanodia
 Mr. Sameer Kanodia
 Mrs. Anju Kanodia
 Mr. Vidur Bhogilal

(Rupees in million)

Nature of Transaction	Refer to (i) A above	Refer to (i) B above	Refer to (i) C above	Refer to (i) D above
Sales				
Technical Services	111.17	42.68		
Expenses				
Legal & Professional		0.03		
Repairs		0.01		
Software Development Chg.		1.05		
Reimbursement of Exp.		0.01		
Salaries				0.85
Managerial Remuneration			2.76	
Commission			2.06	
Sitting Fee			0.02	0.02



Income			
Interest Income	0.82	1.08	
Dividend on Pref. Shares		15.75	
Rent Income		1.56	
Loans & Advances			
Taken	5.70	15.57	
Given	12.76	5.81	
Sale of Investment	12.00		
Sale of Asset		0.03	
Purchase of Asset		0.08	
Investment in Equity Shares	17.57	1.00	
Purchase of Investment on Equity shares			0.10
Guarantees			
Financial Guarantees	27.38	—	
Performance Guarantees	22.23	8.05	
Out standings			
Payables	1.09	1.92	
Receivables	381.38	8.36	5.30
Datamatics Technologies Limited			



Related Party Transaction as on 31st March.'03

Summary of Significant transaction with related parties (as defined by the Accounting Standard 18 “ Related Parties “ issued by the Institute of Chartered Accountant of India

A) Subsidiary Companies

Datamatics Technologies Inc.
Datamatics GMBH
Datamatics Infosolutions Limited

B) Associate Companies and Joint Ventures

Datamatics Information Technologies Limited
Datamatics Limited
Datamatics Financial & Software Services Limited
Datamatics Staffing Services
Saztec International Inc.
Datamatics Global Services Limited
Datamatics Consultants Limited
Datamatics Infotech Inc

C) Key Managerial Personnel

Dr. Lalit S. Kanodia
Mr. Manish Modi

D) Relatives of Key Managerial Personnel with whom transactions have taken place.

Mr. Sameer Kanodia
Mrs. Asha Kanodia
Mr. Rahul Kanodia
Ms. Anju Kanodia
Mr. Vidur Bhogilal

(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
Sales				
Technical Services	136.26	82.50		
Expenses				
Legal & Professional Fee		0.06		
Postage		—		
Repairs		0.08		
Vendor Charges		0.52		
Link Chrges		0.72		
Courier Charges		—		
Recruitment Charges		—		
Foreign Travel		—		
Books & Magazines				
Misc. Expenses				
Managerial Remuneration			3.05	0.10
Commission			2.97	—
Sitting Fee			0.02	0.01
Training & Seminar Fee		0.14		
Professional / Technical Fee		0.56		
Storage charges		0.01		
Salaries				0.12
Interest on Fixed Deposit				0.03



Income

Interest income	0.20	2.04		
Repayment of Fixed Deposit along with Interest				0.53
Loans And Advances Taken	5.28	8.61	–	
Loans And Advances Given	3.01	2.12	0.04	
Asset Purchase		10.27		
Investment in Equity Shares	9.25	0.50		
Sale of Investments in Equity		0.50		
Gurantees Issued				
Financial gurantees		19.09		
Performance gurantees	22.23	3.48		
Outstandings				
Payables		1.90	2.97	
Receivables	45.02	75.46	7.07	0.10

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



Datamatics Technologies Limited

Related Party Transaction as on 31st March.'02

Summary of Significant transaction with related parties (as defined by the Accounting Standard 18 “ Related Parties “ issued by the Institute of Chartered Accountant of India

A) Subsidiary Companies

Datamatics Infosolutions Limited
Datamatics Technologies Inc.

B) Associate Companies and Joint Ventures

Datamatics Information Technology Limited
Datamatics Limited
Datamatics Financial & Software Services Limited
Datamatics Staffing Services
Saztec International , Inc.
Datamatics Infotech , Inc.
Datamatics Technosoft Limited
Datamatics Technosoft Limited

C) Key Managerial Personnel

Dr. Lalit S. Kanodia
Mr. Manish Modi

D) Relatives of Key Managerial Personnel with whom transactions have taken place

Mr. Sameer Kanodia
Mrs. Asha Kanodia
Mr. Rahul Kanodia
Mr. Vidur Bhogilal

Nature of transaction	Refer to (i) A above	Refer to (i) B above	Refer to (i) C above	Refer to (i) D above
Sales				
Technical Services	23.04	67.08		
Dividend Received		6.22		
Expenses				
Legal & Professional		0.09		
Postage		-		
Repairs		-		
Vendor Charges		-		
Link charges		5.92		
Courier Charges		-		
Recruitment Charges		0.43		
Foreign Travel		0.12		
Books & Magazines		0.01		
Misc. Expenses		0.19		
Managerial Remuneration			2.16	
Commission			1.34	
Sitting Fee			0.01	0.01
Income				
Interest Income	0.13	2.36		



Expenses

Interest Expense		0.06		
Loans & Advances				
Taken	—	9.04		
Given	4.97	50.46		
Purchase of Shares		78.77		
Software Purchase		0.64		
Fixed Deposit Recd.				0.50
Invetment in DTI	2.37			
Guarantees				
Financial Guarantees	22.23	78.28		
Performance Guarantees				
Outstandings				
Payables	—	2.34		0.50
Receivables	14.00	68.53	8.00	0.19



Datamatics Technologies Limited

Related Party Transaction as on 31st March.'01

Summary of Significant transaction with related parties (as defined by the Accounting Standard 18 “ Related Parties “ issued by the Institute of Chartered Accountant of India

A) Subsidiary Companies

Datamatics Infosolutions Limited

B) Associate Companies and Joint Ventures

Datamatics Information Technology Limited

Datamatics Limited

Datamatics Financial & Software Services Limited

Datamatics Staffing Services

Saztec International , Inc.

Datamatics Infotech , Inc.

Datamatics Technosoft Limited

Datascan services

C) Key Managerial Personnel

Dr. Lalit S. Kanodia

Mr. Manish Modi

D) Relatives of Key Managerial Personnel with whom transactions have taken place

Mrs. Asha Kanodia

Mr. Rahul Kanodia

Mr. Vidur Bhogilal

Nature of transaction	Refer to (i) A above	Refer to (i) B above	Refer to (i) C above	Refer to (i) D above
Sales				
Technical Services		45.28		
Expenses				
Legal & Professional				
Postage				
Repairs		0.03		
Vendor Charges				
Link charges		5.00		
Courier Charges				
Recruitment Charges		1.37		
Foreign Travel				
Books & Magazines				
Misc. Expenses				
Managerial Remuneration			1.64	
Commission			0.88	
Sitting Fee			0.01	0.01



Income

Interest Income		1.58		
-----------------	--	------	--	--

Loans & Advances

Taken	0.25	8.90		
Given	9.61	60.31	0.19	0.20
Investment in Shares	4.50	109.42		
Coverision of loans				
Software Purchase				
Investment in Debt. Sec.		-		
Capital WIP		0.36		
Office Equipment		0.45		

Guarantees

Financial Guarantees				
Performance Guarantees				

Outstandings

Payables	7.20	2.28		
Receivables	2.62	62.99	8.63	0.20



Datamatics Technologies Limited

Related Party Transaction as on 31st March.'00

Summary of Significant transaction with related parties (as defined by the Accounting Standard 18 “ Related Parties “ issued by the Institute of Chartered Accountant of India

A) Subsidiary Companies

Datamatics Softworld Pvt. Limited

B) Associate Companies and Joint Ventures

Datamatics Information Technology Limited

Datamatics Limited

Datamatics Financial & Software Services Limited

Datamatics Staffing Services

Saztec International , Inc.

Datamatics Infotech , Inc.

Datamatics Technosoft Limited

Datamatics Direct Marketing Limited

Datascan services

C) Key Managerial Personnel

Dr. Lalit Kanodia

Mr. Manish Modi

D) Relatives of Key Managerial Personnel with whom transactions have taken place

Mr. Sameer Kanodia

Mrs. Asha Kanodia

Mr. Rahul Kanodia

Vikramaditya Kanodia

Bhavana Modi

Priyadarshani Kanodia

Nature of transaction	Refer to (i) A above	Refer to (i) B above	Refer to (i) C above	Refer to (i) D above
Sales				
Technical Services		20.45		
Expenses				
Legal & Professional		0.34		
Postage				
Repairs		0.04		
Vendor Charges				
Link charges				
Courier Charges				
Recruitment Charges		0.73		
Foreign Travel				
Books & Magazines				
Misc. Expenses	—			
Managerial Remuneration			2.44	
Commission				
Board Sitting Fee			0.01	0.02
Share of Profit		0.01		
Income				
Interest Income		0.04		
Expenses				
Interest Exp.		0.45	0.27	0.45



Loans & Advances

Taken	0.23	30.12	1.68	0.75
Given	0.05	11.46	12.85	
Capital Reserve	3.45			
Sale of Assets		0.37		
Issue of Pref. Share Cap.			0.20	0.93
Issue of Equity Shares			1.92	3.20
Purchase of Asset		0.73		
Guarantees				
Financial Guarantees				
Performance Guarantees				
Outstandings				
Payables		2.63	-	0.25
Receivables		7.88	10.47	



Datamatics Technologies Limited

Related Party Transaction as on 31st March.'99

Summary of Significant transaction with related parties (as defined by the Accounting Standard 18 “ Related Parties “ issued by the Institute of Chartered Accountant of India

A) Subsidiary Companies

Datamatics Softworld Pvt Ltd

B) Associate Companies /Firms and Joint Ventures

Datamatics Information Technologies Limited

Datamatics Limited

Datamatics Financial & Software Services Limited

Datamatics Staffing Services

Saztec International Inc.

Datamatics Direct Mktg. Pvt. Limited

Sameer Microtronics Ltd

Datascan Services

C) Key Managerial Personnel

Dr. Lalit Kanodia

D) Relatives of Key Managerial Personnel with whom transactions have taken place

Mr. Sameer Kanodia

Mr. Rahul Kanodia

Ms. Priyadarshini Kanodia

Mrs. Asha Kanodia

Mr. Y. S. Kanodia

Mr. Vikramaditya Kanodia

Ms. Ameesha Kanodia

Ms. Amrita Kanodia

Nature of transaction	Refer to (i) A above	Refer to (i) B above	Refer to (i) C above	Refer to (i) D above
Sales				
Technical Services		10.13		
Expenses				
Legal & Professional				
Postage				
Repairs				
Vendor Charges				
Link charges				
Courier Charges		—		
Recruitment Charges		0.79		
Foreign Travel				
Books & Magazines				
Misc. Expenses				
Managerial Remuneration				
Commission				
Sitting Fee			0.01	0.01
Interest Expense		0.03		0.82



Income

Interest Income	0.07	0.01	
Profits in Datascan Services		0.01	
Loans & Advances			
Taken	0.01	11.75	2.20
Given	1.70	12.33	
Purchase of Shares	0.44		
Sale of shares		4.60	
Coverion of loans			
Software Purchase			
Asset Purchase		0.17	
Sale of Investments in Equity Shares		0.25	0.15
Guarantees			
Financial Guarantees	9.00		
Performance Guarantees			
Outstandings			
Payables		10.13	3.46
Receivables		5.27	—
Investments	—	—	

There have been no sales or purchases between companies in the promoter group exceeding in value in the aggregate 10% of the total sales or purchases of the Company.



Datamatics Infosolutions Limited

Annexure XVI

To The Board of Directors,
Datamatics Technologies Limited,
Unit No. 117 – 120, SDF – IV,
SEEPZ, Andheri (East)
Mumbai - 400 096

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of equity shares, we state as follows:

1. We have examined the accounts of Datamatics Infosolutions Limited ('DIL'), a subsidiary of Datamatics Technologies Limited, for the three financial years ended March 31, 2001, 2002 and 2003 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the accounts of the Company for the nine months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited by us.
2. On July 21, 2000, Datamatics Technologies Limited acquired 90% equity interest in DIL. The results of operation of DIL for the period July 21, 2000 to December 31, 2003 have been consolidated into the accounts of Datamatics Technologies Limited, for the nine months ended December 31, 2003.
3. We certify that the figures included in the annexed statement of profits and losses for the three financial years ended on March 31, 2001, 2002 and 2003 and for the nine months ended December 31, 2003, and the annexed statement of Assets and Liabilities as at the end of the respective periods, along with the significant accounting policies are prepared from the audited financial statements of DIL in accordance with the Indian GAAP. We confirm that the annexed statements include the following adjustments :
 - (i) Material amounts relating to adjustments for previous periods have been identified and adjusted in arriving at the profits / losses of the periods to which they relate irrespective of the period in which the event triggering the profit / loss occurred;
 - (ii) There were no changes in the accounting policies adopted by DIL for the three years and for the nine months ended December 31, 2003;
 - (iii) There were no qualifications in the auditors' report for the three years and for the nine months ended December 31, 2003;
 - (iv) There were no extraordinary items in the three years and for the nine months ended December 31, 2003.
4. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

Yours faithfully

for **KANU DOSHI ASSOCIATES**
Chartered Accountants

JAYESH PARMAR
Partner
Membership No. 45375
Place: Mumbai
Date: January 29, 2004


DATAMATICS INFOSOLUTIONS LIMITED
STATEMENT OF PROFITS AND LOSSES, AS RESTATED (PARENT COMPANY FORMAT)
Annexure XVI

	For the Years / 9 Months ended			
	March 31, 2001	March 31, 2002	March 31, 2003	Dec 31, 2003
	(Rs. In '000)			
A. Income				
Export of Software & Related Information				
Technology Services	—	370.20	6,803.55	4,832.50
Total	—	370.20	6,803.55	4,832.50
Other Income	—	21.73	221.85	127.61
	—	391.93	7,025.40	4,960.11
B. Expenditure				
Employee Cost	—	93.42	2,452.34	2,842.20
Other Operational Expenses	—	225.54	1,611.54	1,061.32
Administration and Other Overheads	—	406.43	2,473.30	1,521.24
Interest	—	4.91	28.23	21.00
Depreciation	—	1.46	138.11	156.60
Miscellaneous Expenditure written off	—	520.88	30.96	23.23
	—	1,252.64	6,734.48	5,625.59
C. Net Profit before tax and extraordinary items	—	(860.71)	290.92	(665.48)
D. Taxation :Current Year tax	—	—	16.00	—
Deferred tax	—	—	—	—
Net Profit before Extraordinary Items	—	(860.71)	274.92	(665.48)
E. Extra-ordinary items (net of tax)	—	—	—	—
F. Net Profit after Extraordinary Items (PAT)	—	(860.71)	274.92	(665.48)
Balance brought forward	—	—	(860.71)	(585.79)
APPROPRIATIONS :				
Dividend : on Equity Shares	—	—	—	—
Corporate Dividend Tax	—	—	—	—
Balance Carried Forward to Balance Sheet	—	(860.71)	(585.79)	(1,251.27)

The accompanying Significant Accounting Policies form an integral part of this statement.

Note :

During the year 2000-01, the Company became a 90% subsidiary of Datamatics Technologies Limited.

Subsequently, the Company became a wholly owned subsidiary of DTL in the year 2002-03.



DATAMATICS INFOSOLUTIONS LIMITED

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED (PARENT COMPANY FORMAT)

	March 31, 2001	March 31, 2002	As at March 31, 2003	Dec 31, 2003
			(Rs. In '000)	
A. Assets :				
Fixed Assets				
Gross Block	—	210.00	1,601.93	1,601.93
Less : Accumulated Depreciation	—	(1.46)	(139.57)	(296.17)
Net Block	—	208.54	1,462.36	1,305.77
Less : Revaluation Reserve	—	—	—	—
Net Block after adjustment for Revaluation Reserve	—	208.54	1,462.36	1,305.77
Capital Work in Progress	—	—	—	—
	-	208.54	1,462.36	1,305.77
B. Investments	—	—	—	12,000.00
C. Current Assets, Loans & Advances :				
Stock in Trade	—	—	—	—
Sundry Debtors	—	45.03	556.60	1,070.66
Cash and Bank Balances	56.42	311.13	136.50	1,058.54
Other Current Assets (Investment in Mutual Funds)	—	4,221.73	3,839.77	1,748.65
Loans and Advances	4,598.62	43.55	179.60	266.43
	4,655.04	4,621.44	4,712.47	4,144.28
D. Liabilities and Provisions :				
Secured Loans	—	—	—	—
Unsecured Loans	—	200.00	200.00	200.00
Current Liabilities	10.52	614.53	1,637.50	13,554.97
Proposed Dividend	—	—	—	—
Provision for Taxation : Current Year	—	—	16.00	16.00
Deferred Tax Liability	—	—	—	—
	10.52	814.53	1,853.50	13,770.97
Net worth	4,644.52	4,015.45	4,321.33	3,679.07
F. Represented by				
1) Share Capital : Equity	5,000.00	5,000.00	5,000.00	5,000.00
Preference	—	—	—	—
2) Reserves	—	(860.71)	(585.79)	(1,251.27)
Less: Revaluation Reserve	—	—	—	—
Reserves (Net of Revaluation Reserves)	—	(860.71)	(585.79)	(1,251.27)
Less : Miscellaneous Expenditure (to the extent not written off)	355.48	123.84	92.88	69.66
Net worth	4,644.52	4,015.45	4,321.33	3,679.07

The accompanying Significant Accounting Policies form an integral part of this statement.

Note :

During the year 2000-01, the Company became a 90% subsidiary of Datamatics Technologies Limited. Subsequently, the Company became a wholly owned subsidiary of DTL in the year 2002-03.



DATAMATICS INFOSOLUTIONS LIMITED**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. 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 principals in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of Assets and Liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/ materialised.

3. Revenue Recognition:

Revenue from the Software development/services on the time and material basis is recognised based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognised on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients.

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.

4. Valuation of Fixed Assets:

Fixed Assets are valued at cost, after reducing accumulated depreciation until the date of the Balance Sheet. Direct Costs are capitalized until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

5. Depreciation:

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 costing less than Rs 5,000/- each are depreciated in full in the year of purchase.

6. Investments:

Investments are valued at cost inclusive of all expenses incidental to their acquisition. Long Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments.

7. Employee Retirement Benefits:

Company's contribution to Provident Fund is charged to Profit and Loss account on accrual basis. Gratuity and Leave Encashment benefit at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

8. Leave Travel Allowances:

Encashment of Leave Travel Allowances is accounted on cash basis.

9. Export Benefits:

Export Benefits are accounted for on realization basis.

10. 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 year-end 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.

11. Lease Rent Transactions :

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

12. Preliminary Expenses :

Preliminary Expenses are amortized over a period of 5 years

13. 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 has its business unit established under the Software Technology Park scheme. This unit enjoy a tax holiday for a period of ten consecutive years beginning with the year in which the unit has begun to manufacture or produce. The tax holidays for this unit expire at various times from March 31,2003 to March 31,2009.

Temporary differences between the tax basis and earning values of Assets and Liabilities as on March 31,2003 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.

14. 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.



Datamatics Technologies, Inc.

Annexure XVII

To The Board of Directors,
Datamatics Technologies Limited,
Unit No. 117 – 120, SDF – IV,
SEEPZ, Andheri (East)
Mumbai - 400 096

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of equity shares, we state as follows:

1. We have accepted the accounts of Datamatics Technologies, Inc. ('DTI'), a subsidiary of Datamatics Technologies Limited, for the two financial years ended March 31, 2002 and 2003 being the last date to which the accounts of the DTI have been made up and audited and reported by Mahesh J. Agashiwala C.P.A., P.C., the auditor of DTI for presentation to the members of the DTI. We have also accepted the accounts of the DTI for the nine months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited and reported by the abovementioned auditor.
2. On June 13, 2001, Datamatics Technologies Limited acquired 100% equity interest in DTI. The results of operation of DTI for the period June 13, 2001 to December 31, 2003 have been accordingly consolidated into the accounts of Datamatics Technologies Limited in respective years/period.
3. The figures included in the annexed statement of profits and losses for the two financial years ended on March 31, 2002 and 2003 and for the nine months ended December 31, 2003, and the annexed statement of Assets and Liabilities as at the end of the respective periods, along with the significant accounting policies are prepared from the audited financial statements of DTI in accordance with the US GAAP and have been restated / reclassified by the management as per the Indian GAAP and we confirm the same. Further we confirm that:
 - i. The impact of changes in accounting policies adopted by the Company has been disclosed, where applicable, with retrospective effect;
 - ii. Material amounts relating to adjustments for previous years have been identified and adjusted in arriving at the profits / losses of the years to which they relate irrespective of the year in which the event triggering the profit / loss occurred;
 - iii. The impact of qualifications in the auditors' report, where applicable, has been adjusted; and
 - iv. Impact of extra ordinary items has been disclosed, where applicable, separately in the annexed statements.
4. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

Yours faithfully

for **KANU DOSHI ASSOCIATES**

Chartered Accountants

JAYESH PARMAR

Partner

Membership No. 45375

Place: Mumbai

Date: January 29, 2004



DATAMATICS TECHNOLOGIES, INC.

STATEMENT OF PROFITS AND LOSSES, AS RESTATED (PARENT COMPANY FORMAT)

Annexure XVII

	March 31, 2002	For the Years / 9 Months ended March 31, 2003 (U.S. \$ in '000)	Dec 31, 2003
A. Income			
Development & Installation of Computer Software Programs	542.78	3,352.21	3,622.76
Total	542.78	3,352.21	3,622.76
Other Income	0.70	1.43	0.45
	543.48	3,353.64	3,623.21
B. Expenditure			
Purchase of IT Products and Licenses	—	—	—
Employee Cost	60.00	212.54	435.91
Other Operational Expenses	479.58	2,886.56	2,551.22
Administration and Other Overheads	143.90	374.31	535.23
Interest	2.74	4.08	—
Depreciation	—	3.58	3.86
Miscellaneous Expenditure written off	—	—	—
	686.22	3,481.07	3,526.22
C. Net Profit before tax and extraordinary items	(142.74)	(127.43)	96.99
D. Taxation :Current Year tax	—	—	—
Deferred tax	—	—	—
Net Profit before Extraordinary Items	(142.74)	(127.43)	96.99
E. Extra-ordinary items (net of tax)	—	—	—
F. Net Profit after Extraordinary Items (PAT)	(142.74)	(127.43)	96.99
Balance brought forward	—	(142.74)	(270.17)
APPROPRIATIONS :			
Dividend : on Equity Shares	—	—	—
Corporate Dividend Tax	—	—	—
Balance Carried Forward to Balance Sheet	(142.74)	(270.17)	(173.18)
Rate of Dividend (%)			
On Equity Shares			
Interim Dividend	—	—	—
Final Dividend	—	—	—

The accompanying Significant Accounting Policies form an integral part of this statement.

Note :

Datamatics Technologies, Inc. was incorporated under the laws of the state of New Hampshire on June 13, 2001. The Company is a wholly owned subsidiary of Datamatics Technologies Limited.



DATAMATICS TECHNOLOGIES, INC.

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED (PARENT COMPANY FORMAT)

	As at March 31, 2002	March 31, 2003 (U.S. \$ in '000)	Dec 31, 2003
A. Assets :			
Fixed Assets			
Gross Block	—	17.91	29.34
Less : Accumulated Depreciation	—	(3.58)	(7.45)
Net Block	—	14.33	21.89
Less : Revaluation Reserve	—	—	—
Net Block after adjustment for Revaluation Reserve	—	14.33	21.89
Capital Work in Progress	—	—	—
	—	14.33	21.89
B. Investments			
C. Current Assets, Loans & Advances :			
Stock in Trade	—	—	—
Sundry Debtors	38.30	570.12	1,078.70
Cash and Bank Balances	225.85	119.00	279.47
Other Current Assets	—	—	—
Loans and Advances	—	77.41	16.53
	264.15	766.53	1,374.70
D. Liabilities and Provisions :			
Secured Loans	—	—	—
Unsecured Loans	102.74	—	—
Current Liabilities	254.15	896.03	1,414.77
Proposed Dividend -	—	—	—
Provision for Taxation : Current Year	—	—	—
Deferred Tax Liability	—	—	—
	356.89	896.03	1,414.77
Net worth	(92.74)	(115.17)	(18.18)
F. Represented by			
1) Share Capital : Equity	50.00	155.00	155.00
Preference	—	—	—
2) Reserves	(142.74)	(270.17)	(173.18)
Less: Revaluation Reserve	—	—	—
Reserves (Net of Revaluation Reserves)	(142.74)	(270.17)	(173.18)
Less : Miscellaneous Expenditure (to the extent not written off)	—	—	—
Net worth	(92.74)	(115.17)	(18.18)

The accompanying Significant Accounting Policies form an integral part of this statement.



Datamatic Technologies, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Since the Company is not engaged in sale of any products there is no inventory of merchandise
2. The purchase account reflects purchase of human resources and the related visa processing fees paid to an immigration attorney which has been reclassified as other operational expenses.
3. Accounting is done on accrual basis.
4. Depreciation is provided on Straight Line Method.
5. The Company had a yearly Rental Lease Agreement with Company Environment Offices, Inc Nashua NH 03063 which expired on December 31, 2003. The monthly rental was \$ 750 plus service charges of approximately \$ 150 per month.
6. Although the Company earned a Net Profit Before Taxes of \$ 96,985 during this period, no provision for Federal Income Taxes has been made since the company has carry forward losses of prior years for \$ 270,171 that can be utilized to this effect



Datamatics Technologies GmbH

Annexure XVIII

To The Board of Directors,
Datamatics Technologies Limited,
Unit No. 117 – 120, SDF – IV,
SEEPZ, Andheri (East)
Mumbai - 400 096

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of equity shares, we state as follows:

1. We have accepted the translated accounts of Datamatics Technologies GmbH ('DTGmbH'), a subsidiary of Datamatics Technologies Limited, for the five financial years ended March 31, 1999, 2000, 2001, 2002 and 2003 being the last date to which the accounts of the DTGmbH have been made up and audited and reported by Harald Fritsch, the auditor of DTGmbH for presentation to the members of the DTGmbH. We have also accepted the accounts of the DTGmbH for the nine months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited and reported by the abovementioned auditor.
2. On October 4, 2002, Datamatics Technologies Limited acquired 100% equity interest in DTGmbH. The results of operation of DTGmbH for the period October 4, 2002 to December 31, 2003 have been accordingly consolidated into the accounts of Datamatics Technologies Limited in respective year/period.
3. The figures included in the annexed statement of profits and losses for the five financial years ended on March 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended December 31, 2003, and the annexed statement of Assets and Liabilities as at the end of the respective years, along with the significant accounting policies are prepared from the audited financial statements of DTGmbH in accordance with German GAAP and have been restated / reclassified and translated by the management as per the Indian GAAP and we confirm the same. Further we confirm that:
 - i. The impact of changes in accounting policies adopted by the Company has been disclosed, where applicable, with retrospective effect;
 - ii. Material amounts relating to adjustments for previous years have been identified and adjusted in arriving at the profits / losses of the years to which they relate irrespective of the year in which the event triggering the profit / loss occurred;
 - iii. The impact of qualification in the auditors' report, where applicable, has been adjusted; and
 - iv. Impact of extra ordinary items has been disclosed, where applicable, separately in the annexed statements.
4. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

Yours faithfully

for **KANU DOSHI ASSOCIATES**
Chartered Accountants

JAYESH PARMAR
Partner
Membership No. 45375
Place: Mumbai
Date: January 29, 2004



Datamatics Technologies GmbH

STATEMENT OF PROFITS AND LOSSES, AS RESTATED (PARENT COMPANY FORMAT)

Annexure XVIII

	March 31, 1999	March 31, 2000	March 31, 2001	Year ended March 31, 2002	March 31, 2003	9 Mths ended Dec 31, 2003
	(DM) IN THOUSANDS			(EURO) IN THOUSANDS		
A. Income						
Sales	872.41	898.81	684.64	623.35	660.24	650.60
Total	872.41	898.81	684.64	623.35	660.24	650.60
Other Income	0.27	5.18	0.69	0.79	0.17	1.00
Increase / (Decrease) in inventory of finished goods and work in progress	–	–	–	–	60.00	114.39
	872.68	903.99	685.33	624.14	720.41	765.98
B. Expenditure						
Cost of Raw Materials, Supplies, Consumables & Purchased Merchandise	511.09	281.46	292.01	233.69	98.42	121.32
Cost of Services	–	–	–	–	321.10	57.51
Employee Cost	250.44	436.12	297.23	277.43	190.52	354.55
Administration and Other Overheads	108.54	172.08	114.44	86.41	106.87	88.49
Interest	1.78	5.22	2.88	0.45	0.04	0.03
Depreciation	–	6.13	4.46	3.24	8.42	4.00
Miscellaneous Expenditure written off	–	–	–	–	–	–
	871.85	901.01	711.02	601.22	725.37	625.90
C. Net Profit before tax and extraordinary items	0.82	2.98	(25.68)	22.93	(4.96)	140.08
D. Taxation :Current Year tax	0.53	1.99	–	0.25	–	54.43
Deferred Tax Asset	–	0.00	(0.49)	(0.00)	(0.11)	–
Net Profit before Extraordinary Items	0.29	0.99	(25.19)	22.68	(4.84)	85.66
E. Extra-ordinary items (net of tax)	–	–	–	–	–	–
F. Net Profit after Extraordinary Items (PAT)	0.29	0.99	(25.19)	22.68	(4.84)	85.66
Balance brought forward	–	0.29	0.65	(24.53)	(1.85)	(6.70)
APPROPRIATIONS :						
Dividend : on Shares	–	–				
Corporate Dividend Tax	–	–				
Balance Carried Forward to Balance Sheet	0.29	1.28	(24.53)	(1.85)	(6.70)	78.96
Final Dividend		(Euro .65)	–			

The accompanying Significant Accounting Policies form an integral part of this statement.

Note :

During the Financial year 2002-03, the company has become a wholly owned subsidiary of Datamatics Technologies Limited. However, the above statement has been prepared for the entire year due to unavailability of separate financial statements from the date the Company became a subsidiary.



Datamatics Technologies GmbH

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED (PARENT COMPANY FORMAT)

	March 31, 1999 (DM) IN THOUSANDS	March 31, 2000	As at March 31, 2001	March 31, 2002 (EURO) IN THOUSANDS	March 31, 2003	Dec 31, 2003
A. Assets :						
Fixed Assets						
Gross Block	–	16.89	8.20	3.18	11.73	18.75
Less : Accumulated Depreciation	–	(5.62)	(4.40)	(1.17)	(9.58)	(11.60)
Net Block	–	11.27	3.80	2.01	2.15	7.15
Less : Revaluation Reserve	–	–	–	–	–	–
Net Block after adjustment for Revaluation Reserve	-	11.27	3.80	2.01	2.15	7.15
	–	–	–	–	–	–
Intangible Assets	–	1.55	0.53	0.13	0.44	1.61
	–	12.82	4.33	2.14	2.59	8.76
B. Investments	–	–	–	–	–	–
C. Current Assets, Loans & Advances :						
Stock in Trade	–	–	–	–	60.00	174.39
Sundry Debtors	115.71	112.64	429.24	53.39	294.37	176.13
Cash and Bank Balances	271.73	225.70	12.48	31.86	39.11	272.50
Deferred Tax Asset	–	–	–	–	0.11	–
Other Current Assets	3.05	1.50	18.86	30.58	5.20	3.37
Loans and Advances	–	–	–	–	–	–
	390.50	339.84	460.58	115.83	398.80	626.39
D. Liabilities and Provisions :						
Secured Loans	–	–	–	–	–	–
Unsecured Loans	–	–	–	–	–	159.90
Current Liabilities	341.61	202.03	413.93	42.66	330.92	264.69
Proposed Dividend	–	–	–	–	–	–
Provision for Taxation	0.53	1.94	0.63	0.17	0.17	54.60
Deferred Tax Liability	–	–	–	–	–	–
	342.14	203.97	414.56	42.83	331.08	479.19
Net worth	48.36	148.69	50.34	75.15	70.30	155.96
F. Represented by						
1) Share Capital : Equity	50.00	150.00	76.69	77.00	77.00	77.00
Preference	–	–	–	–	–	–
2) Reserves	0.29	1.28	(24.53)	(1.85)	(6.70)	78.96
Less: Revaluation Reserve	–	–	–	–	–	–
Reserves (Net of Revaluation Reserves)	0.29	1.28	(24.53)	(1.85)	(6.70)	78.96
Less : Miscellaneous Expenditure (to the extent not written off)	1.93	2.59	1.82	–	–	–
Net worth	48.36	148.69	50.34	75.15	70.30	155.96

The accompanying Significant Accounting Policies form an integral part of this statement.

Note:

During the year 2002-03, the company has become a wholly owned subsidiary of Datamatics Technologies Limited.



Datamatics Technologies GmbH**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. The annual statement of accounts was prepared on the basis of the new accounting principles of the commercial code. In addition to these specifications, the regulations of the GmbH (company with limited liability) were also followed.
2. The following methods of balancing and valuation were applied when preparing the Balance Sheet and the Profit and Loss Account:
3. Immaterial asset items (for example software) acquired against payment are activated corresponding to tax - related management and depreciated after its probable economic period of utilisation.
4. The tangible assets are taken at procurement or manufacturing cost and reduced by planned depreciations.
5. The depreciations planned were carried out as per the probable period of utilisation of the items and corresponding to tax laws in a linear and degressive manner. The transfer from degressive to linear depreciation is made in cases in which this leads to a higher annual depreciation.
6. Stocks are valued in principle at procurement or manufacturing costs or at the lowest current market value. If using the manufacturing costs, proportionate administrative and social costs are not included.
7. The foreign currencies contained in the cash balance are valued taking note of the principle of lowest current market value with exchange rate on record date. A uniform average rate of interest is used in the Profit and Loss account.
8. Receivables and other assets are valued at nominal value. In case of receivables, where recovery is doubtful, individual values are adjusted or corrected.
9. Tax reserves contain the not yet assessed taxes for the previous year.
10. The other reserves were formed for all other unknown liabilities. All recognizable risks were taken in to consideration.
11. Liabilities were assessed at the re-payment amount. In so far as the current value was above the repayment amounts, the liabilities were assessed at a higher current market value.
12. Active deferred items were only formed in so far as the individual entries to be deferred exceeded Euro 410.00.



CorPay Solutions, Inc.

Annexure XIX

To The Board of Directors,
Datamatics Technologies Limited,
Unit No. 117 – 120, SDF – IV,
SEEPZ, Andheri (East)
Mumbai - 400 096

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of equity shares, we state as follows:

1. We have accepted the accounts of CorPay Solutions, Inc. ('CorPay'), a subsidiary of Datamatics Technologies Limited, for the four financial years ended March 31, 2000, 2001, 2002 and 2003 being the last date to which the accounts of the CorPay have been made up and audited and reported by Ernst & Young LLP, the former auditor of CorPay for presentation to the members of the CorPay. We have also accepted the accounts of CorPay for the nine months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited and reported by Mahesh J. Agashiwala C.P.A., P.C., the present auditor of CorPay.

On September 27, 2003, Datamatics Technologies Limited acquired 100% equity interest in CorPay. The results of operation of CorPay for the period September 27, 2003 to December 31, 2003 have been consolidated into the accounts of Datamatics Technologies Limited, for the nine months ended December 31, 2003.

The figures included in the annexed statement of profits and losses for the four financial years ended on March 31, 2000, 2001, 2002 and 2003 and for the nine months ended December 31, 2003, and the annexed statement of Assets and Liabilities as at the end of the respective years, along with the significant accounting policies are prepared from the audited financial statements of CorPay in accordance with the US GAAP and have been restated / reclassified by the management as per the Indian GAAP and we confirm the same. Further we confirm that:

- (i) The impact of changes in accounting policies adopted by the Company has been disclosed, where applicable, with retrospective effect;
 - (ii) Material amounts relating to adjustments for previous years have been identified and adjusted in arriving at the profits / losses of the years to which they relate irrespective of the year in which the event triggering the profit / loss occurred;
 - (iii) The impact of qualifications in the auditors' report, where applicable, has been adjusted; and
 - (iv) Impact of extra ordinary items has been disclosed, where applicable, separately in the annexed statements.
4. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

Yours faithfully

for **KANU DOSHI ASSOCIATES**
Chartered Accountants

JAYESH PARMAR
Partner
Membership No. 45375

Place: Mumbai
Date: January 29, 2004



CORPAY SOLUTIONS, INC.

STATEMENT OF PROFITS AND LOSSES, AS RESTATED (PARENT COMPANY FORMAT)

Annexure XIX

	For the Years / 9 months ended				
	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	Dec 31, 2003
	(U.S. \$ in ' 000)				
A. Income					
Business Process Outsourcing Services	48,164.30	46,532.80	15,231.57	13,001.45	9,092.76
Total	48,164.30	46,532.80	15,231.57	13,001.45	9,092.76
Other Income	—	—	—	—	—
	48,164.30	46,532.80	15,231.57	13,001.45	9,092.76
B. Expenditure					
Purchase of IT Products and Licenses	—	—	—	—	—
Employee Cost	13,100.40	11,454.14	9,254.65	7,970.26	4,756.06
Other Operational Expenses	26,543.00	38,204.03	4,185.65	3,517.80	3,039.69
Administration and Other Overheads	5,776.08	5,635.28	1,805.28	2,305.63	1,958.04
Interest	915.80	1,301.70	153.10	219.79	98.33
Depreciation	465.22	708.95	497.25	383.57	283.20
Goodwill Amortization	473.40	473.40	—	—	—
	47,273.90	57,777.50	15,895.93	14,397.05	10,135.32
C. Net Profit before tax and extraordinary items	890.40	(11,244.70)	(664.36)	(1,395.60)	(1,042.56)
D. Taxation :Current Year tax	367.00	—	123.98	40.76	51.30
Deferred tax asset	—	(133.90)	—	—	—
Net Profit before Extraordinary Items	523.40	(11,110.80)	(788.34)	(1,436.36)	(1,093.86)
E. Extra-ordinary items (net of tax) :					
Income from discontinued operations	—	—	3,616.26	—	—
F. Net Profit after Extraordinary Items(PAT)	523.40	(11,110.80)	2,827.92	(1,436.36)	(1,093.86)
Balance brought forwards	—	91.73	(10,587.40)	(7,759.48)	(9,195.84)
APPROPRIATIONS :					
Deferred Stock based compensation	(431.67)	431.67	—	—	—
Dividend : on Equity Shares	—	—	—	—	—
Corporate Dividend Tax	—	—	—	—	—
Adjustment in Opening Retained Earnings	—	—	—	—	4,519.38
Balance Carried Forward to Balance Sheet	91.73	(10,587.40)	(7,759.48)	(9,195.84)	(5,770.32)

The accompanying Significant Accounting Policies form an integral part of this statement.

Note:

CorPay Solutions, Inc. was incorporated under the laws of the state of Delaware on March 9, 1999 and commenced operations on April 1, 1999. The Company was acquired by Datamatics Technologies Limited (DTL) on September 27, 2003 as a wholly owned subsidiary for a Purchase Price of \$ 4,703,615



CORPAY SOLUTIONS, INC.

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED (PARENT COMPANY FORMAT)

	March 31, 2000	March 31, 2001	As at March 31, 2002	March 31, 2003	Dec 31, 2003
	(U.S. \$ in '000)				
A. Assets :					
Fixed Assets					
Gross Block	6,898.88	7,330.75	2,234.32	2,363.61	2,370.25
Less : Accumulated Depreciation	(1,359.80)	(2,868.90)	(1,423.32)	(1,711.74)	(1,975.41)
Net Block	5,539.08	4,461.85	811.00	651.87	394.84
Less : Revaluation Reserve	—	—	—	—	—
Net Block after adjustment for	5,539.08	4,461.85	811.00	651.87	394.84
Revaluation Reserve					
Goodwill, net of amortization	6,627.00	6,153.60	2,603.00	2,603.00	—
Systems Development in Progress	4,613.35	1,943.70	—	—	—
	16,779.43	12,559.15	3,414.00	3,254.87	394.84
B. Investments	—	—	—	—	—
C. Current Assets, Loans & Advances :					
Stock in Trade	—	—	—	—	—
Sundry Debtors (net of provisions)	5,894.00	4,740.60	2,764.30	1,770.30	1,925.81
Cash and Bank Balances	1,923.20	271.20	6,733.92	326.85	375.44
Deferred Tax Asset	260.00	—	—	—	—
Other Current Assets	1,503.00	983.85	2,304.65	313.27	263.02
Restricted Deposits	82,160.80	84,198.40	—	—	14.85
	91,741.00	90,194.05	11,802.87	2,410.42	2,579.12
D. Liabilities and Provisions :					
Secured Loans	—	5,692.00	500.00	1,167.00	4,903.61
Unsecured Loans	—	—	—	—	—
Current Liabilities	20,124.60	18,348.55	17,374.70	8,592.48	1,342.00
Restricted deposits	82,160.80	84,198.40	—	—	—
Provision for Taxation	—	—	—	—	—
Deferred Tax Liability	627.00	—	—	—	—
	102,912.40	108,238.95	17,874.70	9,759.48	6,245.61
Net worth	5,608.03	(5,485.75)	(2,657.83)	(4,094.19)	(3,271.65)
F. Represented by					
1) Stock : Common Stock	5,516.30	5,101.65	5,101.65	5,101.65	2,498.67
Preferred Stock	—	—	—	—	—
2) Reserves	91.73	(10,587.40)	(7,759.48)	(9,195.84)	(5,770.32)
Less: Revaluation Reserve	—	—	—	—	—
Reserves (Net of Revaluation Reserves)	91.73	(10,587.40)	(7,759.48)	(9,195.84)	(5,770.32)
Less : Miscellaneous Expenditure (to the extent not written off)	—	—	—	—	—
Net worth	5,608.03	(5,485.75)	(2,657.83)	(4,094.19)	(3,271.65)

The accompanying Significant Accounting Policies form an integral part of this statement.



CORPAY SOLUTIONS, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Inventory:** Since the Company is not engaged in sale of any products there is no inventory of merchandise.
2. **Cash equivalents** consist of investments with a maturity date of three months or fewer at the time of purchase.
3. **Accounting** is done on accrual basis.
4. **Depreciation** is provided on Straight Line Method.
5. **Rental Lease Agreement:** The Company has entered in lease agreements for office space and various items of equipment. The rental agreement for office space includes escalation clauses that allow increased operating costs to be passed through to the Company.
6. **Income Taxes:** No provision for Federal Income Taxes has been made since the Company has net losses during the period.



Saztec International, Inc.

Annexure XX

To The Board of Directors,
Datamatics Technologies Limited,
Unit No. 117 – 120, SDF – IV,
SEEPZ, Andheri (East)
Mumbai - 400 096

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of equity shares, we state as follows:

1. We have accepted the accounts of Saztec International, Inc. ('Saztec'), a subsidiary of Datamatics Technologies Limited, for the five financial years ended June 30, 1999, 2000, 2001, 2002 and 2003 being the last date to which the accounts of the Saztec have been made up and audited and reported by Grant Thornton LLP, the former auditor of Saztec for presentation to the members of the Saztec. We have also accepted the accounts of Saztec for the six months ended December 31, 2003 prepared and approved by the Board of Directors of the Company and audited and reported by Mahesh J. Agashiwala C.P.A., P.C., the present auditor of Saztec.
2. On November 27, 2003, Datamatics Technologies Limited acquired 100% equity interest in Saztec. The results of operation of Saztec for the period November 27, 2003 to December 31, 2003 have been consolidated into the accounts of Datamatics Technologies Limited, for the nine months ended December 31, 2003.
3. The figures included in the annexed statement of profits and losses for the five financial years ended on June 30, 1999, 2000, 2001, 2002 and 2003 and for the six months ended December 31, 2003, and the annexed statement of Assets and Liabilities as at the end of the respective periods, along with the significant accounting policies, are prepared from the audited financial statements of Saztec in accordance with the US GAAP and have been restated / reclassified by the management as per the Indian GAAP and we confirm the same. Further we confirm that:
 - (i) The impact of changes in accounting policies adopted by the Company has been disclosed, where applicable, with retrospective effect;
 - (ii) Material amounts relating to adjustments for previous years have been identified and adjusted in arriving at the profits / losses of the years to which they relate irrespective of the year in which the event triggering the profit / loss occurred;
 - (iii) The impact of qualifications in the auditors' report, where applicable, has been adjusted; and
 - (iv) Impact of extra ordinary items has been disclosed, where applicable, separately in the annexed statements.
4. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

Yours faithfully

for **KANU DOSHI ASSOCIATES**
Chartered Accountants

JAYESH PARMAR
Partner
Membership No. 45375

Place: Mumbai

Date: January 29, 2004



SAZTEC INTERNATIONAL, INC.

STATEMENT OF PROFITS AND LOSSES, AS RESTATED (PARENT COMPANY FORMAT)

Annexure XX

	For the Years / 6 Months ended					
	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003	Dec 31, 2003
	<i>(U.S. \$) IN THOUSANDS</i>					
A. Income						
Data Conversion Services	8713.34	8915.44	6603.22	5135.63	4228.68	2548.44
Total	8713.34	8915.44	6603.22	5135.63	4228.68	2548.44
Other Income	13.99	3.44	9.01	29.38	20.99	3.51
	8727.33	8918.88	6612.23	5165.01	4249.67	2551.95
B. Expenditure						
Purchase of IT Products and Licences	—	—	—	—	—	—
Employee Cost	4,448.60	5,092.27	4,281.46	3,065.94	2,260.38	1,134.40
Other Operational Expenses	2,344.58	2,340.10	1,096.98	619.49	1,152.37	922.29
Administration and Other Overheads	2,150.36	2,379.20	2,305.36	1,863.58	1,304.81	812.33
Interest	27.60	77.06	138.48	116.99	93.90	105.65
Depreciation	130.90	148.12	117.15	65.72	61.70	32.94
	9,102.03	10,036.75	7,939.43	5,731.73	4,873.16	3,007.61
C. Net Profit before tax and extraordinary items	(374.70)	(1,117.87)	(1,327.20)	(566.72)	(623.49)	(455.66)
D. Taxation :Current Year tax	—	11.53	—	—	—	—
Deferred Tax Asset	(78.12)	—	—	(52.68)	—	—
Net Profit before Extraordinary Items	(296.59)	(1,129.40)	(1,327.20)	(514.04)	(623.49)	(455.66)
E. Extra-ordinary items (net of tax) :	—	—	—	—	—	—
Net Gain / (Loss) on disposal of segment	—	—	(153.41)	75.80	—	—
Income from Discontinued Segment	—	—	39.96	—	—	—
F. Net Profit after Extraordinary Items (PAT)	(296.59)	(1,129.40)	(1,440.65)	(438.24)	(623.49)	(455.66)
Balance brought forward	(11,326.89)	(11,631.72)	(12,743.53)	(14,079.94)	(14,518.18)	(15,141.67)
Translation Adjustment	(8.24)	17.59	104.24	—	—	—
APPROPRIATIONS :						
Dividend : on Equity Shares	—	—	—	—	—	—
Corporate Dividend Tax	—	—	—	—	—	—
Balance Carried Forward to Balance Sheet	(11,631.72)	(12,743.53)	(14,079.94)	(14,518.18)	(15,141.67)	(15,597.33)

The accompanying Significant Accounting Policies form an integral part of this statement.

Notes:

- 1) Saztec International Inc. (Saztec) was incorporated under the laws of the state of California on April 3, 1986. Saztec's Common Stock was traded in the Over The Counter Trade Market, NASDAQ. With the approval of the Board of Directors, Saztec filed Form No. 15 on November 6, 2002 with the Securities and Exchange Commission (SEC) for termination of registration of the Company's Common Stock from the OTC Bulletin Board, NASDAQ under the Securities Exchange Act of 1934 as amended. Accordingly, the stock of the Company was delisted.



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- 2) DTL made a strategic investment of about 5% in the Common Stock of Saztec which was gradually increased to 46.75% by September, 2001. In November, 2003, DTL acquired the balance 53.25% shareholding making it a wholly owned subsidiary of DTL.
 - 3) Saztec also had a wholly owned subsidiary in Europe viz. Saztec Europe Limited which in turn had a subsidiary in Germany viz. Saztec GmbH. Saztec Europe Limited filed a petition for liquidation on January 26, 2001 and was liquidated in May 2002. Thus, in the year 2000-01, income / (loss) of US\$ 39.96 thousands has been shown as income from discontinued operations and gain/ (loss) of US\$ (153.41) thousands as loss on disposal of segment.



SAZTEC INTERNATIONAL, INC.

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED (PARENT COMPANY FORMAT)

	June 30, 1999	June 30, 2000	June 30, 2001	As at June 30, 2002	June 30, 2003	Dec 31, 2003
	<i>(U.S. \$) IN THOUSANDS</i>					
A. Assets :						
Fixed Assets						
Gross Block	3,656.04	3,691.59	2,665.98	2,706.32	2,778.05	2,782.83
Less : Accumulated Depreciation	(3,233.96)	(3,385.15)	(2,537.32)	(2,603.04)	(2,645.77)	(2,678.71)
Net Block	422.08	306.44	128.66	103.28	132.28	104.12
Less : Revaluation Reserve	—	—	—	—	—	—
Net Block after adjustment for Revaluation Reserve	422.08	306.44	128.66	103.28	132.28	104.12
Goodwill and Other Intangible Assets	137.52	125.40	—	—	—	—
	559.60	431.84	128.66	103.28	132.28	104.12
B. Investments	—	—	—	—	—	—
C. Current Assets, Loans & Advances :						
Work in Process	118.72	6.91	22.04	18.24	1.26	—
Sundry Debtors	1,612.57	1,442.13	993.08	867.47	575.34	853.57
Cash and Bank Balances	364.30	511.52	998.43	681.03	328.46	139.27
Other Current Assets	112.60	119.77	24.55	79.08	54.96	70.19
Deposits and Other Current Assets	63.63	46.52	65.26	60.60	6.97	—
	2,271.82	2,126.85	2,103.36	1,706.42	966.99	1,063.03
D. Liabilities and Provisions :						
Secured Loans	104.04	603.18	583.97	467.41	400.00	427.21
Unsecured Loans	—	500.00	550.00	991.89	989.60	950.00
Current Liabilities	1,913.79	1,748.57	1,985.72	1,351.03	1,333.79	1,869.73
Proposed Dividend	—	—	—	—	—	—
Provision for Taxation	—	—	—	—	—	—
Deferred Tax Liability	—	—	—	—	—	—
	2,017.83	2,851.75	3,119.69	2,810.33	2,723.39	3,246.94
Net worth	813.59	(293.06)	(887.67)	(1,000.63)	(1,624.12)	(2,079.79)
F. Represented by						
1) Stock : Common Stock	12,445.31	12,450.47	13,192.26	13,517.55	13,517.55	13,517.54
Preferred Stock	—	—	—	—	—	—
2) Reserves	(11,631.72)	(12,743.53)	(14,079.94)	(14,518.18)	(15,141.67)	(15,597.33)
Less: Revaluation Reserve	—	—	—	—	—	—
Reserves (Net of Revaluation Reserves)	(11,631.72)	(12,743.53)	(14,079.94)	(14,518.18)	(15,141.67)	(15,597.33)
Less : Miscellaneous Expenditure (to the extent not written off)	—	—	—	—	—	—
Net worth	813.59	(293.06)	(887.67)	(1,000.63)	(1,624.12)	(2,079.79)

The accompanying Significant Accounting Policies form an integral part of this statement.



SAZTEC INTERNATIONAL, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Inventory:** Since the Company is not engaged in sale of any products there is no inventory of merchandise.
2. **Cash equivalents** consist of investments with a maturity date of three months or fewer at the time of purchase.
3. Work in Process consists of labor and certain other costs incurred for uncompleted and unbilled projects.
4. **Accounting** is done on accrual basis.
5. **Depreciation** is provided on Straight Line Method.
6. **Rental Lease Agreement:** The Company has entered in lease agreements for office space and various items of equipment. The rental agreement for office space includes escalation clauses that allow increased operating costs to be passed through to the Company.



**CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND
FOR THE NINE MONTHS ENDED DECEMBER 31, 2003**

AUDITOR'S REPORT

To the Board of Directors of

DATAMATICS TECHNOLOGIES LIMITED

Unit No. 117 – 120,
SDF IV, SEEPZ,
Andheri (East),
Mumbai – 400 096, INDIA

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of Equity Shares, we state as follows:

We have examined the attached Consolidated Balance Sheet of DATAMATICS TECHNOLOGIES LIMITED (hereinafter referred to as the “Parent Company”) its Subsidiaries and its associates (as per List given in Note No.2.2 of Schedule T) (collectively referred to as the “Group”) at December 31, 2003 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the Nine months ended on that date annexed thereto. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.

These consolidated 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.

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.

We further report that in respect of the following subsidiaries, we did not carry out the audit. These financial statements have been audited by other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary and its associates, 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 (Rs. in million)	Total Revenue (Rs. in million)
Datamatics Technologies Inc.	63.63	167.62
Datamatics GMBH	36.43	34.64
CorPay Solutions Inc.	135.49	146.01
Saztec International Inc.	53.18	19.45

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 “ and Accounting Standard 23-”ACCOUNTING FOR INVESTMENT IN ASSOCIATE IN 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 and associate included in the consolidated financial statement.

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 read together with the notes thereon in general and note No. 2.2 and 2.3 of schedule ‘T’ in particular, 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: in the case of the Consolidated Balance Sheet of the state of the affairs of the DTL



Group for the Nine months ended on December 31, 2003; in the case of the Consolidated Profit and Loss account of the Profit of the DTL Group for the Nine months ended on December 31, 2003; and In the case of the Consolidated Cash Flow statement, of the Cash flows of the DTL Group for the Nine months ended on December 31, 2003.

For **KANU DOSHI ASSOCIATES**
Chartered Accountants

JAYESH PARMAR
Partner
Membership No.: 45375

Place: Mumbai

Date: January 29, 2004



DATAMATICS TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS AT

	Schedule	31-Dec-03 (Rupees in Million)	31-Mar-03 (Rupees in Million)
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	160.37	153.43
Reserves and Surplus	B	491.75	418.43
		652.12	571.86
Loan Funds			
Secured Loans	C	127.92	61.04
Unsecured Loans	D	16.15	0.20
		144.07	61.24
Deferred Tax Liability (Net)		18.71	17.80
		814.90	650.90
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	537.53	282.64
Less : Depreciation		280.44	57.98
Net Block		257.09	224.66
Capital Work in Progress		–	1.14
Investments	F	118.46	114.89
Current Assets, Loans and Advances			
a) Stock in Trade/ Work in Progress	G	13.74	10.73
b) Sundry Debtors	H	216.54	144.04
c) Cash and Bank Balance	I	119.59	38.54
d) Other Current Assets - Investments in debt mutual funds	J	171.01	110.40
e) Loans and Advances	K	63.29	71.82
		584.17	375.53
Less: Current Liabilities and Provisions	L		
a) Current Liabilities		140.86	44.18
b) Provisions		15.38	29.54
		156.24	73.72
Net Current Assets		427.94	301.81
Miscellaneous Expenditure (to the extent not written off/adjusted)	M	11.42	8.39
		814.90	650.90
Significant Accounting Policies & Notes to Accounts	T		
The Schedules referred to above and the notes there on form integral part of this Consolidated Balance Sheet			

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

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia
Chairman

Kumar Gidwani
General Legal Counsel
& Company Secretary

Manish Modi
Managing Director & CEO



DATAMATICS TECHNOLOGIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR

	Schedule	Nine Months Ending 31-Dec-03 (Rupees in Million)	Twelve months Ending 31-Mar-03 (Rupees in Million)
INCOME			
Services			
Export		691.07	587.36
Domestic		0.42	0.85
Sales - Trading (net)		–	0.88
Other Income	N	25.11	4.48
Increase/(decrease) in Traded goods stock	O	10.70	10.73
		727.30	604.30
EXPENDITURE			
Purchase of IT Products and Licenses		3.74	8.45
Operational Expenses	P	415.45	312.89
Administration and Other Overheads	Q	67.72	85.59
Interest	R	4.64	11.76
Depreciation		13.39	15.58
Miscellaneous Expenditure written off	S	4.47	3.45
		509.41	437.72
		217.89	166.58
Add: Exchange Fluctuation on Consolidation		(0.06)	0.02
Add: Share of Profits of Associate		2.67	–
Profit before tax		220.50	166.60
Provision for Current year tax		6.95	8.90
Provision for Deferred tax		0.91	2.37
Profit after tax		212.64	155.33
Add: Exchange Fluctuation on Investment		1.84	0.06
Add: Tax Adjustment for Earlier Years		(0.14)	(0.08)
		214.34	155.31
Balance brought forward from last year		246.58	128.58
Amount Available for Appropriations		460.92	283.89
APPROPRIATIONS :			
Proposed Dividend on Equity Shares		–	15.34
Tax on Proposed Dividend		–	1.97
Transfer to General Reserve		350.00	20.00
Amount Carried Forward		110.92	246.58
		460.92	283.89
Earnings per share (Face Value Rs. 5 each)			
Basic (Not annualized)		6.98	5.06
Diluted (Not annualized)		6.92	5.06
(Refer note no. 6 of Schedule 'U')			
Significant Accounting Policies & Notes to Accounts	T		

The Schedules referred to above and the notes there on form integral part of this Consolidated Profit and Loss Account

As per our Report of even date

For Kanu Doshi Associates

Chartered Accountants

Jayesh Parmar

Partner

Mem. No. 45375

Mumbai

Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia

Chairman

Manish Modi

Managing Director & CEO

Kumar Gidwani
*General Legal Counsel
& Company Secretary*



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Dec-03 (Rupees in Million)	31-Mar-03 (Rupees in Million)
SCHEDULE 'A'		
Share Capital		
AUTHORISED		
48,000,000 (PY 48,000,000) Equity Shares of Rs. 5 each	240.00	240.00
30,000,000 (PY 5,000,000) Redeemable Preference Shares of Rs.5 each	150.00	50.00
	390.00	290.00
ISSUED, SUBSCRIBED & PAID UP		
30,689,000 (P.Y. 30,687,000) Equity Shares of Rs.5 each fully paid	153.45	153.43
13,84,137(P.Y. nil) Redeemable Optionally Convertible Cumulative Preference shares of Rs. 5 each	6.92	—
	160.37	153.43
Note:		
1. Of the above, 28,480,000 Equity Shares of Rs. 5 each (P.Y. 28,480,000 of Rs. 5 each) have been allotted as fully paid Bonus Shares by capitalization of General Reserve and Share Premium.		
2. During the period, the company has allotted 2,000 equity shares of Rs. 5 each at a premium of Rs. 96 each and 13,84,137 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs 5 each at a premium of Rs. 96 each. The preference shares are convertible into equity shares at the option of the investors as per subscription and Shareholders' Agreement. Each ROCCPS has a variable coupon rate equivalent to the rate of dividend declared for Equity Shares each time.		
SCHEDULE 'B'		
Reserves and Surplus		
CAPITAL RESERVE		
Balance as per last Balance Sheet	3.52	3.52
	3.52	3.52
CAPITAL REDEMPTION RESERVE		
Balance as per last Balance Sheet	37.78	37.78
	37.78	37.78
GENERAL RESERVE		
Balance as per last Balance Sheet	13.76	9.19
Add: Transferred from Profit and Loss Account	350.00	20.00
Less: Net Deferred Tax Liability	—	(15.43)
Less: Goodwill written off	(269.87)	—
	93.89	13.76
SHARE PREMIUM		
Balance as per last Balance Sheet	116.79	116.79
Add : Received during the period	133.07	—
Less : share issue expenses	(4.22)	—
	245.64	116.79
SURPLUS IN PROFIT AND LOSS ACCOUNT	110.92	246.58
	491.75	418.43



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Dec-03 (Rupees in Million)	31-Mar-03 (Rupees in Million)
SCHEDULE 'C'		
Secured Loans		
Term Loan	31.24	40.00
Packing Credit	69.34	17.71
Cash Credits/ Line of Credit	27.34	3.33
	127.92	61.04

Notes :

1. Term Loan of Rs. 30 million from EXIM Bank is secured by first charge on all immovable fixed assets, both present and future of the Company, and hypothecation over all movable assets of the Company both present and future, ranking pari-passu with State Bank of India and also covered by unconditional and irrevocable, personal guarantee of a Director.
2. Packing Credit from State Bank of India is secured by hypothecation of the Company's movable assets, both present and future, ranking pari passu with EXIM Bank and second charge on immovable assets of the company, both present and future, and also covered by unconditional irrevocable personal guarantee of a Director.
3. Cash Credit Accounts from Banks are secured by lien on Fixed Deposit Receipts.
4. Line of Credit includes US \$ 400,000 availed by Saztec International Inc & US \$ 200,000 availed by CorPay Solutions Inc. with Bank of India, San Francisco, CA . The credit facilities are secured by all of the Company's assets including Fixed Assets, Intangible Assets and the Current Assets.
5. Secured Loans include Loans of Rs. 38,224,000 repayable within a year (P.Y. Rs 20,000,000)

SCHEDULE 'D'

Unsecured Loans

Fixed Deposit		
From Shareholders		
From Others	0.20	0.20
Other Loans	15.95	—
	16.15	0.20

SCHEDULE 'E'

Fixed Assets

Buildings	141.37	140.78
Leasehold Improvements	24.56	—
Machinery & Equipment	141.30	38.92
Furniture & Fixtures	71.24	43.84
Computer Equipments	150.10	52.40
Vehicles	8.96	6.70
Total Gross Block	537.53	282.64
Less: Accumulated Depreciation	280.44	57.98
Net Fixed Assets	257.09	224.66

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



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Dec-03 (Rupees in Million)	31-Mar-03 (Rupees in Million)
SCHEDULE 'F'		
Investments (At Cost)		
A UNQUOTED (In Shares)		
i) Trade		
400,000 (PY 400,000) fully paid Equity Shares of Saha Electronics Private Limited of Rs 10 each.	12.00	12.00
100,000(PY NIL) fully paid Equity Shares of Knowledgeworks Global Limited of Rs. 10 each		
Book Value of Investment	1.00	—
Add: Profit Till date	2.67	—
Aggregate of Unquoted Investment (Trade)	15.67	12.00
ii) Non-trade		
10,000,000 (PY 10,000,000) fully paid 9 % Redeemable Cumulative Preference Shares of Datamatics Limited of Rs 10 each .	100.00	100.00
Aggregate of Unquoted Investment (Non-Trade)	100.00	100.00
B Quoted (Trade)		
C. QUOTED (Non-Trade)		
a 198 (P. Y. 576) fully paid Equity Shares of Rs. 10 each in Aptech Limited	0.06	0.16
b 900 (P. Y. 900) fully paid Equity Shares of Rs. 10 each of Cybertech Limited	0.51	0.51
c 300 (P. Y.300) fully paid Equity Shares of Rs. 2 each of Wipro Limited	2.11	2.11
d 100 (P.Y. 100) fully paid Equity Shares of Rs. 10 each in Silverline Industries Limited	0.01	0.01
e. 384 (P. Y 384) fully paid Equity Shares of of Rs. 10 each in Hexaware Technologies Limited	0.10	0.10
Aggregate of Quoted Investments	2.79	2.89
	118.46	114.89
SCHEDULE 'G'		
Stock in Trade/ Work in Progress		
(As verified, valued & certified by the management)		
Stock in Trade/ Work In Progress	13.74	10.73
	13.74	10.73



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Dec-03 (Rupees in Million)	31-Mar-03 (Rupees in Million)
SCHEDULE 'H'		
Sundry Debtors		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	29.89	9.50
Considered doubtful	7.30	7.08
Others, considered good	186.65	134.54
	223.84	151.12
Less : Provision for Doubtful Debts	7.30	7.08
	216.54	144.04
SCHEDULE 'I'		
Cash and Bank Balances		
Cash on Hand	0.15	0.13
Cheques on Hand	–	0.25
Balance with Scheduled Banks		
In Current Accounts	78.23	8.24
In Fixed Deposit Accounts	40.68	28.93
In Exchange Earner's Foreign Currency Account	0.29	0.93
In Unclaimed Dividend Accounts	0.24	0.06
	119.59	38.54
SCHEDULE 'J'		
Other Current Assets		
Investment in Units of Debt Mutual Funds	171.01	110.40
	171.01	110.40
SCHEDULE 'K'		
Loans and Advances		
(Unsecured considered good for value to be received in Cash or in Kind, unless otherwise specified)		
Other Advances		
Considered good	33.23	48.86
Considered doubtful	–	0.98
Advance Income Tax	12.15	11.30
Deposits(Trade)	2.95	8.24
Prepaid Expenses	14.96	3.42
	63.29	72.80
Less : Provision for Bad & Doubtful Advances	–	0.98
	63.29	71.82



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Dec-03 (Rupees in Million)	31-Mar-03 (Rupees in Million)
SCHEDULE 'L'		
Current Liabilities and Provisions		
A CURRENT LIABILITIES		
a. Sundry Creditors	45.80	20.86
b. Unclaimed Dividend*	0.22	0.05
c. Interest accrued but not due	0.07	1.58
d. Advance received from Customers	11.79	—
e. Other Liabilities	71.57	11.88
	<u>129.45</u>	<u>34.37</u>
Employees Liabilities	11.41	9.81
(Includes 2.06 (P.Y. Rs. 1.77) due as commission to Directors)		
	<u>140.86</u>	<u>44.18</u>
B. PROVISIONS		
For Proposed Dividend on Equity Shares.	—	15.34
For Tax on Proposed Dividend	—	1.97
For Income Tax	15.38	12.23
	<u>15.38</u>	<u>29.54</u>
* This figure does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.		
SCHEDULE 'M'		
Miscellaneous Expenditure		
(to the extent not written off/adjusted) :		
Preliminary Expenses	4.42	5.00
Deferred Revenue Expenditure	7.00	3.39
	<u>11.42</u>	<u>8.39</u>



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	Nine Months Ending 31-Dec-03 (Rupees in Million)	Twelve months Ending 31-Mar-03 (Rupees in Million)
SCHEDULE 'N'		
Other Income		
Interest from banks & others	2.62	3.26
Rent Received	1.56	–
Exchange Fluctuations (net)	(2.91)	(0.26)
Dividend	17.78	0.60
Profit on Sale of Investments (Net)	5.47	0.31
Excess Provisions Written back	0.20	0.43
Miscellaneous Income	0.39	0.14
	25.11	4.48
SCHEDULE 'O'		
Increase/(Decrease) in Traded Goods		
Opening Stock as on 01.04.2003	10.73	–
Less : Capitalized during the year	(7.69)	–
Closing Stock as on 31.12.2003	13.74	10.73
	10.70	10.73
SCHEDULE 'P'		
Operational Expenses		
Knowledge Associates Charges	33.05	39.55
Software Purchase/Development Charges	10.70	6.29
Electricity	5.93	6.98
Payments to and expenditure for employees		
a. Salaries, Wages, Bonus & allowances	163.41	135.27
b. Contribution to Provident Fund		
And other funds.	4.60	3.87
c. Commission	2.06	3.27
d. Welfare Expenditure	4.95	6.26
Travelling Expenses	17.02	32.26
Technical Fees	162.93	64.34
Link Charges	9.44	14.30
Subscription Charges	0.48	0.50
Computer hire Charges	0.78	–
Postage & Courier Charges	0.10	–
	415.45	312.89



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	Nine Months Ending 31-Dec-03 (Rupees in Million)	Twelve months Ending 31-Mar-03 (Rupees in Million)
SCHEDULE 'Q'		
Administration and Other Expenses		
Rent, Rates and Taxes	6.49	4.75
Communication Expenses	6.23	6.31
Legal and Professional charges	4.55	5.75
Remuneration to Auditors	0.37	0.96
Repairs and Maintenance :		
-Building	0.21	0.39
- Plant & Machinery	2.95	2.90
- Others	1.85	1.94
Insurance Premium	4.75	2.15
Sales Commission and Marketing Expenses	19.11	21.90
Board Sitting Fees	0.11	0.07
Advertisement and Sales Promotion Expenses	4.99	19.37
Lease Rent and Hire Charges	1.60	3.35
Entertainment Expenses	0.77	0.64
Miscellaneous Expenses	6.60	5.02
Conveyance Expenses	0.32	3.12
Loss on Sale of Fixed Assets	0.63	0.21
Provision for Bad & Doubtful Debts	0.22	3.15
Bank & Other charges	0.97	0.99
Recruitment Expenses	0.37	0.54
Printing & Stationery	1.06	1.47
Photocopying Charges	0.57	0.61
Training Expenses	3.00	—
	67.72	85.59
SCHEDULE 'R'		
Interest		
To Financial Institutions and Banks	4.61	11.73
To Others	0.03	0.03
	4.64	11.76
SCHEDULE 'S'		
Miscellaneous Expenditure Written Off		
Preliminary Expenditure written off	0.58	0.75
Deferred Revenue Expenditure written off	3.89	2.70
	4.47	3.45



DATAMATICS TECHNOLOGIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR

	Nine Months Ending 31-Dec-03 (Rupees in Million)	Twelve months Ending 31-Mar-03 (Rupees in Million)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax	220.50	166.58
Adjusted for:		
Profit from an Associate	(2.67)	—
Exchange fluctuation on P&L Account	(0.06)	0.02
Depreciation	13.39	15.58
Interest Expenses	4.64	11.76
Miscellaneous Expenditure written off	4.47	3.45
(Profit)/Loss on sale of Fixed Assets	0.59	0.21
Provision for Bad & Doubtful Debts	0.23	3.15
Fixed Assets written off	—	0.03
Interest Received	(2.62)	(3.26)
Dividend Received	(17.78)	(0.60)
(Profit)/Loss on sale of Investments	(5.46)	(0.31)
Excess Provisions written Back	(0.19)	(1.64)
Software Purchase Deferred	(7.50)	(2.13)
Foreign Currency Gain/ loss	—	(0.10)
Operating Profit before Working Capital Changes	207.54	192.74
Adjusted for:		
(Increase)/ Decrease in Sundry Debtors	(21.02)	(35.32)
(Increase)/ Decrease in Loans and Advances	(24.10)	(4.47)
(Increase)/ Decrease in Inventories	(2.82)	(10.73)
(Decrease)/ Increase in Current Liabilities	47.67	42.26
Cash Generated from Operations	207.27	184.48
Tax Paid	1.67	8.26
Net Cash From Operating Activities	205.60	176.22
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale / (Purchase) of Fixed Assets(Refer note below)	(18.23)	(12.74)
Sale / (Purchase) of Investments	(56.05)	(77.01)
Consideration paid on acquisition of subsidiaries	(241.61)	—
Interest on Fixed Deposit & Others	2.62	3.26
Dividend Received	17.78	0.60
Net Cash from Investing Activities	(295.49)	(85.91)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of share capital (net)	140.00	4.93
Share Issue Expenses(Deducted from Share Premium)	(4.22)	—
Proceeds from Long Term Borrowings	38.18	(72.20)
Short term Loan	—	(0.50)
Interest Paid	(4.64)	(11.76)
Dividend paid	(15.17)	—
Tax paid on dividend	(1.97)	—
Net Cash Flow from Financing Activities	152.18	(79.53)
Net Increase in Cash and Cash Equivalent during the Year	62.29	10.78
Cash and Cash equivalents as on April 02	57.30	27.76
Cash and Cash equivalents as on December 31 , 2003	119.59	38.54

For Datamatics Technologies Limited & its subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel &
Company Secretary



SCHEDULE ‘T’

Significant Accounting Policies and notes to the Consolidated Financial Statements for the nine months ended December 31, 2003

1. Background

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 information technology enabled services / business process outsourcing arm of the Datamatics group. On December 27, 1999, the company converted itself from a Private Limited Company into a Public Limited Company.

In, 1996, the Parent Company made a strategic Investment of about 5% in Common Stock of “Saztec International Inc.”, (Saztec) a Company Incorporated in the State of California, USA. Subsequently, it acquired additional shares and increased its holding to 46.75% by 2001. In November, 2003 the Parent Company acquired the remaining 53.25% common stock and thereby it became a 100 % Subsidiary Company of the Parent Company

In July 2000 the Parent Company set up a 100% subsidiary company “Datamatics Infosolutions Limited. (DIL) in Mumbai , India .

In June 2001, the Parent Company set up a 100% subsidiary company “Datamatics Technologies Inc.”(DTI), in the state of New Hampshire, USA.

In October 2002, the Parent Company acquired 100% Equity of “Datamatics GmbH” incorporated in Germany. Subsequently, the name was changed to Datamatics Technologies GmbH.

In September 2003, the Parent Company acquired 100% Equity of “CorPay Solutions Inc.”, a company incorporated in the State of Delaware, USA.

The above Companies are collectively referred to as “DTL Group” or “the Group.”

In June 2003 the Parent Company acquired 100,000 shares of Rs. 10/- each comprising of 100% of the Equity of Knowledgeworks Global Limited for a temporary period of 11 days which was subsequently diluted to 20% equity on allotment of 400,000 equity shares of Rs. 10/- each to Cadmus Knowledgeworks International Limited. It provides a full range of content processing, content management, and related services to STM publishers and other organizations around the world.

DTL Group has, over the years, developed competencies in the IT enabled Services and Business Process Outsourcing and moved up the value chain by providing a suite of third party business process outsourcing services. The Group offers end-to-end services including Content Management, Back Office Processing in Finance and Accounts, HR & Claims processing and Related Software Services to customers worldwide.

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’), to the extent applicable subject to Note 2.9 given below. The Company has adopted AS 25 – ‘ Interim Financial Reporting’ (‘AS 25’), which comes into effect in respect of accounting periods commencing on or after April 1, 2002 and has presented a complete set of financial statements as stipulated in AS 25 for period April 2003 to December 2003.

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 & Associates. The subsidiaries & Associates considered in the consolidated financial statements as at March 31, 2003 are summarized below:

Name of the Subsidiary / Associates	Country of incorporation	% of shareholding
Datamatics Technologies, Inc.	USA	100
Saztec International, Inc.	USA	46.75
Datamatics Technologies GmbH	Germany	100
Datamatics Infosolutions Limited	India	100

The subsidiaries & Associates considered in the consolidated financial statements as at December 31, 2003 are summarized below:

Name of the Subsidiary /Associates	Country of incorporation	% of shareholding
Datamatics Technologies, Inc.	USA	100
Saztec International, Inc.	USA	100
CorPay Inc	USA	100
Datamatics Technologies GmbH	Germany	100
Datamatics Infosolutions Limited	India	100
Knowledgeworks Global Limited	India	20

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS – 21 & AS-23 namely “Consolidated Financial Statements “ & “Accounting for investments in Associates” 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.

Investment in associate is accounted as per ‘Equity Method’ in consolidated financial statement. As per AS-23 where the investor is able to exercise significant influence but not control over the management of the investee, Equity method of accounting is to be followed. It involves incorporation of the Parent Company’s share of results and assets of the associate in one line in the Parent Company’s Profit and Loss account and Balance Sheet also known as “Single line consolidation”. If the share of losses of an Associate equals or exceeds the carrying amount of the investment, the Parent Company discontinues recognizing its share of further losses and the Investment is reported at “Nil” value.

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 on 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 and depreciation

Fixed Assets are stated at acquisition cost less accumulated depreciation. 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. 237.27 million of foreign subsidiaries have charged depreciation at the rates other than those prescribed under Schedule XIV of the Companies Act, 1956.

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.

In case of an associate Company, in the absence of positive net worth the goodwill is recognized to the extent of carrying value of the 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

The group derives its revenues primarily from information technology enabled services / business process outsourcing. Revenue from the Software development/services on the time and material basis is recognized based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognized on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients.

Revenue/Income from sale of traded goods is recognized on dispatch of goods. Sales are exclusive of Sales Tax.

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) contribution to Provident Fund is charged to Profit and Loss account on accrual basis. (b) Gratuity and Leave Encashment benefits at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

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 Section 401(K) of the Internal Revenue Code. 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.

The Company has entered into forward exchange contracts for a portion of its foreign exchange receivables. The difference between the forward rate and the exchange rate at the date of transaction is recognized as income/expense and charged to Profit & Loss account.



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 & 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.

Investments

Investments are valued at cost inclusive of all expenses incidental to their acquisition. Long Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments.

2.11 Taxation

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

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 December 31, 2003 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.

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.

2.12 Inventory

Traded goods are valued at cost or market value whichever is lower. Work in process is valued at cost.

2.13 Miscellaneous Expenditure

Miscellaneous expenditure representing cost incurred in relation to issue of shares / debenture etc. have been amortized over a period of 5 to 10 years, Deferred revenue expenditure are amortized over the period of 3 years.

Further, share premium account has been utilized to written off expenditure incurred in relation to fresh issue of shares during the year 2003 in conformity with the new accounting standard AS-26 on “ Intangible Assets” issued by the Institute of Chartered Accountants of India which came into effect from 1st April 2003.

2.14 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.



3. Business acquisitions

A. Acquisition of Saztec International Inc.

By October, 2000 the Parent company acquired 49.74% of the then total common stock of 4,459,371 of Saztec International Inc., (Herein Referred to as “Saztec”) for cash purchase consideration of Rs. 53.05 Million (US\$ 1.14 Million). On the date of investment, Saztec had a negative net worth of Rs.13.69 Million. As the Parent Company’s share of net worth in

Saztec (an Associate) was negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock, in accordance with the provisions in AS-23 issued by the Institute of Chartered Accountants of India. The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (Million)
Purchase Consideration	53.05
Less:	
Net Worth of Saztec	—
Goodwill	(A) 53.05
(written off against General Reserve in the year 2000-01)	

In April , 2001 the Parent company acquired 4.30% of then total common stock of 6,249,928 of Saztec for cash purchase consideration of Rs. 4.37 Million (US \$ 0.09 Million). On cumulative basis Parent Company’s holding became 40.45 %. On the date of the Investment, Saztec had a negative net worth of Rs. 41.75 Million. As the Parent company’s share of net worth in Saztec (an Associate) is negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock in accordance with the provisions of AS-23 issued by the Institute of Chartered Accountants of India . The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (Million)
Purchase Consideration	4.37
Less:	
Net Worth of Saztec	—
Goodwill	(B) 4.37
(written off against General Reserve in the year 2001-02)	

In September , 2001 the Parent Company acquired 11.65% of then total common stock of 7,204,596 of Saztec for cash purchase consideration of Rs. 14.40 Million (US \$ 0.30 Million). On cumulative basis Parent Company’s holding became 46.75 %. On the date of the Investment, Saztec had a negative net worth of Rs. 26.79 Million. As the Parent company’s share of net worth in Saztec (an Associate) was negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock, in accordance with the provisions of AS-23 issued by the Institute of Chartered Accountants of India . The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (Million)
Purchase Consideration	14.40
Less:	
Net Worth of Saztec	—
Goodwill	(C) 14.40
(written off against General Reserve in the year 2001-02)	



In November 2003 Parent company acquired the remaining 53.25% of common stock of Saztec for cash purchase consideration of Rs. 19.66 Million (US \$0.39 Million).As a result of this acquisition, it became a wholly owned subsidiary of the Parent Company. On the date of the Investment, Saztec had a negative net worth of Rs. 92.55 Million. The Goodwill arising on the above mentioned investments has been determined as follows:

	Rupees (Million)
Purchase Consideration	91.48
Less:	
100% Net Worth of Saztec	(92.55)
Goodwill (D)	184.03
Less: Written off in FY 2001 & 2002 (A+B+C)	71.82
Balance written off against General Reserve in the Period April to December 2003	112.21

B. Acquisition of Datamatics Technologies GmbH:

In October 2002 Parent Company acquired 100% equity of Datamatics GmbH for cash Purchase Consideration of Rs. 3.71 Million (Euros 0.08 Million). On the date of Investment, Datamatics GmbH. had a net worth of Rs. 3.71 Million (Euros 0.08 Million). As a result, there does not arise any goodwill or capital Reserve.

C. Acquisition of CorPay Solutions Inc.,

On September 27, 2003 Parent Company acquired 100% equity stake in CorPay Solutions Inc., for cash purchase consideration of Rs. 7.65 Million. As a result of this acquisition, CorPay Solutions Inc., became a wholly owned subsidiary of the Company. On the date of the Investment, CorPay had a negative net worth of Rs. 150.01 Million. The Goodwill arising on the above mentioned investments has been determined as follows:

	Rupees (Million)
Purchase Consideration	7.65
Less:	
Net Worth of CorPay	(150.01)
Goodwill	157.66

The aggregate Goodwill recorded in these Consolidated Financial Statements comprise the following :

	Rupees (Million)
Goodwill arising on acquisition of 46.75% common stock of Saztec International Inc., (A+B+C) (E)	71.82
Balance as at March 31, 2002 (written off against General Reserve)	71.82
Goodwill arising on acquisition of 53.25% common stock of Saztec International Inc., (D-E)	112.21
Goodwill arising on acquisition of 100% equity interest in CorPay Solutions Inc.,	157.66
Balance as at December 31, 2003 (written off against General Reserve)	269.87



4. Segmental Information

The Management information system of the DTL Group identifies and monitors Information Technology and related Software Development services as its business segment. In the opinion of the management, the DTL Group is primarily engaged in business of Information Technology Enabled Services and Software Services as the basic nature of these activities are governed by the same set of risk and return. These constitute and have been grouped as single segment as per AS17 dealing with segmental reporting. Secondary segmental reporting is on the basis of geographical location of customers.

Performance of Business Segment is as follows:

	<i>(Rs. in million)</i>	
Revenue	(31.12.2003)	(31.03.2003)
Sales	691.50	589.09
Segment result profit	200.08	173.86
Interest Expenses	4.63	11.76
Other Income	25.11	4.48
Income Taxes	8.00	11.35
Profit from Ordinary Activities	214.34	155.31
Net Profit	214.34	155.31
Other Segment Information		
Capital Expenditure (Net)	18.23	12.75
Depreciation	13.40	15.58
Non Cash Expenses other than depreciation	4.69	6.62
Particulars of Segment Assets and Liabilities:		
Segment Assets	628.74	427.63
Investments	289.47	225.29
Bank Deposits	40.68	28.93
Other Assets	12.24	42.76
Total Assets	971.13	724.61
Segment Liabilities	140.57	42.54
Other Liabilities	178.45	110.21
Total Liabilities	319.02	152.75
Geographic Segment		

Revenue attributable to the location of the customers is as follows

	<i>(Rs. in million)</i>	
Geographic Location	(31.12.2003)	(31.03.2003)
USA	627.11	454.73
Europe	57.28	111.71
Others	7.11	22.66
Total	691.50	589.10



5. 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 period as deemed in the Accounting Standard are given below:

(A) Associate Companies and Joint Ventures

Datamatics Information Technologies Limited
 Datamatics Limited
 Datamatics Financial & Software Services Limited
 Datamatics Staffing Services
 Saztec International Inc. (up to November 27, 2003, thereafter it became 100% subsidiary)

(B) Key Managerial Personnel

Dr. L. S. Kanodia.
 Mr. Manish Modi

(C) Relatives of Key Managerial Personnel with whom transaction have taken place

Mr. Sameer Kanodia

Datamatics Global Services Limited
 Datamatics Consultants Limited
 w.e.f. 19th March ' 03
 Datamatics Infotech Inc
 Knowledgeworks Global Limited
 Datamatics Direct Mktg. Pvt. Limited

Mrs. Asha Kanodia
 Mr. Rahul Kanodia
 Ms. Anju Kanodia
 Mr. Vidur Bhogilal

- (ii) (Figures in Rupees Million)

Nature of transaction	A	B	C
Sales			
Technical Services	48.04		
Expenses			
Legal & Professional Fee	0.03		
Software Development Chg.	1.05		
Reimbursement of Expenses.	0.01		
Marketing Expenses	12.53		
Salaries			0.85
Managerial Remuneration		2.76	Nil
Commission		2.06	
Sitting Fee		0.02	0.02
Income			
Dividend on Pref. Shares	15.75		
Interest income	1.08		
Rent Income	1.56		
Loans And Advances Taken	15.57	–	–
Loans And Advances Given	5.81	NIL	–
Asset Sold	0.03		
Asset Purchase	0.08		
Investment in Equity Shares	1.00		
Purchase of Equity Shares		0.10	
Guarantees			
Performance Guarantees	8.05		
Outstanding			
Payables	1.92	NIL	
Receivables	8.36	5.30	

Note:

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



6 Earning Per Share

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

(Rupees in Millions except per share data)

	As of 31.12.2003	As of 31.03.2003
a. Net Profit After taxation	214.34	155.31
b. Weighted average number of Outstanding equity shares		
Considered for basic EPS	3,06,87,333	30,687,000
Add: Effect of dilutive issue of Preference shares	2,30,690	–
Considered for diluted EPS	3,09,18,023	30,687,000
c. Earnings per share		
(Nominal value per share Rs. 5 each)		
Basic	6.98	5.06
Diluted	6.92	5.06

7. Leases:

From the Group companies, DTL has entered into operating lease arrangements on the 5 years basis with SEEPZ Authorities for leasing facilities in SEEPZ. CorPay Solutions, Inc. has entered into lease agreements for office space and various items of equipment. The rental agreement for office space include escalation clauses that allow increased operating costs to be passed through to the CorPay Solutions, Inc. The future minimum lease payments in respect of such non-cancelable operating leases of these companies are summarized below:

	Amount in Rs. Million	
	December 31,2003	March 31,2003
Amount due within one year from the balance sheet date	19.94	23.40
Amount due in the period between one year and five years	29.30	44.78
Amount due later than five years	–	–

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

	Amount in Rs. Million	
	December 31,2003	March 31,2003
Lease Rent	6.20	39.15

8. Prior period Comparatives:

Previous year figures are not comparable as current period consists of nine months of the Parent Company and in case of subsidiaries from the date they became subsidiaries whereas previous year consist of twelve months. Current period includes DTI, Saztec, CorPay Solutions, Inc. Datamatics Technologies GmbH & DIL as 100% subsidiary and KGL 20 % as associate company., whereas previous year includes only DTI , Datamatics

Technologies GmbH and DIL as subsidiaries and Saztec as an associate Company.

Previous year figures have been appropriately reclassified to confirm to the current period presentation.

Since this is the first time the company has prepared the interim financial statement for the nine months ended December 2003, prior period comparatives in respect of Profit & Loss account for nine months ended December 2002 have not been presented in this financial statement.

For Kanu Doshi Associates
Chartered Accountants

Jayesh Parmar
Partner

Mem. No. 45375

Mumbai

Dated : January 29, 2004

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary



**CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND
FOR THE YEAR ENDED MARCH 31, 2003**

AUDITOR'S REPORT

To the Board of Directors of
DATAMATICS TECHNOLOGIES LIMITED
Unit No. 117 – 120,
SDF IV, SEEPZ,
Andheri (East),
Mumbai – 400 096, INDIA

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of Equity Shares, we state as follows:

1. We have examined the attached Consolidated Balance Sheet of DATAMATICS TECHNOLOGIES LIMITED (hereinafter referred to as the “Parent Company”) its Subsidiaries (as per List given in Note No.2.2 of Schedule `T`) (collectively referred to as the “Group”) at March 31, 2003 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the Year ended on that date annexed thereto. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.
2. These consolidated 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.
3. 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.
4. We further report that in respect of the following subsidiaries, we did not carry out the audit. These financial statements have been audited by other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, 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 (Rs. in million)	Total Revenue (Rs. in million)
Datamatics Technologies Inc.	36.66	20.33
Datamatics GMBH	162.22	31.77

5. 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 statement.
6. 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 read together with the notes thereon in general and note No.2.2 and 2.3 of schedule ‘T’ in particular, 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 DTL Group for the Year ended on March 31, 2003;



-
- (ii) in the case of the Consolidated Profit and Loss account of the Profit of the DTL Group for the Year ended on March 31, 2003; and
 - (iii) in the case of the Consolidated Cash Flow statement, of the Cash flows of the DTL Group for the Year ended on March 31, 2003.

For KANU DOSHI ASSOCIATES
Chartered Accountants

Place: Mumbai
Date: January 29, 2004

JAYESH PARMAR
Partner
Membership No.: 45375



DATAMATICS TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS AT

	Schedule	31-Mar-03 Rupees in million	31-Mar-02 Rupees in million
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	153.43	153.43
Reserves and Surplus	B	418.43	295.80
		<u>571.86</u>	<u>449.23</u>
Loan Funds			
Secured Loans	C	61.04	133.24
Unsecured Loans	D	0.20	0.70
		<u>61.24</u>	<u>133.94</u>
Deferred Tax Liability (Net)		17.80	–
Minority Interest		–	0.42
		<u>650.90</u>	<u>583.59</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	282.64	271.73
Less : Depreciation		57.98	42.96
Net Block		224.66	228.77
Capital Work in Progress		1.14	–
Investments	F	114.89	114.90
Current Assets, Loans and Advances			
a) Stock in Trade/ Work in Progress	G	10.73	–
b) Sundry Debtors	H	144.04	143.53
c) Cash and Bank Balance	I	38.54	26.45
d) Other Current Assets - Investments in debt mutual funds	J	110.40	42.31
e) Loans and Advances	K	71.82	64.63
		<u>375.53</u>	<u>276.92</u>
Less: Current Liabilities and Provisions	L		
a) Current Liabilities		44.18	33.99
b) Provisions		29.54	12.71
		<u>73.72</u>	<u>46.70</u>
Net Current Assets		301.81	230.22
Miscellaneous Expenditure (to the extent not written off/adjusted)	M	8.39	9.70
		<u>650.90</u>	<u>583.59</u>
Significant Accounting Policies & Notes to Accounts	T		

The Schedules referred to above and the notes there on form integral part of this Consolidated Balance Sheet

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

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary



DATAMATICS TECHNOLOGIES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

	Schedule	31-Mar-03 Rupees in million	31-Mar-02 Rupees in million
INCOME			
Services			
Export		587.36	408.75
Domestic		0.85	1.05
Sales - Trading (net)		0.88	—
Other Income	N	4.48	19.30
Increase/(decrease) in Traded goods stock	O	10.73	—
		<u>604.30</u>	<u>429.10</u>
EXPENDITURE			
Purchase of IT Products and Licenses		8.45	—
Operational Expenses	P	312.89	215.48
Administration and Other Overheads	Q	85.59	62.08
Interest	R	11.76	11.54
Depreciation		15.58	13.30
Miscellaneous Expenditure written off	S	3.45	3.23
		<u>437.72</u>	<u>305.63</u>
		166.58	123.47
Add: Exchange Fluctuation on Consolidation		0.02	(0.06)
Profit before tax		166.60	123.41
Provision for Current year tax		8.90	3.31
Provision for Deferred tax		2.37	—
Profit after tax		155.33	120.10
Less: Minority Share in Profits/(loss)		—	0.08
Add: Exchange Fluctuation on Investment		0.06	0.05
Add: Tax Adjustment for Earlier Years		(0.08)	(0.33)
		155.31	119.90
Balance brought forward from last year		128.58	61.14
Amount Available for Appropriations		283.89	181.04
APPROPRIATIONS :			
Dividend on Preference Shares		—	3.30
Proposed Dividend on Equity Shares		15.34	30.69
Tax on Proposed Dividend		1.97	3.47
Transfer to General Reserve		20.00	15.00
Amount Carried Forward		<u>246.58</u>	<u>128.58</u>
		283.89	181.04
Earnings per share (Face Value Rs. 5 each)			
Basic		5.06	3.79
Diluted		5.06	3.79

(Refer note no. 6 of Schedule 'T')

Significant Accounting Policies & Notes to Accounts

The Schedules referred to above and the notes there on form integral part of this Consolidated Profit and Loss Account.

As per our Report of even date

For Datamatics Technologies Limited & its Subsidiaries

For Kanu Doshi Associates

Chartered Accountants

Dr. Lalit S. Kanodia

Chairman

Jayesh Parmar

Partner

Mem. No. 45375

Manish Modi

Managing Director & CEO

Mumbai

Dated : January 29, 2004

Kumar Gidwani
*General Legal Counsel
& Company Secretary*



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
SCHEDULE 'A'		
Share Capital		
AUTHORISED		
48,000,000 (PY 48,000,000) Equity Shares of Rs. 5 each	240.00	240.00
5,000,000 (PY 5,000,000) Redeemable Preference Shares of Rs.5 each	50.00	50.00
	<u>290.00</u>	<u>290.00</u>
ISSUED, SUBSCRIBED & PAID UP		
30,687,000 (P.Y. 30,687,000) Equity Shares of Rs.5 each fully paid	153.43	153.43
	<u>153.43</u>	<u>153.43</u>
Note:		
1. Of the above, 28,480,000 Equity Shares of Rs. 5 each (P.Y. 28,480,000 of Rs. 5 each) have been allotted as fully paid Bonus Shares by capitalization of General Reserve and Share Premium.		
SCHEDULE 'B'		
Reserves and Surplus		
CAPITAL RESERVE		
Balance as per last Balance Sheet	3.52	3.45
	<u>3.52</u>	<u>3.45</u>
CAPITAL REDEMPTION RESERVE		
Balance as per last Balance Sheet	37.78	7.78
Transferred from General Reserve	–	30.00
	<u>37.78</u>	<u>37.78</u>
GENERAL RESERVE		
Balance as per last Balance Sheet	9.20	42.97
Add: Transferred from Profit and Loss Account	20.00	15.00
Less: Net Deferred Tax Liability	(15.44)	–
Less: Transferred to Capital Redemption Reserve	–	(30.00)
Less: Goodwill written off	–	(18.77)
	<u>13.76</u>	<u>9.20</u>
SHARE PREMIUM		
Balance as per last Balance Sheet	116.79	116.79
	<u>116.79</u>	<u>116.79</u>
SURPLUS IN PROFIT AND LOSS ACCOUNT	246.58	128.58
	<u>418.43</u>	<u>295.80</u>



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
SCHEDULE 'C'		
Secured Loans		
Term Loan	40.00	60.00
Long Term Working Capital Term Loan	–	40.00
Packing Credit	17.71	31.24
Cash Credits/ Line of Credit	3.33	1.91
Hire Purchase	–	0.09
	61.04	133.24

Notes :

1. Term Loan of Rs. 40 million from EXIM Bank is secured by a first charge on all immovable fixed assets, both present and future of the Company, and hypothecation over all movable assets of the Company both present and future, ranking pari-passu with State Bank of India and also covered by unconditional and irrevocable, personal guarantee of a Director.
2. Packing Credit from State Bank of India is secured by hypothecation of the Company's movable assets, both present and future, ranking pari passu with EXIM Bank and second charge on immovable assets of the Company, both present and future, and also covered by unconditional irrevocable personal guarantee of a Director.
3. Cash Credit Accounts from Banks are secured by lien on Fixed Deposit Receipts.
4. Secured Loans include Loans of Rs. 20,000,000 repayable within a year (P.Y. Rs 20,000,000)

SCHEDULE 'D'

Unsecured Loans

Fixed Deposit

From Shareholders	–	0.50
From Others	0.20	0.20
	0.20	0.70

Schedule 'E'

Fixed Assets

Buildings	140.78	139.63
Machinery & Equipment	38.92	38.07
Furniture & Fixtures	43.84	42.67
Computer Equipments	52.40	48.08
Vehicles	6.70	3.28
Total Gross Block	282.64	271.73
Less: Accumulated Depreciation	57.98	42.96
Net Fixed Assets	224.66	228.77

Note: The above details are compiled from the data available with the parent company.



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

31-Mar-03 **31-Mar-02**
(Rupees in Million) **(Rupees in Million)**

SCHEDULE 'F'

Investments (At Cost)

Investment (In Shares)

A UNQUOTED

i) Trade

400,000 (PY 400,000) fully paid Equity Shares of
Saha Electronics Private Limited of Rs 10 each.

12.00 12.00

Aggregate of Unquoted Investment (Trade)

12.00 12.00

ii) Non-trade

10,000,000 (PY 10,000,000) fully paid 9 % Redeemable Cumulative
Preference Shares of Datamatics Limited of Rs 10 each .

100.00 100.00

Aggregate of Unquoted Investment (Non-Trade)

100.00 100.00

B. QUOTED (Trade)

NIL (P.Y. 3,367,842) no par value common stock
in Saztec International Inc., a company incorporated in USA

– 71.82

Less: Share of Net Worth

– –

Goodwill

– 71.82

Less: Goodwill written off

– (71.82)

Carrying Value of Investment

– –

C. QUOTED (Non-Trade)

a 198 (P. Y. 960) fully paid Equity Shares of
Rs. 10 each in Aptech Limited

0.16 0.26

b 900 (P. Y. 900) fully paid Equity Shares of
Rs. 10 each of Cybertech Limited

0.51 0.51

c 300 (P. Y.300) fully paid Equity Shares of
Rs. 2 each of Wipro Limited

2.11 2.11

d 100 (P.Y. 100) fully paid Equity Shares
of Rs. 10 each in Silverline Industries Limited

0.01 0.01

e. 384 (P. Y NIL) fully paid Equity Shares of
of Rs. 10 each in Hexaware Technologies Limited

0.10 –

Aggregate of Quoted Investments

2.89 2.89

In a Partnership Firm

– 0.01

in Fixed Capital Account

– (0.00)

in Current Account

– –

– 0.01

114.89 114.90



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
SCHEDULE 'G'		
Stock in Trade/ Work in Progress		
(As verified, valued & certified by the management)		
Stock in Trade/ Work In Progress	10.73	–
	<u>10.73</u>	<u>–</u>
SCHEDULE 'H'		
Sundry Debtors		
Unsecured		
outstanding for a period exceeding six months		
considered good	9.50	29.62
considered doubtful	7.08	8.18
others, considered good	134.54	113.91
	151.12	151.71
Less : Provision for Doubtful Debts	7.08	8.18
	<u>144.04</u>	<u>143.53</u>
SCHEDULE 'I'		
Cash and Bank Balances		
Cash on Hand	0.13	0.02
Cheques on Hand	0.25	3.48
Balance with Scheduled Banks	–	–
In Current Accounts	8.24	15.40
In Fixed Deposit Accounts	28.93	6.64
In Exchange Earner's Foreign Currency Account	0.93	0.88
In Unclaimed Dividend Accounts	0.06	0.03
	<u>38.54</u>	<u>26.45</u>
SCHEDULE 'J'		
Other Current Assets		
Investment in Units of Debt Mutual Funds	110.40	42.31
	<u>110.40</u>	<u>42.31</u>
SCHEDULE 'K'		
Loans and Advances		
(Unsecured considered good for value to be received in Cash or in Kind, unless otherwise specified)		
Other Advances		
Considered good	48.86	47.10
Considered doubtful	0.98	–
Advance Income Tax	11.30	12.36
Deposits(Trade)	8.24	1.85
Prepaid Expenses	3.42	3.32
	72.80	64.63
Less : Provision for Bad & Doubtful Advances	0.98	–
	<u>71.82</u>	<u>64.63</u>



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
SCHEDULE 'L'		
Current Liabilities and Provisions		
A. CURRENT LIABILITIES		
a. Sundry Creditors	20.86	17.41
b. Unclaimed Dividend*	0.05	0.03
c. Interest accrued but not due	1.58	2.90
d. Other Liabilities	11.88	5.93
	<u>34.37</u>	<u>26.27</u>
Employees Liabilities	9.81	7.72
(Includes Rs. 1.77 million (P.Y. Rs. 1.34 million) due as commission to Directors)		
	<u>44.18</u>	<u>33.99</u>
B. PROVISIONS		
For Proposed Dividend on Equity Shares.	15.34	–
For Tax on Proposed Dividend	1.97	–
For Income Tax	12.23	12.71
	<u>29.54</u>	<u>12.71</u>
* This figure does not include any amount due and outstanding to be credited to Investor Education & Protection Fund.		
SCHEDULE 'M'		
Miscellaneous Expenditure		
(to the extent not written off/adjusted) :		
Preliminary Expenses	5.00	5.77
Deferred Revenue Expenditure	3.39	3.93
	<u>8.39</u>	<u>9.70</u>
SCHEDULE 'N'		
Other Income		
Interest from banks & others	3.26	3.04
Exchange Fluctuations (net)	(0.26)	1.91
Dividend	0.60	9.25
Profit on Sale of Investments (Net)	0.31	5.01
Excess Provisions Written back	0.43	–
Miscellaneous Income	0.14	0.09
	<u>4.48</u>	<u>19.30</u>
SCHEDULE 'O'		
Increase/(Decrease) in Traded Goods		
Opening Stock as on 01.04.2002	–	–
Closing Stock as on 31.03.2003	10.73	–
	<u>10.73</u>	<u>–</u>



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
SCHEDULE 'P'		
Operational Expenses		
Knowledge Associates Charges	39.55	36.73
Software Purchase/Development Charges	6.29	2.28
Electricity	6.98	5.77
Payments to and expenditure for employees		
a. Salaries, Wages, Bonus & allowances	135.27	86.62
b. Contribution to Provident Fund		
and other funds	3.87	3.31
c. Commission	3.27	1.34
d. Welfare Expenditure	6.26	6.03
Travelling Expenses	32.26	22.80
Technical Fees	64.34	35.76
Link Charges	14.30	14.84
Subscription Charges	0.50	-
	312.89	215.48

SCHEDULE 'Q'

Administration and Other Expenses

Rent, Rates and Taxes	4.75	2.43
Communication Expenses	6.31	4.84
Legal and Professional charges	5.75	8.13
Remuneration to Auditors	0.96	0.31
Repairs and Maintenance :		
- Building	0.39	0.12
- Plant & Machinery	2.90	1.61
- Others	1.94	1.33
Insurance Premium	2.15	1.24
Sales Commission and Marketing Expenses	21.90	21.91
Board Sitting Fees	0.07	0.04
Advertisement and Sales Promotion Expenses	19.37	2.84
Lease Rent and Hire Charges	3.35	0.25
Entertainment Expenses	0.64	0.47
Miscellaneous Expenses	5.02	4.21
Conveyance Expenses	3.12	0.07
Loss on Sale of Fixed Assets	0.21	-
Provision for Bad & Doubtful Debts	3.15	8.18
Prior Period Expense	-	1.07
Bank & Other charges	0.99	1.07
Recruitment Expenses	0.54	0.62
Printing & Stationery	1.47	0.81
Photocopying Charges	0.61	0.52
	85.59	62.08



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
SCHEDULE 'R'		
Interest		
To Financial Institutions and Banks	11.73	11.47
To Others	0.03	0.07
	11.76	11.54

SCHEDULE 'S'

Miscellaneous Expenditure Written Off		
Preliminary Expenditure written off	0.75	0.78
Deferred Revenue Expenditure written off	2.70	1.96
Pre-operative Expenditure written off	–	0.49
	3.45	3.23

DATAMATICS TECHNOLOGIES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

	31-Mar-03 (Rupees in Million)	31-Mar-02 (Rupees in Million)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax	166.58	123.47
Adjusted for:		
Exchange fluctuation on P&L Account	0.02	(0.06)
Depreciation	15.58	13.30
Interest Expenses	11.76	11.54
Miscellaneous Expenditure written off	3.45	3.23
(Profit)/Loss on sale of Fixed Assets	0.21	–
Provision for Bad & Doubtful Debts	3.15	8.18
Fixed Assets written off	0.03	–
Interest Received	(3.26)	(3.04)
Dividend Received	(0.60)	(9.25)
(Profit)/Loss on sale of Investments	(0.31)	(5.01)
Excess Provisions written Back	(1.64)	(1.32)
Software Purchase Deferred	(2.13)	(5.89)
Preoperative Expenses/ Miscellaneous Expenses	–	(0.29)
Foreign Currency Gain/ loss	(0.10)	(0.03)
Operating Profit before Working Capital Changes	192.74	134.83
Adjusted for:		
(Increase)/ Decrease in Sundry Debtors	(35.32)	(12.99)
(Increase)/ Decrease in Loans and Advances	(4.47)	(2.00)



(Increase)/ Decrease in Inventories	(10.73)	–
(Decrease)/ Increase in Current Liabilities	42.26	14.19
Cash Generated from Operations	184.48	134.04
Tax Paid	8.26	7.64
Net Cash From Operating Activities	176.22	126.40
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale / (Purchase) of Fixed Assets	(12.74)	(50.15)
Sale / (Purchase) of Investments	(77.01)	(89.37)
Interest on Fixed Deposit & Others	3.26	3.04
Dividend Received	0.60	9.25
Net Cash from Investing Activities	(85.91)	(127.22)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of share capital (net)	4.93	–
Proceeds from Long Term Borrowings	(72.20)	24.02
Short term Loan	(0.50)	0.50
Interest Paid	(11.76)	(11.54)
Dividend paid	–	(50.82)
Net Cash Flow from Financing Activities	(79.53)	(35.42)
Net Increase in Cash and Cash Equivalent during the Year	10.78	(36.24)
Cash and Cash equivalents as on April 1, 2002	27.76	62.69
Cash and Cash equivalents as on March 31 , 2003	38.54	26.45

For Datamatics Technologies Limited & its subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
*General Legal Counsel &
Company Secretary*

Mumbai
Dated : January 29, 2004



Schedule 'T'

Significant Accounting Policies and Notes to the Consolidated Financial Statements for the financial year ended March 31, 2003

1. Background

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 information technology enabled services / business process outsourcing arm of the Datamatics group. On December 27, 1999, the company converted itself from a Private Limited company into a Public Limited Company.

In 1996, the Parent Company made a strategic investment of about 5% in Common Stock of "Saztec International Inc.", (Saztec), a company incorporated in the state of California, USA. Subsequently, it acquired additional shares and increased its holding to 46.75% by 2001.

In July 2000, the Parent Company set up a 100% subsidiary company "Datamatics Infosolutions Limited (DIL) in Mumbai, India.

In June 2001, the Parent Company set up a 100% subsidiary company "Datamatics Technologies, Inc." (DTI) in the State of New Hampshire, USA.

In October 2002, the Parent Company acquired 100% equity of "Datamatics GmbH" incorporated in Germany. Subsequently, the name was changed to Datamatics Technologies GmbH.

The above Companies are collectively referred to as "DTL Group" or "the Group."

DTL Group has, over the years, developed competencies in the IT enabled Services and Business Process Outsourcing and moved up the value chain by providing a suite of third party business process outsourcing services. The Group offers end-to-end services including Content Management, Back Office Processing in Finance and Accounts, HR & Claims processing and Related Software Services to customers worldwide.

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'), to the extent applicable subject to Note 2.9 given below.

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, its subsidiaries & Associates. The subsidiaries & Associates considered in the consolidated financial statements as at March 31, 2002 are summarized below:

Name of the Subsidiary / Associates	Country of incorporation	% of shareholding
Saztec International, Inc.	USA	46.75
Datamatics Infosolutions Limited	India	100
Datamatics Technologies, Inc.	USA	100



The subsidiaries & Associates considered in the consolidated financial statements as at March 31, 2003 are summarized below:

Name of the Subsidiary /Associates	Country of incorporation	% of shareholding
Saztec International , Inc.	USA	46.75
Datamatics Infosolutions Limited	India	100
Datamatics Technologies, Inc.	USA	100
Datamatics Technologies GmbH	Germany	100

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS-21 & AS-23 namely “Consolidated Financial Statements “ & “Accounting for investments in Associates” 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.

Investment in associate is accounted as per ‘Equity Method’ in consolidated financial statement. As per AS-23 where the investor is able to exercise significant influence but not control over the management of the investee, Equity method of accounting is to be followed. It involves incorporation of the Parent company’s share of results and assets of the associate in one line in the Parent Company’s Profit and loss account and Balance Sheet also known as “Single line consolidation”. If the share of losses of an Associate equals or exceeds the carrying amount of the investment, the Parent Company discontinues recognizing its share of further losses and the Investment is reported at “Nil” value.

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 have been prepared using uniform accounting policies for like transactions and other events in similar circumstances except in case of charge on 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 and depreciation

Fixed Assets are stated at acquisition cost less accumulated depreciation. 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.1.44 million of foreign subsidiaries have charged depreciation at the rates other than those prescribed under Schedule XIV of the Companies Act,1956.

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.

In case of an associate company, in the absence of positive net worth the goodwill is recognized to the extent of carrying value of the 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

The group derives its revenues primarily from information technology enabled services / business process outsourcing. Revenue from the Software development/services on the time and material basis is recognized based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognized on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients.

Revenue/Income from sale of traded goods is recognized on dispatch of goods. Sales are exclusive of Sales Tax.

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) contribution to Provident Fund is charged to Profit and Loss account on accrual basis. (b) Gratuity and Leave Encashment benefits at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

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 Section 401(K) of the Internal Revenue Code. The company matches employee's 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. The Company has entered into forward exchange contracts for a portion of its foreign exchange receivables. The difference between the forward rate and the exchange rate at the date of transaction is recognized as income/expense and charged to Profit & Loss account.

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 & 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.

2.10 Investments

Investments are valued at cost inclusive of all expenses incidental to their acquisition. Long Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments.

2.11 Taxation

Current Tax:

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



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, 2003 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.

2.12 Miscellaneous Expenditure

Miscellaneous expenditure representing cost incurred in relation to issue of shares / debentures etc. is amortized over a period of 5 to 10 years. Deferred revenue expenditure is amortized over the period of 3 years.

2.13 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.

3. Business acquisitions

A. Acquisition of Saztec International Inc.

By October 2000, the Parent company acquired 49.74% of the then total common stock of 4,459,371 of Saztec International Inc., (Herein Referred to as "Saztec") for cash purchase consideration of Rs. 53.05 Million (US\$ 1.14 Million). On the date of investment, Saztec had a negative net worth of Rs.13.69 Million. As the Parent Company's share of net worth in Saztec (an Associate) was negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock, in accordance with the provisions in AS-23 issued by the Institute of Chartered Accounts of India. The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (Million)
Purchase Consideration	53.05
Less:	
Net Worth of Saztec	—
Goodwill (A)	53.05
(written off against General Reserve in the year 2000-01)	

In April 2001, the Parent company acquired 4.30% of then total common stock of 6,249,928 of Saztec for cash purchase consideration of Rs. 4.37 Million (US \$ 0.09 Million). On cumulative basis Parent Company's holding became 40.45 %. On the date of the Investment, Saztec had a negative net worth of Rs. 41.75 Million. As the Parent company's share of net worth in Saztec (an Associate) is negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock in accordance with the provisions of AS-23 issued by the Institute of Chartered Accounts of India .



The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (In Million)
Purchase Consideration	4.37
Less:	
Net Worth of Saztec	—
Goodwill (B)	4.37
(written off against General Reserve in the year 2001-02)	

In September 2001, the Parent Company acquired 11.65% of then total common stock of 7,204,596 of Saztec for cash purchase consideration of Rs. 14.40 Million (US \$ 0.30 Million). On cumulative basis Parent Company's holding became 46.75 %. On the date of the Investment, Saztec had a negative net worth of Rs. 26.79 Million. As the Parent company's share of net worth in Saztec (an Associate) was negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock, in accordance with the provisions of AS-23 issued by the Institute of Chartered Accounts of India. The Goodwill arising on the above-mentioned investment has been determined as follows:

	Rupees (In Million)
Purchase Consideration	14.40
Less:	
Net Worth of Saztec	—
Goodwill (C)	14.40
(written off against General Reserve in the year 2001-02)	

B. Acquisition of Datamatics Technologies GmbH:

In October 2002, the Parent Company acquired 100% equity of Datamatics GmbH for cash Purchase Consideration of Rs. 3.71 Million (Euros 0.08 Million). On the date of Investment, Datamatics GmbH had a net worth of Rs. 3.71 Million (Euros 0.08 Million). As a result, there does not arise any goodwill or Capital Reserve.

The aggregate Goodwill recorded in these Consolidated Financial Statements comprise the following :

	Rupees Million
Goodwill arising on acquisition of 46.75% common stock of Saztec International Inc., (A+B+C)	(D) 71.82
Balance as at March 31, 2002 (Adjusted against General Reserve in the years 2000-01 & 2001-02)	71.82



4. Segmental Information

The Management information system of the DTL Group identifies and monitors Information Technology and related Software Development services as its business segment. In the opinion of the management, the DTL Group is primarily engaged in business of Information Technology Enabled Services and Software Services as the basic nature of these activities are governed by the same set of risk and return. These constitute and have been grouped as single segment as per AS17 dealing with segmental reporting. Secondary segmental reporting is on the basis of geographical location of customers.

Performance of Business Segment is as follows:

	<i>(Rs. in million)</i>	
Revenue	(31.03.2003)	(31.03.2002)
Sales	589.09	409.81
Segment result profit	173.86	115.70
Interest Expenses	11.76	11.54
Other Income	4.48	19.31
Income Taxes	11.35	3.64
Profit from Ordinary Activities	155.31	119.86
Net Profit	155.31	119.86
Other Segment Information		
Capital Expenditure	11.75	46.94
Depreciation	15.58	13.32
Non Cash Expenses other than depreciation	6.60	8.18
Particulars of Segment Assets and Liabilities:		
Segment Assets	427.63	339.14
Investments	225.29	157.21
Bank Deposits	28.93	6.64
Other Assets	42.76	12.36
Total Assets	724.61	515.35
Segment Liabilities	42.54	31.47
Other Liabilities	110.21	149.59
Total Liabilities	152.75	181.06
Geographic Segment		
Revenue attributable to the location of the customers is as follows		
		<i>(Rs. in million)</i>
Geographic Location	(31.03.2003)	(31.03.2002)
USA	454.73	306.36
Europe	111.70	70.00
Others	22.66	33.45
Total	589.09	409.81



5. 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 period as deemed in the Accounting Standard are given below:

(A) Associate Companies and Joint Ventures

Datamatics Information Technologies Limited

Datamatics Limited

Datamatics Financial & Software Services Limited

Datamatics Staffing Services

Saztec International Inc. (up to November 27, 2003, thereafter it became 100% subsidiary)

Datamatics Global Services Limited

Datamatics Consultants Limited

w.e.f.19th March ' 03

Datamatics Infotech Inc

Datamatics Direct Mktg. Pvt. Limited

(B) Key Managerial Personnel

Dr. L. S. Kanodia.

Mr. Manish Modi

(C) Relatives of Key Managerial Personnel with whom transactions have taken place

Mr. Sameer Kanodia

Mrs. Asha Kanodia

Mr. Rahul Kanodia

Ms. Anju Kanodia

Mr. Vidur Bhogilal

(ii) (Rs in Million)

Nature of transaction	A	B	C
Sales			
Technical Services	82.50		
Expenses			
Legal & Professional Fee	0.06		
Repairs	0.08		
Training & Seminar fee	0.14		
Technical Fee	0.56		
Link charges	0.72		
Vendor Charges	0.52		
Marketing Expenses	12.83		
Storage Charges	0.01		
Salaries			0.12
Managerial Remuneration		3.05	0.10
Commission		2.97	
Sitting Fee		0.02	0.01
Interest on Fixed Deposit	Nil		0.03
Income			
Interest income	2.04		
Repayment of Fixed Deposit along with interest accrued			0.53
Loans And Advances Taken	8.61		
Loans And Advances Given	2.12	0.38	
Asset Purchase	10.27		
Investment in Equity Shares	0.50		
Sale of Investment	0.50		
Guarantees			
Financial Guarantees	19.09		
Performance Guarantees	3.48		
Outstanding			
Payables	1.90	2.97	Nil
Receivables	75.46	7.07	0.10

Note:

1) Figures stated above are in Rs. Million

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



6. Earnings Per Share

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

(Rupees in Millions except per share data)

	As of 31.03.2003	As of 31.03.2002
a. Net Profit After taxation	155.31	119.86
b. Weighted average number of outstanding equity shares		
Considered for basic EPS	30,687,000	30,687,000
Add: Effect of dilutive issue of Preference shares	—	—
Considered for diluted EPS	30,687,000	30,687,000
c. Earnings per share		
(Nominal value per share Rs. 5 each)		
Basic	5.06	3.91
Diluted	5.06	3.91

7. Leases:

From the Group companies, the Parent Company has entered into operating lease arrangements on the 5 years basis with SEEPZ Authorities for leasing facilities in SEEPZ. The future minimum lease payments in respect of such non-cancellable operating leases are summarized below:

	Amount in Rs. Million	
	March 31,2003	March 31,2002
Amount due within one year from the balance sheet date	1.12	1.12
Amount due in the period between one year and five years	3.65	4.47
Amount due later than five years	—	—
The Following Lease payments are recognized in Profit and Loss Account :		
	Amount in Rs. Million	
	March 31,2003	March 31,2002
Lease Rent	1.12	0.95

8. Previous year's figures have been regrouped/recast wherever necessary. Previous year figures are not comparable as Datamatics GmbH became subsidiary company during the year 2002-03.

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

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary



**CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND
FOR THE YEAR ENDED MARCH 31, 2002**

AUDITOR'S REPORT

To the Board of Directors of
DATAMATICS TECHNOLOGIES LIMITED
Unit No. 117 – 120,
SDF IV, SEEPZ,
Andheri (East),
Mumbai – 400 096, India

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Datamatics Technologies Limited in connection with the initial offer of Equity Shares, we state as follows:

1. We have examined the attached Consolidated Balance Sheet of DATAMATICS TECHNOLOGIES LIMITED (hereinafter referred to as the “Parent Company”) and its Subsidiaries and its associate (as per List given in Note No. 2.2 of Schedule ‘R’) (collectively referred to as the “Group”) at March 31, 2002 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.
2. These consolidated 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.
3. 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.
4. We further report that in respect of the following subsidiary and associate, we did not carry out the audit. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary and associate, is based solely on the report of the other auditor. The details of assets and revenue in respect of the said subsidiary are given below:

Name of the Subsidiary	Total Assets (Rs. in million)	Total Revenue (Rs. in million)
Datamatics Technologies Inc.	12.76	25.91

5. 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 “ and Accounting Standard 23-”ACCOUNTING FOR INVESTMENT IN ASSOCIATES IN CONSOLIDATED FINANCIAL STATEMENTS” issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the parent Company and its subsidiaries included in the consolidated financial statements.
6. 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 read together with the notes thereon in general and note No. 2.2 of schedule ‘R’ in particular, 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 DTL Group for the year ended on March 31, 2002;



-
- (ii) in the case of the Consolidated Profit and Loss account of the Profit of the DTL Group for the year ended on that date;
 - (iii) in the case of the Consolidated Cash Flow statement, of the Cash flows of the DTL Group for the year ended on that date.

For KANU DOSHI ASSOCIATES
Chartered Accountants

Place: Mumbai
Date: January 29, 2004

JAYESH PARMAR
Partner
Membership No.: 45375



DATAMATICS TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS AT

	Schedule	31-Mar-02 Rupees in million	31-Mar-01 Rupees in million
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	153.43	183.43
Reserves & Surplus	B	295.80	232.13
		<u>449.23</u>	<u>415.56</u>
Loan Funds			
Secured Loans	C	133.24	109.43
Unsecured Loans	D	0.70	–
		<u>133.94</u>	<u>109.43</u>
Minority Interest		0.42	0.46
		<u>583.59</u>	<u>525.45</u>
APPLICATION OF FUNDS			
Fixed Assets	E	271.73	224.79
Less: Depreciation		42.96	29.64
Net Block		<u>228.77</u>	<u>195.15</u>
Capital Work In Progress		–	32.06
Investments	F	114.90	54.90
Current Assets, Loans and Advances			
Sundry Debtors	G	143.53	139.56
Cash and Bank Balance	H	26.45	62.69
Other Current Assets	I	42.31	29.07
Loans and Advances	J	64.63	61.96
		<u>276.92</u>	<u>293.28</u>
Less: Current Liabilities & Provisions	K		
Current liabilities		33.99	29.36
Provisions		12.71	27.30
		<u>46.70</u>	<u>56.66</u>
Net Current Assets		230.22	236.62
Miscellaneous Expenditure (to the extent not written off or adjusted)	L	9.70	6.72
		<u>583.59</u>	<u>525.45</u>

Significant Accounting Policies and notes to accounts R

The schedules referred to above and the notes thereon form integral part of this Consolidated Balance Sheet

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

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary



DATAMATICS TECHNOLOGIES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

	Schedule	31-Mar-02 Rupees in million	31-Mar-01 Rupees in million
INCOME			
Exports		408.75	289.38
Domestic Services		1.05	–
Other Income	M	19.30	8.08
		429.10	297.46
EXPENDITURE			
Operational Expenses	N	215.48	153.37
Administration and Other Overheads	O	62.08	38.43
Interest	P	11.54	8.66
Depreciation		13.30	11.25
Miscellaneous Expenditure written off	Q	3.23	0.75
		305.63	212.46
		123.47	85.00
Add: Exchange Fluctuation on Consolidation		(0.06)	–
Profit Before tax		123.41	85.00
Provision for Current Tax		3.31	1.70
Profit After Tax		120.10	83.30
Less: Minority Share in Profit & Loss		(0.08)	–
Add: Exchange Fluctuation on Investment		0.05	–
Add: Tax Adjustment for Earlier Years		(0.33)	(0.83)
		119.90	82.47
Add Balance B/F from Last year		61.14	8.66
Amount available for appropriation		181.04	91.13
Appropriation			
Dividend on Preference Shares		3.30	2.71
Interim Dividend on Equity Shares		30.69	15.27
Tax on dividend		3.47	2.01
Transfer to General Reserve		15.00	10.00
Amount Carried to B/S		128.58	61.14
		181.04	91.13
Earning per share (Face value Rs. 5 each)			
Basic		3.79	2.59
Diluted		3.79	2.59
(Refer Note No. 6 of Schedule 'R')			
Significant Accounting Policies and Notes to Accounts	R		

The schedules referred to above and the notes thereon form integral part of this Consolidated Balance Sheet

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

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

(Rupees in million)

	2002	2001
SCHEDULE 'A'		
Share Capital		
AUTHORISED		
48,000,000 (PY 48,000,000) Equity Shares of Rs. 5 each	240.00	240.00
5,000,000 (PY 5,000,000) Redeemable Preference Shares of Rs.10 each	50.00	50.00
	290.00	290.00
ISSUED, SUBSCRIBED & PAID UP		
30,687,000 (P.Y. 30,687,000) Equity Shares of Rs.5 each fully paid	153.43	153.43
Nil (P Y 3,000,000) 11% Redeemable cumulative preference shares of Rs. 10 each fully paid	—	30.00
	153.43	183.43
Note:		
Software Purchases deferred		
(A) Of the above, 28,480,000 Equity Shares of Rs. 5 each (P.Y. 28,480,000 of Rs. 5 each) have been allotted as fully paid up bonus shares by capitalization of General Reserve and Share Premium		
(B) During the year the company had redeemed 3,000,000 11% Redeemable Preference shares of Rs. 10 each at par.		
SCHEDULE 'B'		
Reserves and Surplus		
CAPITAL RESERVE		
Balance as per last Balance Sheet	3.45	3.45
Addition during the year		
	3.45	3.45
CAPITAL REDEMPTION RESERVE		
Balance as per last Balance Sheet	7.78	—
Transferred from General Reserve during the Year	30.00	7.78
	37.78	7.78
GENERAL RESERVE		
Balance as per last Balance Sheet	42.97	93.80
Add: Transferred from Profit and Loss Account	15.00	10.00
Less Transferred to Capital Redemption Reserve	(30.00)	(7.78)
Less: Goodwill written off	(18.77)	(53.05)
	9.20	42.97
SHARE PREMIUM		
Balance as per last Balance Sheet	116.79	98.14
Add: Received during the year	—	41.99
Less: Paid on Redemption	—	(23.34)
	116.79	116.79
Surplus in Profit & Loss account	128.58	61.14
	295.80	232.13



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

(Rupees in million)

	2002	2001
SCHEDULE 'C'		
Secured Loans		
Term Loan	60.00	80.00
Long Term Working Capital Term Loan	40.00	—
Packing Credit	31.24	26.62
Cash Credit Account	1.91	2.32
Hire Purchase	0.09	0.49
	133.24	109.43

Notes :

1. Term Loan of Rs. 60 million from EXIM Bank is secured by first charge on all immovable and movable fixed assets, both present and future of the Company, ranking pari-passu with State Bank of India and it is also covered by unconditional and irrevocable, personal guarantee of a director Dr. Lalit S. Kanodia
2. Long term working capital term loan of Rs. 40 million from EXIM Bank is secured by hypothecation over all the movable fixed assets, both present and future of the company, ranking pari passu with the State Bank of India, and it is also covered by unconditional and irrevocable guarantee of Director Dr. L. S. Kanodia
3. Packing Credit from State Bank of India is secured by hypothecation of the Company's movable assets, and mortgage on immovable assets present and future of the company, ranking pari passu with EXIM Bank and also covered by personal guarantee of Director Dr. L.S. Kanodia.
4. Cash Credit Accounts from Banks are secured by lien on Fixed Deposit Receipts.
5. Secured Loans include Loans of Rs. 60.09 million repayable within a year (P.Y. Rs 20.26 million)
6. Hire purchase loan is secured against hypothecation of respective assets.

SCHEDULE 'D'

Unsecured Loans		
From Shareholders	0.70	—
(Repayable within one year Rs. Nil (P Y Rs. Nil))		
	0.70	—



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

(Rupees in million)

	2002	2001
SCHEDULE 'E'		
Fixed Assets		
Buildings	139.63	119.63
Machinery & Equipment	38.07	30.88
Furniture & Fixtures	42.67	27.10
Computer Equipments	48.08	44.21
Vehicles	3.28	2.97
Total Gross Block	271.73	224.79
Less: Accumulated Depreciation	42.96	29.64
Net Fixed Assets	228.77	195.15
Note: The above details are compiled from the data/ records available with the parent company.		
SCHEDULE 'F'		
Investments (At Cost)		
Investments in Shares		
A UNQUOTED (Trade)		
In other Companies		
10,000,000 (PY 4,000,000) fully paid 9 % Redeemable Cumulative Preference Shares of Datamatics Limited @ Rs 10 each .	100.00	40.00
400,000 (PY 400,000) fully paid Equity Shares of Saha Electronics Private Limited@ Rs 10 each.	12.00	12.00
Aggregate of Unquoted Investment (Trade)	112.00	52.00
B. QUOTED (Trade)		
3,367,842 (P.Y. 2,218,174) no par value Common Stock In Saztec International, Inc., a company incorporated in USA-Associate 46.75% Holding (P. Y. 49.74% Holding)	71.82	53.05
Net Worth	—	—
Goodwill	71.82	53.05
Less: Written Off	(71.82)	(53.05)
Carrying Value of Investment (Refer Note 3 of Schedule R)	—	—
C QUOTED (Non-Trade)		
a 960 (P. Y960) fully paid Equity Shares of Rs. 10 each in Aptech Limited	0.26	0.26
b 900 (P. Y. 900) fully paid Equity Shares of Rs. 10 each of Cybertech Limited	0.51	0.51
c 300 (P. Y.300) fully paid Equity Shares of Rs. 2 each of Wipro Limited	2.11	2.11
d 100 (P.Y. 100) fully paid Equity Shares of Rs. 10 each in Silverline Industries Limited	0.01	0.01
Aggregate of Quoted Investments	2.89	2.89



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

	(Rupees in million)	
	2002	2001
In a Partnership Firm		
In Fixed Capital Account	0.01	0.01
In Current Account	(0.00)	(0.00)
	0.01	0.01
Total	114.90	54.90

SCHEDULE 'G'

Sundry Debtors		
Unsecured		
outstanding for a period exceeding six months		
considered good	29.62	37.85
considered doubtful	8.18	1.90
others, considered good	113.91	101.71
	151.71	141.46
Less : Provision for Doubtful Debts	8.18	1.90
	143.53	139.56

SCHEDULE 'H'

Cash and Bank Balances

Cash on Hand	0.02	0.03
Cheques on Hand	3.48	2.04
Balance with Scheduled Banks		
In Current Accounts	15.40	52.82
In Fixed Deposit Accounts	6.64	5.85
In Exchange Earner's Foreign Currency Account	0.88	1.95
In Unclaimed Dividend Accounts	0.03	-
	26.45	62.69

SCHEDULE 'I'

Other Current Assets		
Investment in Units of Mutual Funds	42.31	29.07
	42.31	29.07



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

(Rupees in million)

	2002	2001
SCHEDULE 'J'		
Loans and Advances		
Advance against Expenses	4.49	3.13
Expenses Recoverable	2.07	2.23
Advance Income Tax	12.36	11.14
Loans & Advances to Employees	9.69	11.44
Deposits	1.85	1.79
Prepaid Expenses	3.32	1.52
Convertible Loan	29.99	26.93
Advance Against Shares	0.45	0.45
Other Advances		
Considered good	0.41	3.43
	64.63	62.06
Less : Provision for Bad & Doubtful Advances	—	0.10
	64.63	61.96
SCHEDULE 'K'		
Current Liabilities and Provisions		
A CURRENT LIABILITIES		
a Sundry Creditors		
- for Capital Goods	0.48	1.01
- for Knowledge Associates	6.06	5.96
- for Expenses	8.17	7.22
- for Others	2.70	—
b. Unclaimed Dividend *	0.03	—
c. Interest accrued but not due	2.90	2.90
d. Other Liabilities	5.93	2.85
	26.27	19.95
Employees Liabilities	7.72	9.41
	33.99	29.36
B. PROVISIONS		
For Proposed Dividend on Equity Shares	—	15.27
For Tax on Proposed Dividend	—	1.56
For Income Tax	12.71	10.47
	12.71	27.30

* The figure does not include any amount, due and outstanding, to be credited to Investor Education and Protection Fund



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

	(Rupees in million)	
	2002	2001
SCHEDULE 'L'		
Miscellaneous Expenditure		
(to the extent not written off/adjusted) :		
Preliminary Expenses	5.77	6.54
Deferred Revenue Expenditure	3.93	—
Pre operative Expenses	—	0.18
	9.70	6.72
SCHEDULE 'M'		
Other Income		
Interest from banks & others	3.04	5.18
(Tax Deducted at Source Rs.0.21 million P.Y. Rs. 0.44 million)		
Exchange Fluctuations (net)	1.91	1.94
Dividend	9.25	0.50
Profit on Sale of Investments (Net)	5.01	0.12
Miscellaneous Income	0.09	0.34
	19.30	8.08
SCHEDULE 'N'		
Operational Expenses		
Knowledge Associates Charges	36.73	23.46
Software Purchase/Development Charges	2.28	2.67
Electricity	5.77	5.57
Payments to and expenditure for employees		
a. Salaries, Wages, Bonus & allowances	86.62	65.32
b. Contribution to Provident Fund	3.31	2.66
and other funds.		
c. Commission	1.34	0.88
d. Welfare Expenditure	6.03	4.38
Travelling Expenses	22.80	29.86
Technical Fees	35.76	4.31
Link Charges	14.84	14.26
	215.48	153.37



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

(Rupees in million)

	2002	2001
SCHEDULE 'O'		
Administration and Other Overheads		
Rent, Rates and Taxes	2.43	1.77
Marketing Expenses	5.74	–
Communication Expenses	4.84	5.30
Legal and Professional charges	8.13	3.83
Remuneration to Auditors	0.31	0.31
Repairs and Maintenance :		
-Building	0.12	0.00
- Plant & Machinery	1.61	1.19
- Others	1.33	1.71
Insurance Premium	1.24	0.83
Sales Commission	16.17	10.81
Board Sitting Fees	0.04	0.04
Advertisement and Sales Promotion Expenses	2.84	2.58
Lease Rent and Hire Charges	0.25	0.13
Entertainment Expenses	0.47	0.63
Miscellaneous Expenses	4.21	3.37
Provision for Doubtful Debts	8.18	–
Prior Period Expenses	1.07	–
Security charges	0.01	–
Conveyance Expenses	0.07	–
Bank & Other charges	1.07	1.13
Recruitment Expenses	0.62	1.89
Printing & Stationery	0.81	2.08
Photocopying Charges	0.52	0.83
	62.08	38.43
SCHEDULE 'P'		
Interest		
To Financial Institutions and Banks	11.47	7.04
To Others	0.07	1.62
	11.54	8.66



DATAMATICS TECHNOLOGIES LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

(Rupees in million)

	2002	2001
SCHEDULE 'Q'		
Miscellaneous Expenditure Written Off		
Preliminary Expenditure written off	0.78	0.75
Deferred Expenditure written off	1.96	–
Pre-operative Expenses	0.49	–
	3.23	0.75
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax	123.47	85.00
Adjusted for:		
Exchange Fluctuation on Translation	(0.06)	–
Depreciation	13.30	11.25
Interest Expenses	11.54	8.66
Miscellaneous Expenditure written off	3.23	0.75
Provision for Bad & Doubtful Debts	8.18	–
Interest Received	(3.04)	(5.18)
Dividend Received	(9.25)	(0.50)
(Profit)/Loss on sale of Investments	(5.01)	(0.12)
Excess Provisions written Back	(1.32)	–
Software Purchases deferred	(5.89)	–
Pre operative expenses/ Miscellaneous Expenses	(0.29)	(0.36)
Foreign Currency (gain)/ loss	(0.03)	–
Operating Profit before Working Capital Changes	134.83	99.50
Adjusted for:		
(Increase)/ Decrease in Sundry Debtors	(12.99)	(13.04)
(Increase)/ Decrease in Loans and Advances	(2.00)	(30.81)
(Decrease)/ Increase in Current Liabilities	14.19	8.89
Cash Generated from Operations	134.04	64.55
Tax Paid	7.64	12.20
Net Cash From Operating Activities	126.40	52.34

**B. CASH FLOW FROM INVESTING ACTIVITIES:**

Sale / (Purchase) of Fixed Assets	(50.15)	(52.84)
Sale / (Purchase) of Investments	(89.37)	(131.36)
Interest on Fixed Deposit & Others	3.04	5.18
Dividend Received	9.25	0.50
Net Cash from Investing Activities	(127.22)	(178.52)

C. CASH FLOW FROM FINANCING ACTIVITIES:

Proceeds from Long Term Borrowings	24.02	21.61
Short term Loan	0.50	–
Interest Paid	(11.54)	(8.66)
Equity Capital	2.41	47.10
Dividend paid	(50.82)	(8.15)
Net Cash Flow from Financing Activities	(35.42)	51.90
Cash and Cash Equivalent generated during the year	(36.24)	(74.28)
Cash and Cash equivalents as on April 01, 2001	62.69	136.97
Cash and Cash equivalents as on March 31, 2002	26.45	62.69

for Datamatics Technologies Limited and its subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary

Mumbai
Date : January 29, 2004



Datamatics Technologies Limited

Schedules to the financial statements for the year ended March 31, 2002

Schedule 'R'

Significant Accounting Policies and Notes to the Consolidated Financial Statements

1. Background

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 information technology enabled services / business process outsourcing arm of the Datamatics Group. On December 27, 1999, the company converted itself from a Private Limited company into a Public Limited Company.

In, 1996, the Parent Company made a strategic Investment of about 5% in Common Stock of "Saztec International Inc.", (Saztec) a Company Incorporated in the State of California, USA. Subsequently, it acquired additional shares and increased its holding to 46.75% by 2001.

In July 2000 the Parent Company set up a 90% subsidiary company "Datamatics Infosolutions Limited. (DIL) in Mumbai, India .

In June 2001, the Parent Company set up a 100% subsidiary company "Datamatics Technologies Inc."(DTI), in the state of New Hampshire, USA.

The above Companies are collectively referred to as "DTL Group" or "the Group."

DTL Group has, over the years, developed competencies in the IT enabled Services and Business Process Outsourcing and moved up the value chain by providing a suite of third party business process outsourcing services. The Group offers end-to-end services including Content Management, Back Office Processing in Finance and Accounts, HR & Claims processing and Related Software Services to customers worldwide.

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'), to the extent applicable subject to Note 2.9 given below.

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 & Associates. The subsidiaries & Associates considered in the consolidated financial statements as at March 31, 2001 are summarized below:

Name of the Subsidiary / Associates	Country of incorporation	% of shareholding
Saztec International, Inc.	USA	49.74
Datamatics Infosolutions Limited	India	90



The subsidiaries & Associates considered in the consolidated financial statements as at March 31, 2002 are summarized below:

Name of the Subsidiary / Associates	Country of incorporation	% of shareholding
Saztec International, Inc.	USA	46.75
Datamatics Infosolutions Limited	India	90
Datamatics Technologies Inc	USA	100

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS – 21 & AS-23 namely “Consolidated Financial Statements “ & “Accounting for investments in Associates” 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.

Investment in associate is accounted as per ‘Equity Method’ in consolidated financial statement. As per AS-23 where the investor is able to exercise significant influence but not control over the management of the investee, Equity method of accounting is to be followed. It involves incorporation of the Parent company’s share of results and assets of the associate in one line in the Parent Company’s Profit and loss account and Balance sheet also known as “Single line consolidation”. If the share of losses of an Associate equals or exceeds the carrying amount of the investment, the Parent Company discontinues recognizing its share of further losses and the Investment is reported at “Nil” value.

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 on 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 and depreciation

Fixed Assets are stated at acquisition cost less accumulated depreciation. 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.

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.

In case of an associate company, in the absence of positive net worth the goodwill is recognized to the extent of carrying value of the 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

The group derives its revenues primarily from information technology enabled services / business process outsourcing. Revenue from the Software development/services on the time and material basis is recognized based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognized on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients.

Revenue/Income from sale of traded goods is recognized on dispatch of goods. Sales are exclusive of Sales Tax.

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) contribution to Provident Fund is charged to Profit and Loss account on accrual basis. (b) Gratuity and Leave Encashment benefits at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

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 Section 401(K) of the Internal Revenue Code. The company matches employee's 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.

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 & 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.

2.10 Investments

Investments are valued at cost inclusive of all expenses incidental to their acquisition. Long Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such Investments.

2.11 Taxation

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

2.12 Miscellaneous Expenditure

Miscellaneous expenditure representing cost incurred in relation to issue of shares / debenture etc. have been amortized over a period of 5 to 10 years. Deferred revenue expenditure are amortized over the period of 3 years.



2.13 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.

3. Business acquisitions

Acquisition of Saztec International Inc.

By October, 2000 the Parent company acquired 49.74% of the then total common stock of 4,459,371 of Saztec International Inc., (herein referred to as “Saztec”) for cash purchase consideration of Rs. 53.05 million (US\$ 1.14 million).

On the date of investment, Saztec had a negative net worth of Rs.13.69 million. As the Parent Company’s share of net worth in Saztec (an Associate) was negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock, in accordance with the provisions in AS-23 issued by the Institute of Chartered Accounts of India. The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (in Million)
Purchase Consideration	53.05
Less:	
Net Worth of Saztec	—
Goodwill	(A) 53.05
(written off against General Reserve in the year 2000-01)	

In April, 2001 the Parent company acquired 4.30% of then total common stock of 6,249,928 of Saztec for cash purchase consideration of Rs. 4.37 million (US \$ 0.09 million). On cumulative basis Parent Company’s holding became 40.45 %. On the date of the Investment, Saztec had a negative net worth of Rs. 41.75 million. As the Parent company’s share of net worth in Saztec (an Associate) is negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock in accordance with the provisions of AS-23 issued by the Institute of Chartered Accounts of India . The Goodwill arising on the above mentioned investment has been determined as follows:

	Rupees (in Millions)
Purchase Consideration	4.37
Less:	
Net Worth of Saztec	—
Goodwill	(B) 4.37
(written off against General Reserve in the year 2001-02)	

In September, 2001 the Parent Company acquired 11.65% of then total common stock of 7,204,596 of Saztec for cash purchase consideration of Rs. 14.40 Million (US \$ 0.30 Million).

On cumulative basis Parent Company’s holding became 46.75 %. On the date of the Investment, Saztec had a negative net worth of Rs. 26.79 Million. As the Parent company’s share of net worth in Saztec (an Associate) was negative, Goodwill was restricted to the purchase consideration paid for acquiring the common stock, in accordance with the provisions of AS-23 issued by the Institute of Chartered Accountants of India. The Goodwill arising on the above mentioned investment has been determined as follows:



		Rupees (in Million)
Purchase Consideration		14.40
Less:		
Net Worth of Saztec		—
Goodwill	(C)	14.40
(written off against General Reserve in the year 2001-02)		

		Rupees (in Million)
Purchase Consideration		71.82
Less:		
100% Net Worth of Saztec		(—)
Goodwill	(D)	71.82
(written off against General Reserve)		

		Rupees (in Million)
Goodwill arising on acquisition of 46.75% common stock of		
Saztec International Inc., (A+B+C)	(E)	71.82
Balance as at March 31, 2001 (Adjusted Against General Reserve)		53.05
Balance as at March 31, 2002(Adjusted Against General Reserve)		18.77

4. Segmental Information

The Management information system of the DTL Group identifies and monitors Information Technology and related Software Development services as its business segment. In the opinion of the management, the DTL Group is primarily engaged in business of Information Technology Enabled Services and Software Services as the basic nature of these activities are governed by the same set of risk and return. These constitute and have been grouped as single segment as per AS17 dealing with segmental reporting. Secondary segmental reporting is on the basis of geographical location of customers.

Performance of Business Segment is as follows:

	(Rs. In million)	
	(31.03.2002)	(31.03.2001)
Revenue		
Sales	409.81	289.38
Segment result profit	115.77	85.58
Interest Expenses	11.54	8.66
Other Income	19.30	8.07
Income Taxes	3.64	2.53
Profit from Ordinary Activities	119.90	82.47
Net Profit	119.90	82.47
Other Segment Information		
Capital Expenditure (Net)	46.94	22.81
Depreciation	13.32	11.25
Non Cash Expenses other than depreciation	9.45	0.75



Particulars of Segment Assets and Liabilities:

Segment Assets

	414.39	451.40
Investments	157.21	54.90
Bank Deposits	6.64	5.85
Other Assets	52.02	63.25
Total Assets	630.26	575.40
Segment Liabilities	31.47	26.92
Other Liabilities	149.59	139.64
Total Liabilities	181.04	166.56

Geographic Segment

Revenue attributable to the location of the customers is as follows

Geographic Location

	<i>(Rs. In Million)</i>	
	(31.03.2002)	(31.03.2001)
USA	306.36	207.76
Europe	70.00	69.72
Others	33.45	11.91
Total	409.80	289.39

5. 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 period as deemed in the Accounting Standard are given below:

(A) Associate Companies and Joint Ventures

Datamatics Information Technologies Limited
 Datamatics Limited
 Datamatics Financial & Software Services Limited
 Datamatics Staffing Services
 Saztec International Inc.
 Datamatics Technosoft Limited
 Datamatics Infotech Inc

(B) Key Managerial Personnel

Dr. L. S. Kanodia.
 Mr. Manish Modi

(C) Relatives of Key Managerial Personnel with whom transaction have taken place

Mr. Sameer Kanodia
 Mrs. Asha Kanodia
 Mr. Rahul Kanodia
 Mr. Vidur Bhogilal



Nature of transaction	A	B	C
Income			
Technical Services	67.08		
Expenses			
Legal & Professional Fee	0.08		
Recruitment Charges	0.43		
Foreign Travel	0.12		
Reimbursement of Expenses.	0.20		
Link charges	5.92		
Marketing Expenses	5.82		
Share of Loss	0		
Salaries			
Managerial Remuneration		2.07	
Commission		1.34	
Sitting Fee		0.01	0.01
Interest on Fixed Deposit	0.06		
Income			
Dividend on Pref. Shares	6.22		
Interest income	2.36		
Loans And Advances Taken	9.03		
Loans And Advances Given	50.46	–	–
Asset Purchase	0.64		
Purchase of Equity Shares	78.77		
Fixed Deposit Received			0.50
Guarantees			
Financial Guarantees	75.96		
Outstanding			
Payables	3.33		0.50
Receivables	68.53	8.00	0.19

Note:

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

6. Earning Per Share

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

(Rupees in Million except per share data)

	As of 31.03.2002	As of 31.03.2001
a. Net Profit After taxation	119.89	82.46
Less: Dividend on Preference Shares	3.30	2.71
Less: Tax on Dividend on Preference Shares	0.34	0.28
Profit available for Equity Shareholders	116.26	79.48



b. Weighted average number of Outstanding equity shares		
Considered for basic EPS	30,687,000	30,687,000
Add: Effect of dilutive issue of Preference shares	–	–
Considered for diluted EPS	30,687,000	30,687,000
c. Earnings per share (Nominal value per share Rs. 5 each)		
Basic	3.79	2.59
Diluted	3.79	2.59

7 Leases:

From the Group companies, DTL has entered into operating lease arrangements on the 5 years basis with SEEPZ Authorities for leasing facilities in SEEPZ. The future minimum lease payments in respect of such non-cancelable operating leases are summarized below:

	<i>Amount in Rs. Million</i>	
	March 31,2002	March 31,2001
Amount due within one year from the balance sheet date	1.12	0.95
Amount due in the period between one year and five years	4.46	3.79
Amount due later than five years	–	–

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

	<i>Amount in Rs. Million</i>	
	March 31,2002	March 31,2001
Lease Rent	0.95	0.95

8. Prior period comparatives:

Previous year figures have been appropriately reclassified to confirm to the current period presentation. Previous year figures are not comparable as Datamatics Technologies Inc came in existence only on June 2001.

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

Jayesh Parmar
Partner
Mem. No. 45375

Mumbai
Dated : January 29, 2004

For Datamatics Technologies Limited & its Subsidiaries

Dr. Lalit S. Kanodia
Chairman

Manish H. Modi
Managing Director & CEO

Kumar Gidwani
General Legal Counsel
& Company Secretary



SECTION VIII: STATUTORY AND OTHER INFORMATION

OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary & Compliance Officer, the Auditors, legal advisors, Bankers to the Company; and (b) BRLM to the Issue, Co-BRLM to the Issue and Syndicate Members, and Registrars to the Issue in relation to the Issue, have been obtained and filed along with a copy of this Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC. The Company has obtain and have duly filed consents of the Escrow Collection Bank and the Bankers to the Issue, prior to the filing the Prospectus for registration with the RoC.

M/s. Kanu Doshi Associates, Chartered Accountants and Statutory Auditors of the Company, have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s. Kanu Doshi Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in the Prospectus and have not withdrawn such consent up to the time of delivery of the Prospectus for registration with the RoC.

The Company has received approval for this Issue from its lenders, EXIM Bank and the State Bank of India. The Company has also received consequential approvals such as those for change in its capital structure / directors.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Fresh Issue amount including devolvment of Syndicate Members, if any, within 60 days from the Bid / Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. For delay beyond 8 days from the Bid / Issue Closing Date, if any, in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Expert Opinion

Except for the opinion of the Auditors provided at page 215 of this Prospectus, the Company has not obtained any expert opinion.

Changes in Auditors

There has been no change in the Auditors of the Company in the last three years.

Basis of Allotment or Allocation

1. For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,537,500 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 2,537,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allotment, refer below.



- Any under subscription in the reservation of Equity Shares for Permanent Employees of the Company would be added to this category.

2. For Non Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,537,500 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,537,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. For the method of proportionate basis of allotment refer below.

The aggregate allocation to Retail Bidders and Non-Institutional Bidders shall not be less than 5,075,000 Equity Shares.

3. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the offer price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be decided by the Company in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.

The aggregate allocation to QIB Bidders shall not be more than 5,075,000 Equity Shares.

Any under-subscription in any of the above categories would be allowed to be met with the spill over from any of the other categories, at the discretion of the Company/ BRLM.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail Bidders and Non-Institutional Bidders shall be finalized by the Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange (along with the BRLM and the Co-BRLM) and the Registrars to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment/transfer shall be made in marketable lots, on a proportionate basis as explained below:

- a. Bidders will be categorized according to the number of Equity Shares applied for
- b. The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares, applied for in that category (number of Bidders in the category multiplied by the number of shares applied for) multiplied by the inverse of the over-subscription ratio.
- c. Number of Equity Shares to be allotted/transferred to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares, applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d. In all Bids where the proportionate allotment is less than 50 Equity Shares per Bidder, the transfer shall be made as follows:
 - Each successful Bidder shall be allotted/transferred a minimum of 50 Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted/transferred in that category is equal to the number of Equity Shares calculated in accordance with (b) above.



- e. If the proportionate allotment to a Bidder works out to a number that is more than 50 but is not a multiple of 50 (which is the lot size for allocation), the number in excess of the multiple of 50 would be rounded off to the higher multiple of 50 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 50. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- f. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted/transferred to the Bidders in that category, the remaining Equity Shares available for allotment/transfer shall be first adjusted against any other category, where the allotted/transferred shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of underwriting/selling commission, fees payable to the BRLM/ Co-BRLM to the Issue, fees to legal advisors, auditors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, listing fees and other miscellaneous expenses are not expected to exceed Rs. 75 million, and will be met out of the proceeds of the Fresh Issue. Details of Issue expenses are as follows:

(In Rs. million)

Category	Approximate Cost
Marketing costs (advertising expenses, road shows)	15
Printing, Registrar costs, stamp duty, listing, depository costs and other expenses	20
Fees payable to the BRLM, Co-BRLM, legal counsel, Auditors	40

Fees Payable to the Book Running Lead Manager

The total fees payable to the BRLM will be as per the letter of appointment dated December 31, 2003 issued by the Company, a copy of which is available for inspection at the corporate office of the Company.

Fees Payable to the Co-Book Running Lead Manager

The total fees payable to the Co-BRLM will be as per the letter of appointment dated December 31, 2003 issued by the Company, a copy of which is available for inspection at the corporate office of the Company.

Fees Payable to the Registrars to the Issue

The total fees payable to the Registrars to the Issue will be as per the letter of appointment dated April 1, 2004 and the memorandum of understanding between the Registrars and the Company dated April 1, 2004, copies of which are available for inspection at the corporate office of the Company.

Adequate funds will be provided to the Registrars to the Issue to enable them to send refund orders or allotment/advice by registered post.

Commission and Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the equity shares since the inception.

Previous Rights and Public Issues

The Company has not made any previous public or rights Issue except as stated in the section entitled “Capital Structure of the Company” on page 16 of this Prospectus.

Outstanding Debenture/Bond Issues or Preference Shares

There are no outstanding debentures/bonds or Preference Shares.

Capitalization of Reserves or Profits

The Company has not capitalized its reserves or profits at any time except as stated in the section entitled “Capital Structure of the Company” on page 16 of this Prospectus.



Issues Otherwise than for Cash

Save as stated in the section entitled “Capital Structure of the Company” on page 16 of this Prospectus, the Company has not issued any Equity Shares for consideration otherwise than for cash.

Application in Issue / Option to Subscribe

The Equity Shares being offered through this Prospectus can be applied for in the dematerialized form only.

Remuneration of CEO/Executive Directors

Mr. Manish Modi, Managing Director & CEO

Mr. Manish Modi was appointed as the Managing Director & CEO of the Company for a period of five years with effect from July 1, 2002 pursuant to a resolution passed by the Board of Directors of the Company at its meeting held on June 20, 2002. The remuneration to be paid to Mr. Manish Modi has been approved by the a resolution passed at the annual general meeting of the Company held on September 26, 2002 on the following terms:

1. Term

The term of appointment of Mr. Manish Modi as Managing Director & CEO commenced from July 1, 2002 and is valid for a period of five years.

2. Salary & Commission

Mr. Manish Modi is entitled to Rs. 125,000 per month with an annual increment of Rs. 15,000 per month effective April 1 each year thereafter. However, at their meeting on September 25, 2003, the shareholders of the Company approved an annual increment of up to 20% of Mr. Modi's gross remuneration during his tenure as Managing Director & CEO.

Mr. Manish Modi is further entitled to a commission of 1% of the net profits of the Company as computed in accordance with the provisions of Section 349 and 350 of the Companies Act.

3. Accommodation

Mr. Manish Modi is entitled to rent free fully furnished accommodation together with gas, electricity and water or in the alternative house rent allowance at 50% of the salary and reimbursement of gas, electricity and house maintenance expenses.

4. Leave Travel Assistance

Mr. Manish Modi is entitled to leave travel assistance for himself and his family once in a year to and from any place in India as per the rules of the Company.

5. Medical and Insurance

Mr. Manish Modi is entitled for reimbursement of medical expenses of himself and his family and health insurance cover as per the rules of the Company. Mr. Manish Modi's personal accident insurance premium is not to exceed Rs. 7,000 per annum.

6. Automobile and Telephone

Mr. Manish Modi is entitled to a Company maintained car along with a driver and a telephone at his residence. However, personal long distance calls will be billed to Mr. Modi.

7. Gratuity and Provident Fund

Mr. Manish Modi will be entitled to gratuity in accordance with the rules of the Company. Further, the Company's contribution towards provident fund will be 12% of Mr. Manish Modi's salary.

8. Club Fees

Mr. Manish Modi is entitled to the fees of clubs, subject to a maximum of two clubs. This, however, will not include admission or life membership fees.



9. Vacation

Mr. Manish Modi is entitled to privilege leave, casual leave and sick leave on full pay and allowance as per the rules of the Company.

Revaluation of Assets

The Company has not revalued any of its assets since its inception.

Classes of Shares

The authorised capital of the Company is Rs. 390 million which is divided into 48,000,000 Equity Shares of Rs. 5/- each and 30,000,000 Redeemable Preference Shares of Rs. 5/- each.

Interest of Promoters, Directors or Officers of the Company

Directors of the Company and the promoters may not be deemed to be interested/ concerned under the provisions of Section 301 and section 299 (1) of the Companies Act except to the extent of and in the matters/contracts/arrangements or agreement for which specific reference is made in this Prospectus.

All Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or any committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable under the Articles / as per resolutions approved by the Board. No Director is interested or concerned in the present issue of Equity Shares except so far as he may be issued equity Shares out of the issue in case he decides to subscribe as public or except in case of issue of shares to such companies in which they are interested as Directors and/or members and/or by their relatives or to any firm/ association or Company in which they or their relatives are partners.

Save as otherwise stated in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given within the two preceding years to the Promoters, Directors or officers of the Company except for services rendered as Directors, officers or employees of the Company.

All the Directors, except Mr. Manish Modi, are interested to the extent of fees, if any, payable to them for attending the meetings of the Board. The non-executive Directors may be concerned or interested to the extent of any commission payable to them.



MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Article 3

The Authorised Share Capital of the Company is Rs. 390,000,000 (Rupees Three Hundred and Ninety Million only) divided into 48,000,000 (Forty Eight million only) Equity Shares of Rs. 5/- (Rupees Five only) each and 30,000,000 million (Thirty million) Preference Shares of Rs. 5/- (Rupees Five only) each with powers to increase or reduce the same in accordance with the provisions of the Companies Act, 1956.

The Company shall be entitled to dematerialize its existing shares, rematerialize its shares held in the Depositories and/or to offer its fresh shares in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

Increase of capital of the Company and how carried into effect

Article 4

The Company in General Meeting, may from time to time, increase its capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof shall prescribe and if no direction be given, as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meetings of the Company, in conformity with Sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.

4A. 1. Where it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

- a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
- b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
- c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
- d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion think fit.

Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:

- (i) To convert such debentures or loans into shares in the company; or
- (ii) To subscribe for shares in the company (whether such option is conferred in there Articles or otherwise)

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.



2. Notwithstanding anything contained hereinabove, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
 - (a) If a Special Resolution to that effect is passed by the company in General Meeting, or
 - (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
3. Nothing in sub-clause (c) of (1) hereof shall be deemed;
 - (a) To extend the time within which the offer should be accepted; or
 - (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Additional capital to form part of existing capital

Article 6

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares, shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Redeemable Preference Shares

Article 7

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference which are or at the option of the Company are to be liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.

Reduction of capital

Article 8

The Company may (subject to the provisions of Sections 78, 80, 100 to 105 inclusive, of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

Variation of Rights

Article 9

If at any time the share capital is divided into different classes of shares, all or any of the rights and privileges attached to the shares of any class may subject to the provisions of Sections 106 and 107 be varied, commuted, affected, dealt with or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a Special Resolution at a separate meeting of the holders of the issued shares of that class.

Issue of further *pari passu* shares not to affect the right of shares already issued

Article 10

The rights conferred upon the holders of the shares of any class issued with preferred or any other rights shall not, unless, otherwise expressly provided by the terms of issue of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.



Sub-division and consolidation of Shares

Article 11

Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. Subject as aforesaid the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled. The cancellation of shares in pursuance of this Article shall not be deemed to be a reduction of the share capital.

Liability of joint holders

Article 20

If any share stands out in the names of two or more persons all the joint holders of the share shall be severally as well as jointly liable for the payment of all deposits, instalments, and calls due in respect of such shares, and for all incidents thereof according to the Company's Regulations, but the person first named in the Register shall, as regards receipt of dividend or bonus or service of notice, and all or any other matters connected with the Company, except voting at meetings and the transfer of the shares, and any other matter by the said Act or herein otherwise provided, be deemed the sole holder thereof.

Liability of joint holders

Article 31

A joint-holder of a share shall be jointly and severally liable to pay all calls in respect thereof.

FORFEITURE AND SURRENDER OF AND LIEN ON SHARES

If money payable on share not paid notice to be given to Members

Article 38

If any Member fails to pay any call or installment of call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Terms of notice

Article 39

The notice shall name a day (not being earlier than the expiry of fourteen days from the date of service of notice) and a place or places on and at which such call or installment and such interest thereon at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and the place appointed, the share in respect of which the call was made or installment is payable will be liable to be forfeited.

In default of payment, shares may be forfeited

Article 40

If the requirements of any such notice as aforesaid are not complied with, every or any share in respect of which such notice has been given, may at any time thereafter, but before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture.



Notice of forfeiture**Article 41**

When any share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture or to any of his legal representatives, or to any of the persons entitled to the shares by transmission and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members but no forfeiture, shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Forfeited shares to become property of the Company and may be sold, etc.**Article 42**

Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Members still liable to pay money due notwithstanding the forfeiture**Article 43**

Any member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay, and shall forthwith pay to the Company on demand all calls, amounts, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment thereof if it thinks fit.

Effect of forfeiture**Article 44**

The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and of all claims and demands against the Company, in respect of the share, and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

Surrender of shares**Article 45**

The Directors may subject to the provisions of the Act, accept a surrender of any shares from or by any Member desirous of surrendering them on such terms as they think fit.

Evidence of forfeiture**Article 46**

A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on the date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

Company's lien on shares/debentures**Article 47**

The Company shall have a first and paramount lien upon all the shares and debentures, not being fully paid-up shares and debentures, registered in the name of each Member (whether solely or jointly with another or others), and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that Article 21 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares. The Board of Directors may at any time declare any shares to be exempt, wholly or partially from the provisions of this Article.



Lien enforced by sale**Article 48**

For the purpose of enforcing such lien, the Directors may sell the shares subject thereto in such manner as they think fit and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their member or some other person to execute a transfer thereof on behalf of and in the name of such member. No such sale shall be made until such time as the moneys in respect of which such lien exists or some part thereof is presently payable or the liability in respect of which such lien exists is liable to be presently fulfilled or discharged. and until notice in writing of the intention to sell shall have been served on such Member, or his heirs, executors, administrators, or other representatives or upon the persons (if any) entitled by transmission to the shares or any one or more of such heirs, executors, administrators, representatives or persons, and default shall have been made by him or them in payment, fulfillment or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of sale proceeds**Article 49**

The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of such debts, liabilities or engagements and the residue (if any) paid to such Member, or any of his heirs, executors, administrators, representatives or assigns or any of the persons (if any) entitled by transmission to the shares sold.

Validity of sale under Articles**Article 50**

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the Shares sold and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only in and against the Company exclusively.

Cancellation of share certificate in respect of forfeited shares**Article 51**

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

Power to annul forfeiture**Article 52**

The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES**Form of transfer****Article 55**

The instrument of transfer shall be in writing and all provisions of Section 108 of the Act shall be duly complied with in respect of all transfer of shares and registration thereof.



Directors may refuse to register transfers

Article 57

Subject to the provisions of Section 111 of the Act and the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Refusal to register transfer

Article 58

In particular and without prejudice to the generality of the above powers, the Board may subject to the provisions of Section 111 of the Companies Act, 1956 decline to register in exceptional circumstances when it is felt that the transferee is not a desirable person from the larger point of view of the interest of the Company as a whole subject to the provisions of the clause (c) of subsection (4) of Section 22A of the Securities Contract (Regulation) Act.

Death of one or more joint holders of shares

Article 60

In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate or a deceased joint-holder for any liability on shares held by him jointly with any other person.

Title to shares of deceased member

Article 61

The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased Member (not being one of two or more joint-holders) shall be the only person recognized by the Company as having any title to the shares registered in the name of such Member, and the Company shall not be bound to recognize such executors or administrators or holders of a Succession Certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letter of Administration or Succession Certificate, as the case may be, from a duly constituted court in the Union of India provided that in case where the Board in its absolute discretion think fit, the Board may dispense with production of Probate or Letters of Administration or Succession Certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and under Article 59 register the name of any person who claims to be absolutely entitled to shares standing in the name of a deceased Member, as a Member.

No transfer to insolvent, etc.

Article 62

No share shall in any circumstances, be transferred to any insolvent or person of unsound mind.

Registration of person entitled to shares otherwise than by transfer

Article 63

Subject to the provisions of the Act and Articles 59 and 60 any person becoming entitled to shares in consequences of death, lunacy, bankruptcy or insolvency of any Member, or by any lawful means other than by a transfer in accordance with these Articles. may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article, or of his title, as the Board thinks sufficient, either be registered himself as the holder of the shares or elect to have some persons nominated by him and



approved by the Board, registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained. and until he does so he shall not be freed from any liability in respect of the shares.

Persons entitled may receive dividends without being registered as members

Article 64

A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided be entitled to receive, and may give a discharge for any dividends or other moneys payable in respect of the shares.

Fee on transfer or transmission

Article 65

No fee shall be charged for transfer and, transmission of Shares or for registration of any of power of attorney, probate, letter of administration or other similar documents.

The Company not liable for disregard of a notice prohibiting registration of a transfer

Article 66

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of a person or persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have any notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice, and give effect thereto if the Board shall so think fit.

BORROWING POWERS

Power to Borrow

Article 67

Subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Articles, the Board may, from time to time at its discretion, by a resolution passed at a Meeting of the Board. accept deposits from Members, either in advance of call or otherwise, and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

The payment or repayment of monies borrowed

Article 68

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, and in particular by a resolution passed at a meeting of the Board (and not by Circular Resolution) by the issue of debentures of the Company, charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being, and debentures, and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.



Terms of issue of debentures

Article 69

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and maybe issued on condition that they or any part of them shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting at) General Meetings, appointment of Directors and otherwise. Debentures with a right to conversion or allotment of shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution.

Mortgage of uncalled capital

Article 72

If any uncalled capital of the Company is included in or charged by way of mortgage or other security by the Directors, the Directors, shall, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the persons in whose favour such mortgage or security is executed or, if permitted by the Act, may by instrument under Seal, authorize the person in whose favour such mortgage or security is executed or any other person in trust for him to receive moneys on call from the members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall mutatis mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally and either presently or contingently and either to the exclusion of the Directors' powers or otherwise and shall be assignable if expressed so to be.

Votes of joint holders

Article 98

If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a Member or not) as his proxy in respect of such shares as if he were solely entitled therein but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint-holders be present at any meeting, that one of the said person so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of 'such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose names share stand shall for the purpose of these Articles be deemed joint holders thereof.

DIRECTORS

Number of Directors

Article 109

- (a) From among the subscribers to the Memorandum of Association of the Company, only Mrs. Asha L. Kanodia shall be a permanent Director of the Company.
- (b) The number of Directors shall not exceed twelve at any time and shall not be less than three.

Appointment of Special Directors

Article 110

On behalf of the Company, whenever Directors enter Into a contract with any Government, Central, State or Local, any Bank or Financial institution or any person or persons (hereinafter referred to as "the appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or entering into any other arrangement whatsoever the Directors shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have right to appoint or nominate by notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill in any vacancy which may occur as a result



of any such Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including payment of remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with the appointer.

Debenture Directors

Article 111

If it is provided by any Trust Deed, security or otherwise, in connection with any issue of debentures of the Company that any person or persons shall have power to nominate a Director or Directors of the Company, then in the case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director or Directors accordingly. Any Director so appointed is herein referred to as “Debenture Director”. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another director may be appointed in his place. A debenture director shall not be bound to hold any qualification shares. A debenture director shall not if so agreed by the Company be liable to retire by rotation; but shall automatically cease to hold office as a director if and when the debentures are fully discharged.

Nominee Directors

Article 112

So long as any moneys remain owing by the Company to any Financial Institution owned or controlled by the Central Government or any State Government or the Reserve Bank of India or by two or more of them by Central Government themselves (each of the above and Unit Trust of India are hereinafter referred to as the Corporation) out of any loans/debentures, assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/Shares in the Company as a result of any guarantee furnished by the Corporation on behalf of the Company and remaining outstanding, the Corporation shall have a right to appoint from time to time; any person as Director, Whole time or non-Whole time (which Director or Directors, is/are hereinafter referred to as ‘Nominee Director/s’) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person in his or their places. The Board shall have no power to remove from the office of the Nominee Directors. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation. Subject as aforesaid, Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company.

Period of holding of office by Nominee Directors

Article 113

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/shares in the Company, as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said powers shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/ shares in the Company or on the satisfaction of liability of the Company arising out of any guarantee furnished by the Corporation.

Additional Directors

Article 114

Directors shall have power at any time and from time to time to co-opt. any other person as a director either to fill a casual vacancy or as an Additional Director, so that the total number of directors shall not at any time exceed the maximum fixed. Any director appointed to fill a casual vacancy shall hold office only up to the date up to which the director in whose place he has been placed would have held the office if it had not been vacated. Any additional director shall hold office only up to the date of next Annual General Meeting of the Company but shall be eligible for re-election at such meeting.



Alternate Directors

Article 115

The Board may appoint an alternate director to act for a director (hereinafter called “original director” during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held. An alternate director appointed under this Article shall not hold office as such for a period longer than that permissible to the original director and shall vacate office if and when the original director returns to the State aforesaid. If the term of office of original director is determined before he so returns to the State aforesaid any provision for automatic re-appointment of retiring directors in default of another appointment shall apply to the original and not to the alternate director.

Qualification shares of Directors

Article 116

A Director shall not be required to hold any qualification shares.

Remuneration of Directors

Article 117

The remuneration of Directors and Executives of the Company, including the fees payable to the Directors of the Company in attending the Meeting of the Board or the Committees of the Board, shall be determined by the Board of Directors from time to time, provided that the sitting fees payable to the Directors as aforesaid shall be within the maximum limits of such fees that may be prescribed under the proviso to Section 310 of the Companies Act, 1956.

Directors’ travelling expenses

Article 118

In addition to the remuneration payable to them, the Directors shall be entitled to be paid all travelling, hotel and other incidental expenses properly incurred by them in attending and returning from meetings of the Board of Directors or any Committee thereof or General Meetings or in connection with the business of the Company. The rules in this regard may be framed by the Board of Directors from time to time.

Special remuneration for performing extra services

Article 119

If any Director be called upon to perform extra services or special; exertions or efforts (which expression shall include work done by a Director as a Member of any committee formed by the Director(s) the Board may arrange with such Directors for such special remuneration for such extra services or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration, subject to provisions of the Act and confirmation by the Company in General Meeting.

Directors may act notwithstanding any vacancy

Article 120

The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum fixed by the Act for a meeting of the Board of Directors, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for a quorum or for summoning a General Meeting but for no other purpose.

Terms of office of Directors

Article 121

Not less than two-thirds of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Directors by rotation.

Retirement of Directors by rotation



Article 122

At every annual general meeting of the Company one-third of such of the Directors for the time, being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearest to one third, shall retire from office.

Company may increase or reduce number of Directors

Article 126

Subject to Sections 252, 256 and 259 of the Act, the Company in general meeting may from time to time, increase or reduce the number of Directors, within the limits fixed in that behalf by these Articles.

Disqualification of Directors

Article 127

Subject to the provisions contained in sub-section (2) of Section 283 of the Act, the Office of a director shall be vacated if:

- (a) he fails to obtain within the time specified in sub-section (1) of section 270 of the Act or at any time thereafter ceases to hold, the share qualification if any, required of him by the Articles of the Company;
- (b) he is found to be of unsound mind by a Court of Competent jurisdiction;
- (c) he applies to be adjudicated an insolvent;
- (d) he is adjudged insolvent;
- (e) he is convicted by a Court in India of any offence and is sentenced in respect thereof to imprisonment for not less than six months.
- (f) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call;
- (g) An office or place of profit is held in contravention of Section 314 of the Act and the director concerned is deemed to have vacated office under that section.
- (h) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
- (i) he or any firm in which he is a partner or any private Company of which he is a director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of section 295 of the Act;
- (j) he acts in contravention of Section 299 of the Act;
- (k) he becomes disqualified by an order of Court under Section 203 of the Act; or
- (l) he is removed in pursuance of section 284 of the Act.

PROCEEDINGS OF THE BOARD OF DIRECTORS

Meeting of Directors

Article 129

The Directors may meet together as a Board for the despatch of business from time to time and shall so meet at least once in every three calendar months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they may think fit.

Notice of Board Meetings

Article 130

Notice of every meeting of the Board shall be given in writing to every Director for the time being in India and at his address in India to every other Director.



Quorum

Article 131

Subject to Section 287 of the Act, the quorum for a meeting of the Directors shall be one-third of the total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one), or two Directors whichever is higher: Provided that no quorum shall be formed or constituted at a Meeting of the Board of Directors unless one such Director nominated or appointed by the Kanodia Group as the Chairman or Vice Chairman or an Alternate Director of such Director is present: Provided further that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two shall be the quorum during such time.

Secretary to call Board Meeting

Article 133

The Secretary shall, and when directed by any Director to do so, convene a meeting of the Board by giving a notice in writing to every other Director.

Appointment of Chairman

Article 134

The Board shall elect one of its members to be the Chairman of the Board and the Board shall determine the period for which he is to hold such office.

However, so long as Dr.Lalit S.Kanodia and/or Mrs.Asha L. Kanodia and/or Mr.Rahul Kanodia and/or Mrs.Priyadarshini Kanodia and/or Mr.Sameer Kanodia and/or Latasha Advisory Services Private Limited and/or Lusitania Management Consultancy Services Private Limited and/or Linium Management Consultancy Services Private Limited and/or Lonicera Management Consultancy Services Private Limited and/or Ligure Management Consultancy Services Private Limited and/or any of its or their subsidiary or subsidiaries and/or any other company or body corporate owned or controlled by any of the persons aforesaid (herein referred to as “the Kanodia Group”) shall hold not less than 26 percent of the total issued, subscribed and paid-up share capital of the Company for the time being, shall have the right by a notice in writing addressed to the Company, to appoint a Director of its choice or designated by it to be the Chairman of the Board of Directors of the Company and another Director of its choice or designated by it as the Vice-Chairman of the Board of Directors of the Company and from time to time by a similar notice in writing to remove such persons from office and, on a vacancy being caused in such office from any cause, whether by death, resignation, removal or otherwise, of any such persons so appointed, to appoint others in the vacant places.

Any appointment or removal of the Chairman and Vice-Chairman under this Article, shall be by a notice in writing addressed to the company under the hand of any of the persons aforesaid and/or the Chairman, Vice-Chairman, Director or Secretary of Latasha Investments Pvt. Limited and such appointment, removal or designation shall take effect forthwith upon such notice being delivered to the Company.

Questions how decided

Article 135

Questions arising at any meeting of the Board shall be decided by a majority of votes and in the case of an equality of votes the Chairman shall have second or a casting vote.

Directors may appoint committees

Article 138

Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of its powers to committees of the Board consisting of such members of its body as it thinks fit, and it may from time to time revoke and discharge any such committee of the Board either wholly or in part, and either as to persons or purposes. but every committee of the Board so formed shall in the exercise of the powers so delegated, conform to any Regulations that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in conformity with such Regulations and in fulfillment of the purpose of their appointment but not otherwise shall have the like force and effect as if done by the Board.



Meetings of Committee how to be governed

Article 139

The meetings and proceedings of any such committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any Regulations made by the Directors under the last preceding Article. The provisions of Article 134 shall mutatis mutandis apply to the meetings of such committee.

Circular Resolution

Article 140

No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the committee then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be), and to all other Directors or members of the Committee, at their usual address in India and has been approved by such of the Directors or members of the Committee as are then in India, or by a majority of such of them as are entitled to vote on the resolution.

Powers of Directors

Article 142

The management and control of the business of the Company shall be vested in the Board of Directors, who may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to the Regulations of these Articles to the provisions of the Act, or any other Act and to such Regulations being not inconsistent with the aforesaid Regulations or provisions as may be prescribed by the Company in General Meeting but no Regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that Regulation had not been made. Provided that the Board of Directors shall not except with the consent of the Company in General Meeting:-

- (a) sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking;
- (b) remit or give time for the repayment of, any debt by a Director;
- (c) invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in Clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) borrow moneys, where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, Provided further that the powers specified in Section 292 of the Act shall be exercised only at meetings of the Board unless the same be delegated to the extent therein stated; or
- (e) contribute to Charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts, the aggregate of which will in any financial year exceed Rupees Fifty Thousand only or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.



Certain Powers to be exercised by the Board only at Meetings

Article 143

The Board of Directors of the Company shall exercise the following powers on behalf of the Company and it shall do so only by means of resolutions passed at meetings of the Board:-

- (a) The power to make calls on shareholders in respect of money unpaid on their shares;
- (b) The power to issue debentures;
- (c) The power to borrow money otherwise than on debentures;
- (d) The power to invest the funds of the Company;
- (e) The power to make loans;

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of Directors, the Manager or any other principal officer of the Company or in the case of a branch office of the Company, a principal officer of the branch office, the powers specified in clauses (c), (d) and (e) of this Article to the extent specified in sub-sections (2), (3) and (4) respectively of Section 292 of the Act, on such condition as the Board may prescribe, in respect of dealings between the Company and its bankers. the exercise by the Company of the powers specified in Clause (c) shall mean the arrangement made by the Company with its bankers for the borrowing of money by way of overdraft or cash credit or otherwise and not the actual day to day operation on overdraft, cash credit or other accounts by means of which the arrangement so made is actually availed of.

Certain Powers of the Board

Article 144

Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict these powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, 'power:

Preliminary expenses

- (1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.

Payment out of Capital

- (2) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereout under the provisions of Sections 76 and 208 of the Act,

To acquire property

- (3) Subject to Sections 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, rights, privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they think fit, and in any such purchases or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory,

To pay for property, etc.

- (4) At their discretion and subject to the provisions of the Act, to pay for any property, rights, or privileges acquired or services rendered in the Company either wholly or partially, in cash or in shares, bonds, debentures, mortgages, or other securities of the such amount credited as paid up thereon as may be agreed upon and any such bonds; debentures, mortgages or other securities may be either, specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

To secure contracts

- (5) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.



To accept surrender of shares

- (6) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.

To appoint trustees

- (7) To appoint any person to accept and to hold in trust for the Company any property belonging to the Company, or in which it is interested, or for any other purposes; and to execute and do all such deeds and things as may be required in relation to any such trust, and to provide for the remuneration of such trustee or trustees,

To bring and defend actions

- (8) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise payment or satisfaction of any debts due, and of any claims or demands by or against the Company, and to refer any differences to arbitration, and observe and perform any awards made thereon.

To act in Insolvency matters

- (9) To act on behalf of the Company in all matters relating to bankrupts and insolvents.

To give receipts

- (10) To make and give receipts, releases and other discharges for moneys payable to the Company, and for the claims and demands of the Company.

To invest moneys

- (11) Subject to the provisions of Sections 292, 293 (1) (c), 295, 370 and 372 of the Act, to invest, deposit and deal with any moneys of the Company not immediately required for the purpose thereof, upon such security (not being shares of this Company), or without security and in such manner as they may think fit, and from time to time to vary or realize such investments, Save as provided in Section 49 of the Act, all

investments shall be made and held in the Company's own name.

To provide for personal liabilities

- (12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety; for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit; and any such mortgage may contain a power of sale, and such other powers, provisions, covenants and agreements as shall be agreed upon.

To authorize acceptances

- (13) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give necessary authority for such purpose.

To distribute bonus

- (14) To distribute by way of bonus amongst the staff of the Company a share in the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expenses of the Company.

To provide for welfare of employees

- (15) To provide for the welfare of Directors or Ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependants or connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of moneys, pensions, gratuities, allowances, bonus or other payments; or by creating and from time to time subscribing or contributing to provident and other associations, institutions or funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and subject to the provisions



of Section 293 (1) (e) of the Act. To subscribe or contribute or otherwise to assist or to guarantee money to any charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation, or of public and general utility or otherwise.

To create reserve fund

- (16) Before recommending any dividend to set aside, out of the profits of the Company such sums as they may think proper for depreciation or to a Depreciation Fund or to an Insurance Fund or as a Reserve Fund or Sinking Fund or any special fund to meet contingencies or to repay debentures or debenture-stock, or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purposes referred to in the preceding clause), as the Board may in their absolute discretion think conducive to the interest of the Company, and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board in their absolute discretion, think, conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended, and to divide the reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of the Reserve Fund into such special funds as the Board may think fit, with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund and with full power to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

To appoint managers etc.

- (17) To appoint, and at their discretion remove or suspend such general managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries, or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit.

To comply with local Laws

- (18) To comply with requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.

To appoint local board

- (19) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be Members of such Local Boards, and to fix their remuneration.

To delegate powers

- (20) Subject to Section 292 of the Act, from time to time and at any time to delegate to any persons so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make call or to make loans or borrow moneys and to authorize the members for the time being of any such Local Board, or any of them, to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms, and subject to such conditions as the Board may think fit, and the Board may at any time remove any persons so appointed and may annul any such delegation.



To authorize by power of attorney

- (21) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities, and discretions (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in the limits authorised by the Board, the power to make loans and. borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit, and any such appointment may if the Board thinks fit) be made in favour of the members of any local board, established as aforesaid or in favour of any Company or the shareholders, directors, nominees or managers of any Company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly, or indirectly by the Board and any such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain Powers enabling any such delegates or Attorneys as aforesaid to sub-delegate all or any of the Powers, authorities and discretions for the time-being vested in them.

To negotiate

- (22) Subject to Sections 294 and 297 of the Act for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts. deeds, and things in the name and on behalf of the Company as they may consider expedient.

To make and vary regulations

- (23) From time to time make, vary or repeal bye-laws for the regulation of the business of the Company, its officers and servants.

Amendments to Accounts

- (24) The directors shall, if they consider it to be necessary and in the interest of the Company, be entitled to amend the Audited Accounts of the Company of any financial year which have been laid before the Company in' General Meeting. The amendments to the Accounts affected by the directors in pursuance of this Article shall be placed before the members in General Meeting for their consideration and approval.

To formulate schemes, etc.

- (25) The directors may formulate, create, institute or set up such schemes, trusts, plans or proposals as they may deem fit for the purpose of providing incentive to the officers, employees and workers of the Company, including without limiting the generality of the foregoing, formulation. of schemes for the subscription by the officers, employees and workers to shares in, or debentures of, the Company.

Prohibition of simultaneous appointment of Managing Director and Manager

Article 149

The Company shall not appoint or employ at the same time more than one of the following categories of management personnel namely:

- (a) Managing Director and
- (b) Manager

DIVIDENDS

Division of profits

Article 153

The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles, shall be divisible among the' Members in proportion to the amount of capital paid-up or credited as paid-up and to the period during the year for which the capital is paid-up on the shares held by them respectively.



The Company in general meeting may declare dividends**Article 154**

Subject to the provisions of Section 205 of the Companies Act, 1956 the Company in General Meeting may declare dividends, to be paid to its Members according to their respective rights but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

Interim Dividend**Article 155**

The Board may, from time to time, pay to the members such interim dividend as in their judgement the position of the Company justifies.

Retention of Dividends until completion of transfer under Article 62**Article 158**

The Board may retain the dividends payable upon shares in respect of which any person is, under Article 62 entitled to become a Member, which any person under that Article is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

No member to receive dividend whilst indebted to the Company and Company's right to reimbursement thereof**Article 160**

No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

Transfer of shares to be registered**Article 161**

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Interest on dividends**Article 163**

No unpaid dividend shall bear interest as against the Company. No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the Company shall comply with all the provisions of Section 205A of the Act in respect of unpaid or unclaimed dividend.

Dividend and call together**Article 164**

Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the Members, be set off against the call.

Capitalization of Profits**Article 165**

- 1) The Company in General Meeting may, upon the recommendation of the Board, resolve;-
 - (a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account, or otherwise available for distribution; and
 - b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.



- 2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3), either in or towards:-
 - i) paying up any amounts for the time being unpaid on any shares held by such member respectively;
 - ii) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportions aforesaid; or
 - iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).
- 3) A share premium account and a capital redemption reserve account may, for the purpose of this Regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
- 4) The Board shall give effect to the resolution passed by the Company in pursuance of this Regulation.

Authority of the Board to deal with the Capitalization of Profits

Article 166

- 1) Whenever such a resolution as aforesaid shall have been passed, the Board shall:-
 - a) make all appropriation and application of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares, if any; and
 - b) generally do all acts and things required to give effect thereto.
- 2) The Board shall have full power:-
 - a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise, as it thinks fit, for the case of shares or debentures becoming distributable in fraction; and also
 - b) to authorize any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalization or (as the case may require) for the payment of by the Company on their behalf by the application thereto of their respective proportion of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares.

Allocation of Assets

Article 188

If the Company shall wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital paid-up at the Commencement of the winding up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to rights of the holders of shares issued upon special terms and conditions.

Distribution of assets in specie or kind

Article 190

- (a) If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a Special Resolution but subject to the rights attached to any Preference Share capital, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators with the like sanction shall think fit.
- (b) In case any shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the Special Resolution, by notice in writing, intimate to the liquidator to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.



MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years prior to the date of this Prospectus) which are or may be deemed to be material have been entered into by the Company. Copies of these contracts, together with the copies of the documents referred to below, all of which have been attached to a copy of this Prospectus, which has been delivered to the RoC may be inspected at the registered office of the Company between 10.00 A.M. and 12.00 Noon on any working day of the Company from the date of this Prospectus until the date of closing of the subscription list.

Material Contracts

1. Letter from the Company dated December 31, 2003 appointing Enam as BRLM to the Issue and their acceptance thereto.
2. Letter from the Company dated December 31, 2003 appointing IL & FS as Co- BRLM to the Issue and their acceptance thereto.
3. The Company's Memorandum of Understanding dated February 3, 2004 entered into among the BRLM, the Co-BRLM, the Selling Shareholders and the Company.
4. Memorandum of understanding dated April 1, 2004 between Intime, the Registrars, and the Company.
5. Escrow Agreement between the Company, BRLM, Co-BRLM, ICICI Bank Limited, HDFC Bank Limited, Deutsche Bank AG and the Registrars dated April 2, 2004.
6. Syndicate Agreement between the Company, BRLM, Co-BRLM and Enam Securities Pvt. Ltd. dated April 2, 2004.
7. Underwriting Agreement between the Company, Selling Shareholders, BRLM, Co-BRLM, Enam Securities Pvt. Ltd. and Registrars dated April 22, 2004.

Material Documents

1. Memorandum and Articles of Association of the Company.
2. Certificate of Incorporation dated November 3, 1987.
3. Copy of the resolution dated January 21, 2004 passed under Section 81(1A) of the Companies Act.
4. Copy of the resolution dated December 17, 2003 passed approving the Offer for Sale.
5. Copies of the resolutions passed by the Board dated December 17, 2003 approving the appointment of BRLM, Co-BRLM and other agencies related to the Issue and other related matters.
6. Copy of the resolution dated April 1, 2004 passed by the committee of Directors of the Company for appointment of Registrars.
7. Copy of the resolution dated March 30, 2004 approving the Red Herring Prospectus.
8. Copy of resolution dated April 23, 2004 approving the Prospectus.
9. Consents of the Directors, Company Secretary & Compliance Officer, Auditors, BRLM, Co-BRLM, Syndicate Members, Legal Advisors, Registrars to the Issue and Bankers to the Issue and Company referred to in this Prospectus to act in their respective capacities.
10. Auditors' Report dated January 29, 2004 referred to in this Prospectus.
11. Letter from M/s Kanu Doshi Associates confirming tax benefits as mentioned in this Prospectus.
12. Annual Report of the Company for the last five Financial Years and nine-months ended December 31, 2003.
13. Copies of the initial listing applications made to the BSE and the NSE.
14. Powers of Attorney executed by the Directors and the Selling Shareholders authorizing Mr. R.R. Panickar as constituted attorneys to make necessary corrections to this Prospectus and to sign this Prospectus.
15. In-principle approval dated February 21, 2004 for listing from the BSE.
16. In-principle approval dated March 4, 2004 for listing from the NSE.



17. Tripartite Agreement between the Company, NSDL and Intime dated April 2, 2004.
18. Tripartite Agreement between the Company, CDSL and Intime dated April 2, 2004.
19. Letter from Intime, the Registrars, dated January 14, 2004 offering their services to act as Registrars to the Issue and appointment letter dated April 1, 2004 from the Company.
20. List giving details of 640 cases pending in various courts and 312 cases in consumer fora against DFSSL.
21. Deed of assignment of leasehold premises between Alpice Finance Limited and Datamatics Technologies Private Limited dated July 14, 1999.
22. Certificate of change of name of the Company from Datamatics Technologies Private Limited to Datamatics Technologies Limited Dated January 13, 2000.
23. Certificate of Registration from BSI dated June 13, 1997 to Datamatics Technologies Private Limited.
24. Quality System Certificate from the European Network for quality system assessment and certification to Datamatics Technologies Private Limited dated June 18, 1997 for grant of BS EN ISO 9000.
25. Rupee Loan agreement between Datamatics Technologies Private Limited and EXIM Bank.
26. Subscription Agreement dated October 30, 2003 between the Promoters, Datamatics Technologies Private Limited and SARA Fund Trustee Company Limited and Development Investment Trustee Company Private Limited (both acting through their duly appointed manager IL&FS Investment Managers Limited.)
27. Lease agreements with respect to various properties.
28. Letter dated May 13, 1999 from Software Technologies Park of India for setting up the export oriented unit for development of computer software.
29. Extracts from NASSCOM-McKinsey Report, 2002.
30. Approval from GoI, Ministry of Finance and Company Affairs (Department of Economic Affairs), FIPB Unit, pursuant to its letter no. FC. II. : 63 (2004)/21 (2004) for the transfer of the Offer for Sale Equity Shares in this Issue to eligible non-resident investors, NRIs, FIIs and Foreign Venture Capital Investors.
31. Approval from the RBI pursuant to letter No. F.E.CO.FID/7498/10.1.07.02 200(639)/2003-04 for the transfer of the Offer for Sale Equity Shares in this Issue to eligible Non-Resident Investors including NRIs and FIIs.
32. Joint Venture Agreement dated June 30, 2003 between the Company and Cadmus KnowledgeWorks International Limited.
33. SEBI observation letter No. CFD/DIL/PR/ISSUES/2004 dated March 23, 2004 and due diligence certificate dated February 12, 2004 from Enam.



DECLARATION

All relevant provisions of the Companies Act and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the said Acts and rules framed there under. We further certify that all the statements in this Prospectus are true and correct.

Signed by the Directors of Datamatics Technologies Limited

Directors

Dr. Lalit S. Kanodia, Chairman

Mr. M.G. Diwan, Independent Director

Mr. R.K. Saraswat, Independent Director

Mr. Shahzaad Dalal, Independent Director

Mr. Sudhir Deshpande, Independent Director

Mr. Manish Modi, Managing Director & CEO

(* Through their constituted attorney Mr. R.R. Panickar)

Signed by the Selling Shareholders

Dr. Lalit S. Kanodia

Mrs. Asha Kanodia

Mr. Sameer Kanodia

Dr. Lalit S. Kanodia as Karta of the Dr. Lalit S. Kanodia (HUF)

(* Through their constituted attorney Mr. R.R. Panickar)

Signed by the Chief Financial Officer

Mr. R.R. Panickar

Signed by the Managing Director & CEO

Mr. Manish Modi

Place: Mumbai, India

Date: April 23, 2004