

# Management Discussion and Analysis Report

## Introduction

Digital technologies, a super-set of Social, Mobility, Analytics, and Cloud (SMAC), along with Robotics and Artificial Intelligence, are at the forefront of the current wave of disruption. Businesses which are reinventing themselves with digital technologies are seeing a lot of opportunities. Datamatics is well positioned to implement those transformative technologies for its customers. The Company with its experience and expertise has carved a niche for itself by offering intelligent solutions, enabling enterprises to further evolve by improving productivity and enhancing customer satisfaction.

## A. Economic Environment

The global economy is likely to grow at 3.5% to USD 88.08 trillion in 2019, as per the World Economic Outlook (WEO). Economic activity at the global level is expected to expand at a pace of 3.6 % in 2020.

Moves by the United States to increase import tariffs have sparked retaliations and counter-retaliations. However stimulus measures and direct subsidies have so far offset much of the direct negative impacts on the United States with the economy estimated to grow at 2.5% to USD 20 trillion in 2019.

Though Eurozone is facing marked down growth rates in some countries as well as facing challenges due to uncertainties over Brexit outcome; overall the Eurozone economy is set to grow at moderate pace of 1.6% in 2019.

India's economy is poised to pick up in 2019; benefiting from stable government elected with strong mandate, lower oil prices and an accommodative monetary policy, as inflation remains benign. The economy is slated to grow by 7.5% to USD 2.9 trillion in 2019.

Though the global outlook is cautious, overall there is positive growth environment across world with advanced economies growing at 2% and emerging markets growing at 4.5% in 2019.<sup>1</sup>

## Industry Review

### IT Solutions

- Worldwide IT spending is projected at USD 3.76 Trillion in 2019. According to Nasscom, IT services will grow at 4.8% while growth in software spending is estimated at 8%
- Spending is moving from saturated segments such as mobile phones, personal computers, and on-premise data center infrastructure to cloud services and Internet of Things (IoT).
- Legacy services such as application management and testing will continue to grow at a steady pace.

### Business Process Management (BPM)

- The global BPM market expected to grow at 4.5% to USD 205 Billion in 2019 on the back of high SaaS adoption, Artificial Intelligence (AI) and RPA.<sup>2</sup>

- The US remains the biggest market for BPM.
- Opportunities prevail in process automation and dynamic content management areas.

### Robotic Process Automation (RPA)

- Global spending on RPA software is expected to increase by 57% to USD 1.067 Billion in 2019.<sup>3</sup>
- By the end of 2022, 85% of large and very large organizations are likely to deploy some form of RPA.

### Automated Fare Collection (AFC)

- AFC worldwide market is expected to reach ~ USD 12 Billion by 2024 at CAGR of 11.1% from 2017.
- India is witnessing rapid growth in metro rail network. More than 664 kilometers of metro rail projects in 15 cities are at various stages of implementation, offering immense potential for automated fare collection solutions in India.

## B. Business Review

Datamatics is a technology company that builds intelligent solutions for data-driven enterprises to improve their productivity and customer experience. The Company's portfolio spans Information Technology Solutions, Business Process Management and Engineering Services, powered by Artificial Intelligence. Datamatics has established products in Robotics Process Automation, Advanced Analytics, Business Intelligence and Automated Fare Collection.

Datamatics added 58 significant customers in FY18-19. The Company services over 550 customers globally across Banking and Financial Services, Insurance, Healthcare, Manufacturing, International Organizations and Media and Publishing. Headquartered in Mumbai, Datamatics has presence across four continents with major delivery centers in the USA, India and the Philippines with an employee base of more than 10,000.

### Highlights 2018-19

During the year, Datamatics received several awards and recognitions:

#### Key Analyst Recognition

- Datamatics TruBot recognized by Gartner in 'How C&SI and Managed Service Providers Must Approach Their Product Strategy 2019' as 'successful services companies developing products'
- Datamatics TruCap+ featured in Everest's 'Intelligent Document Processing (IDP) – Technology Vendor Landscape with Products PEAK Matrix™ Assessment 2019' as a 'MAJOR CONTENDER'
- Datamatics TruBot featured in Everest Group's 'Robotic Process Automation (RPA) – Technology Vendor Landscape with Products PEAK Matrix™ Assessment 2018'

1. Source: World Economic Outlook Update, January 2019; NASSCOM – Industry Performance 2018-19 and what lies ahead

2. Source: Nasscom

3. Source: Gartner

- Datamatics featured in IDC's 'RPA Vendor Assessment 2018, APAC'
- Datamatics featured in Forrester's NowTech: RPA Services, Q4 2018
- Datamatics featured in Everest Group's first 'Finance and Accounting Digital Augmentation Suite (F&A DAS) – Service Provider Landscape with Solutions PEAK Matrix™ Assessment 2018'
- Datamatics featured in 'Banking BPO Digital Capability Platform (DCP) – Service Provider Landscape with Solutions PEAK Matrix™ Assessment 2019'
- Datamatics featured in 'Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019' as 'STAR PERFORMER'.

#### Key Awards

IBM awarded Datamatics '2019 IBM Asia Pacific Excellence Award' for TOP TRANSFORMATION BUSINESS PARTNER

International Association of Outsourcing Professionals (IAOP) featured Datamatics in 'The best of global outsourcing 100' list

Indian Merchant Chamber (IMC) awarded Datamatics Digital Technology Award 2018 for TruBot, and TruAI in the 'Excellence in Emerging Technology' category

Computer Society of India (CSI) recognized Datamatics as the 'Best Cognitive Technology Provider of the Year 2018'

Awarded 'CIO Choice 2019' award in 'Emerging Technologies Vendor' category for TruBot

Datamatics won Rail Analysis India Award 2019 for TruFare, its Automated Fare Collection (AFC) product

#### C. Business Drivers

##### Products and Platforms

Datamatics invests to develop and update its own IP solutions in digital technology space.

Datamatics is getting good traction in its diverse products and platforms such as TruBot for Robotic Process Automation, TruCap+ for intelligent data capture, iPM for end-to-end workflow management, TruBI for business intelligence and data visualization and TruFare for automated fare collection.

Apart from this Lumina Datamatics has its own IP solutions such as CAPS - Journal Content Authoring and Publishing System, MARS - Manuscript Assessment and Reporting System.

##### Automated Fare Collection (AFC)

Automated Fare Collection (AFC) has been a key focus area for Datamatics and is the only Indian company to have highly evolved AFC, Smart Gates, and Contactless Gates service offerings. This year Datamatics won AFC contract for Mumbai Metro Line 2A, 2B and 7. The Company sees significant opportunities in this segment for emerging economies. Opportunity in India alone is slated to grow at a CAGR of 18% for the period 2018-24.

##### Partner and reseller channels

To increase sales momentum and ensure smooth implementation and support for IP products globally, Datamatics is aggressively expanding its partner network on the back of improvised product strategy. It has total partner strength of 54 across the globe.

#### Account Penetration

Datamatics has a diverse portfolio of customers across industries, including Fortune 500 companies. To achieve deeper customer penetration, Datamatics cross-sells and up-sells within customer accounts through its range of integrated sales and marketing initiatives.

#### Brand and Marketing

Datamatics positions itself as leading provider of intelligent solutions for data-driven businesses. Datamatics invests in marketing and branding efforts and participates in premium business and industry events around the world to increase visibility and enhance geographic reach.

#### Digital Solutions – RPA, Mobility, Cloud, Analytics

Datamatics is well positioned to implement digital technologies such as Robotic Process Automation, Mobility, Analytics, Cloud and Artificial Intelligence to its customers. Datamatics offers intelligent digital enablers to its valued clients to improve their operational efficiency, productivity and boost customer satisfaction.

#### D. Business Performance

Datamatics consolidated revenue was at ₹11,335 Million, up 24.5% vis-a-vis FY 2017-18 and Profit After Tax grew 18.1%. Of the total revenue, IT solutions comprising application management services, digital solutions and Automated Fare Collection constituted 57.3% while Business Process Management constituted 42.7%. The revenues from IT solutions grew by 30.9% and Business Process Management grew by 16.8% year-on-year.

#### E. Financial Performance

##### I. Financial Condition

###### Sources of Funds

The below mentioned financial condition gives an overview of the consolidated financial strength of the Group.

##### a. Share Capital

The Group's authorized capital is divided into two class of shares, 104 Million equity share of ₹ 5 each and ₹ 45.55 Million redeemable preference shares of ₹ 10 each.

The paid-up capital of the Group remains same as on March 31, 2019 vis-à-vis that of previous year, i.e. ₹ 294.75 Million divided into 58,949,337 equity shares of ₹ 5 each fully paid up.

##### b. Other Equity

Particulars	(₹ in Million)	
	March 31, 2019	March 31, 2018
Securities Premium	1,080.08	1,080.08
Retained Earnings	3,992.59	3,290.81
Capital Redemption Reserve	494.28	494.28
Capital Reserve	(62.07)	(62.07)
General Reserve	585.88	585.88
Employee Stock Option Outstanding	21.43	11.91
Cash Flow Hedging Reserve	82.68	50.14
Foreign Currency Translation Reserve	(71.42)	(267.92)
FVOCI –Equity Instruments	4.27	2.63
Actuarial Gains & Losses OCI	(22.91)	(16.69)
<b>Total</b>	<b>6,104.81</b>	<b>5,169.05</b>

Reserves and surplus increased by ₹ 935.76 Million mainly on account of profit for the year of ₹ 745.07 Million, along with increase in hedging reserve by ₹ 32.54 Million due to change in fair value of outstanding forward contracts and foreign currency transaction reserve by ₹ 196.50 Million.

#### Total Equity

The total equity increased to ₹ 6,793.23 Million as on March 31, 2019 from ₹ 5,827.44 Million on March 31, 2018, an increase of ₹ 965.79 Million.

The book value per share increased to ₹ 115.24 as on March 31, 2019 compared to ₹ 98.86 on March 31, 2018.

#### Application of Funds

##### c. Property, Plant and equipment, Intangible assets and capital WIP

###### Addition to Gross Block

Particulars	₹ in Million	
	March 31, 2019	March 31, 2018
Leasehold improvements	89.30	92.91
Machinery and equipment	92.91	34.28
Computers	34.28	38.21
Furniture and fixture	38.21	7.77
Vehicles	7.77	71.74
Software	71.74	249.32
Goodwill	249.32	4.75
Other Assets	4.75	
<b>Total</b>	<b>588.27</b>	

###### Capital commitments

The Group has capital commitment of ₹ 5.93 Million as on March 31, 2019 as compared to Nil on March 31, 2018.

##### d. Deferred tax assets / liabilities

Particulars	₹ in Million	
	March 31, 2019	March 31, 2018
Deferred tax assets, net	24.91	139.94

##### h. Loans and advances, other assets

The details of long-term and short-term loans and advances and other assets are as follows:

	In ₹ Million			
	Current		Non-current	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Loan to employees	3.65	15.97	0.29	3.69
Security deposits	8.01	0.17	103.18	93.85
Fair value of outstanding forward contracts	67.42	-	53.76	41.06
Fair value of outstanding corporate guarantee	-	-	8.92	-
Capital advances	-	-	5.93	-
Prepaid expenses	139.23	119.69	0.78	2.83
Balance with government authorities	92.70	56.74	0.05	8.02
Other assets	-	-	0.39	0.61
Advance to employees	32.02	26.06	-	-
Interest accrued	0.06	0.22	-	-
Advances to related parties and vendors	32.22	55.91	-	-
Unbilled revenue	614.71	577.57	-	-
<b>Total</b>	<b>990.02</b>	<b>852.33</b>	<b>173.30</b>	<b>150.06</b>

Deferred tax liabilities primarily comprise deferred taxes on property plant and equipment, employee benefits and provision for doubtful debts, advances and investments.

##### e. Trade Receivables

The trade receivables amounted to ₹ 2,461.37 Million (net of provision for doubtful debts amounting to ₹ 276.00 Million) as on March 31, 2019, compared to ₹ 2,047.88 Million (net of provision for doubtful debts amounting to ₹ 272.97 Million) on March 31, 2018. These debts are considered good and realizable. Debtors represented Days Sales Outstanding of 79 days, compared to 82 days in the previous year.

##### f. Current and non-current Investments

Current investment represents surplus funds of the Group parked with mutual fund schemes that can be recalled at very short notice. Non-current investments represent investments in bonds and equity shares.

Current investment increased to ₹ 454.50 Million as on March 31, 2019 from ₹ 212.99 Million on March 31, 2018. Non-current investments decreased to ₹ 113.91 Million as on March 31, 2019 from ₹ 115.34 Million on March 31, 2018.

##### g. Cash and cash equivalents

The bank balances include both rupee accounts and foreign currency accounts. The bank balances in overseas accounts are maintained to meet expenditure of overseas operations.

Cash and bank balance in current account stands at ₹ 696.18 Million as on March 31, 2019 as compared to ₹ 817.84 Million on March 31, 2018. Net cash from operations in FY 2018-19 is ₹ 896.07 Million vis-a-vis ₹ 527.63 Million in FY 2017-18. Net cash used in investing activities in FY 2018-19 is ₹ 647.76 Million vis-a-vis ₹ 348.07 Million in FY 2017-18. Net cash used in financing activities in FY 2018-19 is ₹ 369.97 Million vis-a-vis ₹ 38.35 Million in FY 2017-18.

Non-current loans and advances and other non-current assets increased to ₹ 173.30 Million as on March 31, 2019 compared to ₹ 150.06 Million on March 31, 2018. Increase is on account of security deposits worth ₹ 9.33 Million, Fair value of outstanding forward contracts of ₹ 12.70 Million, Fair value of outstanding corporate guarantee of ₹ 8.92 Million and Capital advances of ₹ 5.93 Million, offset by decrease in prepaid expenses by ₹ 2.05 Million, balance with government authorities of ₹ 7.97 Million and loan to employees by ₹ 3.4 Million.

Current loans and advances and other current assets were ₹ 990.02 Million as on March 31, 2019 compared to ₹ 852.33 Million on March 31, 2018. Current loans and advances include loan to employees. Other current assets include increase in Security deposits worth ₹ 7.84 Million, increase in unbilled revenue for ₹ 37.14 Million, Balance with government authorities ₹ 35.96 Million, Fair value of Outstanding Forward Contracts for ₹ 67.42 Million maturing within one year and interest accrued on investment and deposits.

#### i. Current and Non-current provisions

	in ₹ Million	
	March 31, 2019	March 31, 2018
Provision for employee benefits – Gratuity	171.42	126.05
Provision for employee benefits – Leave encashment	93.86	85.96
<b>Total</b>	<b>265.28</b>	<b>212.01</b>

Employee benefits provision increased to ₹ 265.28 Million as on March 31, 2019 compared to ₹ 212.01 Million on March 31, 2018.

The Board of Directors, in their meeting held on May 09, 2019 proposed a Final Dividend of ₹ 1.00 per equity share. The proposal is subject to approval of shareholders at the Annual General Meeting.

#### j. Other Current and non-current Liabilities and Trade payables

	in ₹ Million	
	March 31, 2019	March 31, 2018
Trade payable	742.27	697.74
Current borrowings	358.79	657.95
Unearned revenue	157.21	79.96
Advance received from customer	21.82	-
Unpaid dividend	1.75	1.87
Statutory dues	142.44	111.21
Creditor for capital expenditure	0.55	0.55
Fair Value of outstanding forward contracts	-	1.80
Fair Value of outstanding corporate guarantee	8.92	-
Fair Value of contingent consideration	96.13	-
Other payable	24.07	18.04
<b>Total</b>	<b>1,553.95</b>	<b>1,569.12</b>

Advances received from customers represent money received for the delivery of future services. Unearned revenue primarily comprises advance client billings on fixed-price and fixed-timeframe contracts for which related costs and earnings were not yet incurred. Unpaid dividends represent dividends paid, but not claimed by shareholders, and are represented by a bank balance of an equivalent amount.

## II. Operations Results

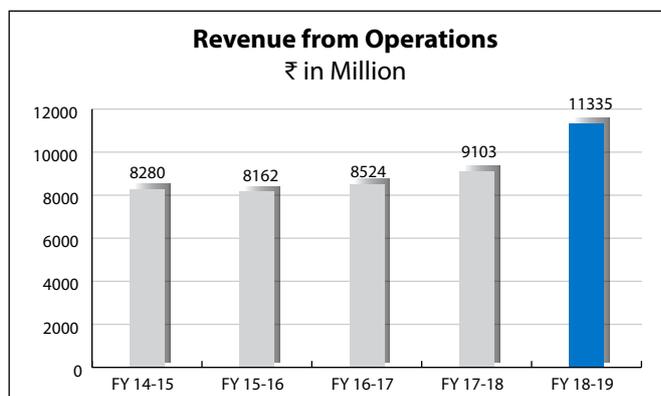
The following table provides an overview of the consolidated financial results of the Company.

	in ₹ Million	
	March 31, 2019	March 31, 2018
Revenue from Operations	11,334.90	9,102.69
Other Income	108.12	244.32
<b>Total Revenue</b>	<b>11,443.02</b>	<b>9,347.01</b>
Operating Expenses	9,996.43	8,282.38
<b>EBITDA</b>	<b>1,446.59</b>	<b>1,064.63</b>
Finance Cost	47.71	40.30
Depreciation and Amortization	260.35	203.30
<b>Earnings before Interest &amp; Tax</b>	<b>1,138.53</b>	<b>821.03</b>
Share of Net profits of Joint Venture	8.98	22.86
<b>Earnings before Tax</b>	<b>1,147.51</b>	<b>843.89</b>
Taxes	302.76	128.86
<b>Profit after Tax</b>	<b>844.75</b>	<b>715.03</b>

#### a. Income:

##### Revenue from Operations

Revenue from operations increased by 24.5% to ₹ 11,334.90 Million in FY 2018-19 compared to ₹ 9,102.69 Million in FY 2017-18.



##### Analysis of revenue growth (Constant currency growth)

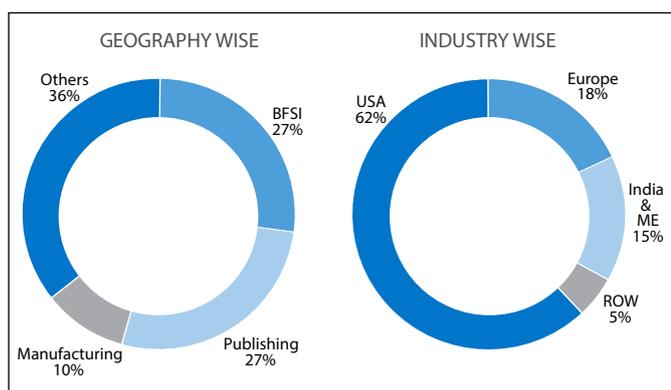
Growth attributable to	FY 2019	FY 2018
Business growth	17.9%	9.6%
Impact of exchange rate	6.6%	(2.8)%
<b>Total growth</b>	<b>24.5%</b>	<b>6.8%</b>

Movements in currency exchange rates through the year resulted in an impact of 6.6% on the reported revenue. The constant currency revenue growth for the year was 17.9%.

Average currency rates during FY 2018-19 compared to those in FY 2017-18 are given below:

Currency	Weightage (%)	FY 2019	FY 2018	% Change y-o-y
USD	62.1	69.74	64.46	8.2
GBP	13.6	91.56	85.73	6.8
EUR	4.6	80.81	75.53	7.0
AUD	0.8	50.84	49.91	1.9
CHF	0.9	70.58	66.51	6.1
AED	0.6	18.98	17.55	8.2
PHP	2.6	1.32	-	-

### Segmental performance



have decreased from 62.3% of revenue in FY 2017-18 to 60.8% of revenue in FY 2018-19.

### Depreciation and Amortization

Depreciation charge has increased to ₹ 260.35 Million in FY 2018-19 from ₹ 203.30 Million in FY 2017-18 mainly on account of acquisition of subsidiary and amortisation of development cost.

### Profit after Tax

Net Profit after Tax increased to ₹ 844.75 Million in FY 2018-19 from ₹ 715.03 Million in FY 2017-18. Net profit after Minority Interest increased from ₹ 640.85 Million in FY 2017-18 to ₹ 745.07 Million in FY 2018-19.

### Other Income

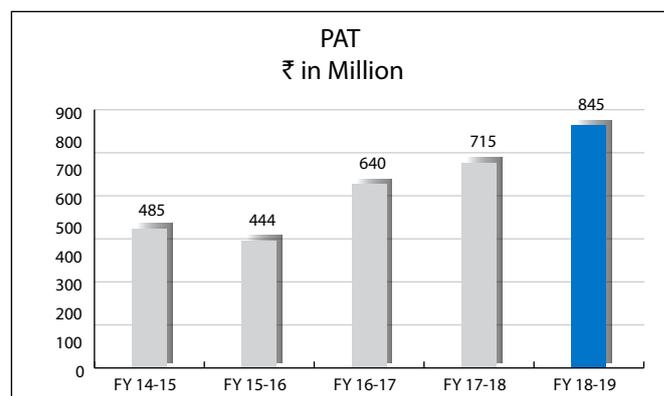
	in ₹ Million	
	March 31, 2019	March 31, 2018
Interest Income	2.30	8.41
Dividend Income	5.14	0.50
Realized and Unrealized Gain on Investments	1.43	32.50
Foreign Exchange Gain	23.45	148.10
Guarantee Fees Received	1.00	1.00
Profit on Sale of Investment	18.27	36.25
Profit on Sale of Assets	-	0.94
Provision Written Back	1.62	-
Miscellaneous Income	54.91	16.62
<b>Total</b>	<b>108.12</b>	<b>244.32</b>

Other income decreased to ₹ 108.12 Million in FY 2018-19 from ₹ 244.32 Million in FY 2017-18. The decrease is primarily on account of gain from exchange fluctuations by ₹ 124.65 Million, Realized and Unrealized Gain on Investments by ₹ 31.07 Million, Profit on Sale of Investment by ₹ 17.98 Million and interest income ₹ 6.11 Million. Decrease is offset by increase in Dividend income by ₹ 4.64 Million and Miscellaneous Income by ₹ 39.91 Million.

### b. Expenditure

Operating expenses comprise purchase of IT products and licenses, employee benefits expense and other expenses. The total operating expenses stood at ₹ 9,996.43 Million in FY 2018-19 compared to ₹ 8,282.38 Million in FY 2017-18. Operating expenses as a percentage to revenue has decreased from 91.0% of revenue in FY 2017-18 to 88.2% of revenue in FY 2018-19.

Employee benefits expense increased by ₹ 1,222.47 Million to ₹ 6,891.32 Million in FY 2018-19. Employee benefit expenses



### Human Resources Management

Datamatics considers human resources as a strong function which supports delivery and performance with its ability to maintain, to a large extent, its strength in attracting, developing, motivating and retaining talent. The Company believes that people are its most valuable asset as they contribute individually as well as collectively to the achievement of business objectives. The Company's endeavor is to provide a work environment that encourages a positive attitude and superior performance. The key elements of the Company's human resource management strategy include a comprehensive approach to managing people and the workplace culture and environment. Effectively, HR supports employees at every step of their career to enable employees grow professionally, contribute effectively and productively to the overall Company's vision and accomplish organization's goals and objectives. The total global people strength is over 10000 employees.

### F. Risk Management

The Company's global operations bring in considerable complexities and in response to that, Datamatics has established a robust enterprise risk and compliance management framework

and process. This process provides an enterprise-wide view of risks and compliance which enables it to take a more holistic approach towards informed decision making. Some significant risks that could hinder Company operations are identified below:

#### Global Economic Risk

Datamatics derives majority of its revenues from overseas geographies. The changing economic conditions, inflation, reforms in tax laws, fiscal and monetary policies in these markets could enhance cost pressure and affect the Company adversely in several ways. The Company may also witness price reduction, lose key projects and customers, deterring financial performance.

Datamatics mitigates global economic risk by generating business from new market segments and enhances steeper growth in geographies other than the US and Europe.

#### Employee Related Risks

Datamatics' business is dependent on the quality of its workforce. Company's inability to attract, retain and motivate key employees would impair its ability to offer the right quality of service to the clients.

As a talent-driven organization, the Company's key goal is to have the best talent, with highly specialized skills in every business vertical, at the right levels and at the right locations, to enhance differentiation and competitiveness.

It strives to maintain its position as the employer of choice. Its Human Resources Department (HRD), is aligned with the Company's vision to attract, retain, and nurture high-quality talent. The Company consistently tries to create a culture of learning and continuous improvement, to build and grow employee's career, across all HR functions.

#### Business Continuity and Information Security

Datamatics is fully aware of Business Continuity risks arising out of global disruptions such as natural disasters, IT outages, cyber, pandemic, terror and unrest, power disruptions, to name a few. This is likely to hinder availability of people and process, technology and infrastructure.

The Company has a well-defined, robust and tested Business Continuity Plan (BCP) and Disaster Recovery (DR) processes in place. There are primary and secondary locations identified and equipped with the necessary infrastructure and facilities to ensure that the business processes can continue uninterrupted. There are dedicated, trained and empowered cross-functional teams at various levels in all locations to ensure that the BCP and DR processes are implemented in shortest possible times. Readiness according to the BCP and DR processes are regularly tested through surprise mock drills and audits. The audit and mock-drill findings are reviewed by senior management in Management Information Security Forum (MISF). In the past, the readiness was successfully verified in real scenario during the floods in Nasik and Chennai / Puducherry locations. The Company could bring up customer processes at the BCP and DR locations well-within the defined timelines. The Company was appreciated by customers for the several such occasions.

The Company's operations and ISMS have been successfully assessed and are compliant to ISO 27001:2013, SSAE 16 SOC 1

and SOC2 requirements and HIPAA requirements. The Company is in the final stages of renewing its PCI-DSS certification. These standards are extremely important for financial, insurance and healthcare industries.

Moreover, Datamatics successfully implemented Security Information and Event Management (SIEM) solution, strengthening Information security management framework.

#### Competition Risk

The technology market is evolving at a lightning speed. The world is moving towards smart automation and the emerging digital technologies are disrupting and changing the paradigm of business operations across Industries. This enhances the risk of competition. Datamatics manages to mitigate the competition risk by adopting the following measures:

- Datamatics invests in new technologies and product development in Robotics, Artificial Intelligence, Mobility and Analytics and consistently updates its own IP solutions in the digital technology space
- With rapid urbanization, Datamatics is focusing on areas such as Automated Fare Collection, Smart Gates, and Contactless Gates service offerings to name a few
- Datamatics has deep domain knowledge, skilled professionals, delivery capabilities and efficient sales force along with relationship managers to help retain its competitive positioning amongst peers
- Adopting a customer centric approach together with its ability to innovate customer specific solutions, through its in-house incubation hub, DataLabs, Datamatics conducts research and development based on emerging trends and cutting-edge technologies.
- Datamatics aggressively invests in widening its partner network and believes that the evolving partner ecosystem will increase sales momentum and ensure smooth implementation and support for Datamatics IP solutions globally

#### Legal and Regulatory Compliance Risk

Datamatics is exposed to greater compliance risks than ever before due to its presence in multiple developed and developing countries. Data Privacy and protection of personal data is a high priority concern globally. Legislations such as General Data Protection Regulation (GDPR) in Europe carry severe consequences for non-compliance or breach. Any violation or security breach, non-compliance or inadequacy of privacy policies and procedures can result in substantive liabilities, penalties and reputation impact.

To keep the Company protected against the risk of data privacy breach, all its contracts with the customers in the EU region have been revised to incorporate GDPR requirements. A dedicated Data Protection Officer (DPO) has been appointed to address issues, if any, raised around GDPR compliance. Regular online training and workshops on Data Privacy and GDPR are conducted to foster a culture of awareness and responsibility among its employees. GDPR awareness is an integral part of the employee induction program.

Datamatics also uses services of professional consultants under the supervision of its dedicated in-house compliance team which is equipped to anticipate compliance risks and ensure compliance with domestic as well as overseas laws and regulations. Changes in the applicable regulations are monitored and tracked on a global basis.

#### **Currency Risk**

Datamatics derives majority revenues in foreign currencies. Volatility in currency exchange movements negatively impacts Company's financial performance. Through appropriate hedging strategy and business marketing practices aligned with market best practices, the management team takes adequate steps to minimize currency-related value erosion. The Company consistently reviews economic scenario and updates policies accordingly.

#### **Internal Control Systems and their Adequacy**

Datamatics has mechanisms in place to establish and maintain adequate internal controls over all operational and financial functions. The Company intends to undertake further measures as necessary in line with its intent to adhere to procedures, guidelines, and regulations as applicable in a transparent manner.

The Company has appointed, M/s. SKPAG & Co., Chartered Accountants, Mumbai as Internal Auditors of the Company. During the year, the Internal Auditor has carried out Company audit on significant areas affecting the Company's business. The Audit Committee reviews its findings and recommendations at periodic intervals.

The Company's internal control system is adequate considering the nature, size and complexity of its business.

#### **G. Outlook**

As digital technologies undergo disruption, it brings with it a host of novel opportunities for businesses. Enterprises are looking for digital transformation to gain competitive edge and achieve higher customer satisfaction. This digital revolution has generated huge amounts of data. To derive better business insights, it is imperative to leverage the power of this data.

Datamatics' solutions portfolio spans Information Technology Solutions, Business Process Management (BPM) and Engineering Services. These solutions are powered by Artificial Intelligence to deliver smart processes, systems and devices. With enterprises focusing on automating business processes, Datamatics will continue to focus on digital technologies to develop intelligent innovative solutions.

Datamatics develops and updates its own IP solutions in the digital technology space. It designs effective strategies to expand its partners network and garner higher sales revenues.

With rapid urbanization, the Company anticipates Automated Fare Collection (AFS) and Smart Cities as potential growth sectors in India as well as across globe. United States, Europe, India have been the key markets for Datamatics. The Company will continue to retain a high market share in these geographies.

#### **CAUTIONARY STATEMENT**

*Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimate, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, changes in Government regulations, tax laws and other factors such as litigation.*

*Readers are advised to exercise their own judgment in assessing risks associated with the Company, inter-alia, in view of discussion on risk factors herein and disclosures in regulatory filings, as applicable.*