

Management Discussion and Analysis

Introduction

It is one year since COVID-19 was declared a global pandemic and Datamatics priorities continue to be employee well-being, servicing and retaining customers and tightly managing cash-flows. Team Datamatics has done exceedingly well in managing on all the three fronts which has resulted in business bouncing back across segments. Datamatics sees increase in demands in technology spending cycles, both from new and existing clients. Digital transformation and technology upgradation is creating huge opportunities for the IT industry. Datamatics is also seeing specific opportunities in the process automation and dynamic content management areas. Datamatics remains cautious and at the same time confident of sustaining the growth momentum in coming year.

As enterprises adopt digital technologies to drive their businesses, Datamatics is well positioned to implement Digital Technologies, including Intelligent Document Processing, Robotics, Cloud, Digital Experiences, Analytics, and Artificial Intelligence for them. It provides the company an excellent opportunity to partner with customers in implementing digital transformation solutions that would ensure business continuity and enable them to remain competitive.

A. Economic Environment

As per World Economic Outlook, April 2021, even with high uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible. The World Economic Outlook is projecting a stronger recovery in 2021 and 2022 for the global economy compared to its previous forecast, with growth projected to be 6% in 2021 and 4.4% in 2022. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis.

As per the report, the key forecasts for markets are as follows:

- The forecast for the United States shows stronger-than-expected growth reflecting additional fiscal support legislated, to increase from -3.5% in 2020 to 6.4% in 2021.
- The forecast for Euro is set to recover from -6.6% in 2020 to 4.4% in 2021. European economies were recovering in mid-2020. But this was followed by a surge in infections that forced new lockdowns in the last months of 2020, carrying over to 2021 impacting the growth forecasts.
- The forecast for United Kingdom shows a recovery from -9.9% in 2020 to 5.3% in 2021.
- A stronger recovery than initially expected after lockdowns were eased is expected in India with forecast to improve from -8% in 2020 to 12.5% in 2021. However, still high COVID-19 caseloads can negatively impact growth prospects.

Source: World Economic Outlook Update, April 2021

Industry Review

IT Solutions

- Worldwide IT spending is projected to total \$4.1 trillion in 2021, an increase of 8.4% from 2020. IT spending is likely to decelerate to 5.5% in 2022 to \$4.3 Trillion.

- All IT spending segments are forecast to have positive growth through 2022. The highest growth will come from devices (14%), enterprise software (10.8%) and IT services (9%)
- The source of funds for new digital business initiatives will more frequently come from business departments outside IT and charged as a cost of revenue or cost of goods sold (COGS).

Source: Gartner

Business Process Management (BPM)

- The global BPM market is projected to total \$254 Billion in 2021, an increase of 4.5% from 2020. BPM market is likely to grow at 7.6% in 2022 to \$273 Billion.
- Segments expected to witness the highest volume of new work in the next five years include industry-vertical-oriented BPM, enterprise back-office BPM and contact center
- Technology will assume center stage in BPM, especially through platform-based services

Source: Everest Group & Nasscom

Intelligent Automation

- The market for process-agnostic software enabling hyperautomation is projected to reach \$25bn in 2021 and is forecasted to grow at a CAGR of 18.8% over the period 2020-2025, thereby amounting to over \$46 Billion by end of 2025.
- RPA software market is growing at healthy double digit rates as per various analyst estimates. Gartner predicts that by 2022, 65% of organizations that deployed automation capabilities will introduce artificial intelligence (AI) that include machine learning (ML), natural language processing (NLP) algorithms and intelligent document processing (IDP).
- Driven by strong demand for automation, IDP market is projected to grow at 55%-65% CAGR thereby amounting to 1.85-1.95 Billion by 2022.

Source: Gartner & Everest Group

B. Business review

Datamatics is a global Technology, BPM and Digital Solutions company, that builds intelligent solutions for data-driven enterprises to improve their productivity and customer experience.

Datamatics has a strong footprint in the digital space providing new age solutions in Cloud, Mobility, Robotics, Digital Process Automation and Artificial Intelligence. Datamatics also has a strong product portfolio in Robotic Process Automation (TruBot), Intelligent Document Processing (TruCap+), Business Intelligence & Advance Analytics (TruBi), Artificial Intelligence (TruAI) and Automated Fare Collection (TruFare).

Datamatics provides digital solutions across Banking & Financial Services, Insurance, Healthcare, Manufacturing, International Organizations, and Media & Publishing; servicing over 200 significant customers globally.

Headquartered in Mumbai, the company has presence across four continents with major delivery centres in the USA, India, and Philippines.

Highlights 2020 – 21

Business updates

- Datamatics divested its stake in Cignex. This brings a sharper focus, and provides funds to invest in Datamatics digital solution strategy which is central to its business.
- Datamatics launched document processing with a new AI-enabled TruCap+ Intelligent Document Processing (IDP) solution
- Datamatics launched the world's largest repository of over 800 automation use cases for enterprises, customers and partners. The repository includes use cases across 13 industries such as BFSI, Manufacturing, Logistics; and 6 corporate functions like Finance & Accounting, Information Technology, Human Resources, and others
- Datamatics helped UTI Mutual Fund and several marquee Indian organisations to set-up paperless Digital Workplace during pandemic
- Datamatics refreshed its logo to reflect Company's comprehensive digital offerings and growth strategy
- As a part of CSR initiative, Datamatics helped Brihanmumbai Municipal Corporation (BMC) manage the migrant workers crisis by setting up an emergency digital call center and collaborated with NGOs to provide food and supplies to over 6.5 lakh citizens. Additionally Datamatics set up data analytics cell that gave real-time insights and updates of the ground situation to BMC officials.

Key Analyst Recognition:

- TruBot RPA recognized as a Strong Performer in Forrester Wave for RPA, Q1 2021
- TruCap+ IDP recognized as a Major Contender and Star Performer in Intelligent Document Processing (IDP) – Technology Vendor Landscape with Products PEAK Matrix® Assessment 2021
- Datamatics recognized as Major Contender in the Everest Intelligent Process Automation (IPA) – Solutions PEAK Matrix® Assessment 2021
- Datamatics a Major Player in IDC MarketScape: Worldwide Digital Finance and Accounting Business Process Services 2020-2021
- TruCap+ IDP recognized as a Leader in SPARK Matrix: Intelligent Document Processing (IDP), 2020
- Datamatics named as Product Challenger in the ISG Provider Lens™ Intelligent Automation - Solutions and Services - US and UK 2020
- Datamatics recognized in the Gartner Peer Insights 'Voice of the Customer': Robotic Process Automation 2020
- TruBot RPA recognized by Everest Group as a Major Contender in its Robotic Process Automation (RPA) Peak Matrix 2020.
- Datamatics acknowledged as a key player in RPA market in the report 'Datamatics looks to broaden its footprint in the RPA market' by 451 Research
- Datamatics recognised as 'Innovator' in Nelson Hall

Intelligent Automation in Banking NEAT Report 2021

Key Awards

- Datamatics recognised for being among the Top Companies in the Private sector at the United Nations Global Compact Network India (UN GCNI) Innovative Practices Award "Women at Work" – 2020
- Datamatics named as 'Leader' in the IAOP 2021 Global Outsourcing 100 List
- TruBot RPA recognised at Gold Stevie Award 2020 for 'Sales & Customer Service', TruCap+ IDP won People's Choice Stevie Award 2020 for 'Favourite New Products'
- Datamatics won the CRN Excellence Award 2020 for its innovative virtual reality gaming App for Alzheimer's patients

C. Business drivers

Products & Platforms: Datamatics is investing in developing as well as updating its own IP solutions in the digital technology space. Datamatics Intelligent Automation Platform (IAP) is a unified platform to automate a series of tasks, processes, and unstructured and semi-structured data in documents. The IAP combines the capabilities of TruBot for Robotic Process Automation (RPA), TruCap+ for Intelligent Document Processing (IDP) along with artificial intelligence (AI)/machine learning (ML) models developed by Datamatics. Apart from this Datamatics has developed iPM for end-to-end workflow management, TruBI for business intelligence & data visualization and TruFare for Automated Fare Collection. All these products and platforms are getting good traction in the market.

In FY21, Datamatics launched a new AI-enabled TruCap+ IDP solution which was recognized as a Major Contender and Star Performer by Everest Group in its IDP PEAK Matrix® 2021

Partner and reseller channels: On the back of product strategy, Datamatics continues to invest in expanding its partner network. The evolving partner ecosystem will increase the sales momentum and will ensure smooth implementation and support for Datamatics IP products globally. The partner strategy has now started showing results with some deals being closed and a healthy pipeline.

Automated Fare Collection (AFC): This has been a focus area for Datamatics, with it being the only Indian company to have highly evolved AFC, Smart Gates, and Contactless Gates service offerings. Datamatics sees this as a huge opportunity in US and emerging economies around the world, including India. Currently Datamatics has made substantial progress in implementing AFC solutions for Mumbai Metro (Line 2A and 7); and Memphis Area Transit Authority (MATA), the public transportation provider for the Memphis area, USA.

Digital Solutions – Intelligent Automation, Digital Experiences, Cloud: Datamatics is well positioned to implement digital technologies, such as Intelligent Document Processing, Robotic Process Automation, Digital Experiences, Analytics, Cloud, and Artificial Intelligence for its customers. Datamatics with its experience and expertise has carved a niche for itself towards becoming a strategic partner to its valued customers and offering intelligent solutions that will enable businesses to further evolve by improving productivity and enhancing customer satisfaction. In FY 21, Datamatics continued making significant efforts and investments in strengthening its digital footprint.

Account Penetration: Datamatics has customers across industries; many of these are Fortune 500 companies.



Datamatics is focusing on deeper penetration within the customer accounts through account management for cross-selling and up-selling through its integrated sales and marketing efforts.

Branding & Marketing: Datamatics has been investing in marketing and branding efforts for increasing visibility, strengthening digital footprint and geographic reach. In FY21 Datamatics successfully concluded its virtual Intelligent Automation Summit which was attended by over 1700 senior professionals from different industries across Americas, Europe, Middle East and India regions.

D. Business performance

Datamatics consolidated revenue was at ₹ 11,491 million, down by 4.5%, in constant currency down by 8.5% vis-à-vis FY 19-20 and profit after tax increased by 25.1%. of the total revenue, IT solutions - include application management services, digital solutions such as Robotic Process Automation, Digital Experiences, Cloud solutions, analytics as well as Automated Fare Collection - constitute 51%. On the other hand, Business Process Management constitute 49% of total revenues. The revenues from IT solutions de-grew by 16.9% and Business Process Management grew by 13.2% year-on-year.

E. Financial performance

Balance Sheet

Equity and Liabilities

EQUITY

Particulars	(₹ in millions)		
	March 31, 2021	March 31, 2020	Change
Equity share capital	294.75	294.75	-
Other equity	6,864.64	6,564.18	300.46
Non-controlling interests (NCI)	(6.94)	220.15	227.09
Total equity	7,152.45	7,079.08	73.37

❖ Owner's equity - Has increased from ₹ 6,858.9 million to ₹ 7,159.4 million, movement is primarily attributed to total comprehensive income of ₹ 1,025.8 million and removal of equity of ₹ 745.5 million of Cignex due to its divestment.

❖ Non-controlling interest - Reduced from ₹ 220.2 million to ₹ (-) 6.9 million, primarily due to removal of NCI pertaining to Cignex due to its divestment.

LIABILITIES

Particulars	(₹ in millions)		
	March 31, 2021	March 31, 2020	Change
Non-current liabilities	382.89	440.18	(57.29)
Current liabilities other than borrowings	1,545.32	1616.44	(71.12)
Total liabilities	1,928.21	2,056.62	(128.41)

❖ Non- current liabilities includes maturity of lease liabilities, creditors for capital expenditure, fair value of outstanding forward contracts and provision for employee benefits plan. The decrease in Non- current liabilities is primarily due to decrease in fair value of outstanding forward contracts from ₹ 51.7 million to ₹ 5.1 million.

❖ Current liabilities other than borrowings includes trade payable, fair value of outstanding forward contracts, fair value of outstanding contingent consideration, maturity of lease liabilities, unearned revenue, advance from customers, accrued employee liabilities, unpaid dividend and other contractual

liabilities. The decrease is primarily attributed to decrease in fair value of outstanding forward contracts by ₹ 30.5 million, fair value of outstanding contingent consideration by ₹ 22.2 million as the same was settled during the year, statutory dues by ₹ 54.3 million and unearned revenue by ₹ 75.8 million and offset by increase in advance from customers by ₹ 93.5 million.

ASSETS

Particulars	(₹ in millions)		
	March 31, 2021	March 31, 2020	Change
Non-current Assets			
Property, Plant and Equipment, capital work in progress	1,155.00	1,187.42	(32.42)
Goodwill / other intangibles	979.40	2289.66	(1,310.26)
Other non- current assets	531.88	462.20	69.68
Total	2,666.28	3,939.28	(1,273.00)

❖ Addition to Fixed assets were ₹ 164.2 million during the year as compared to ₹ 210.1 million in previous year.

❖ Goodwill / Intangibles reduction is primarily due to impairment of ₹ 365.9 million and removal of goodwill due to Cignex Divestment ₹ 833.4 million.

❖ Others non- current assets includes investments, deferred tax and non- current tax. Increase is mainly in deferred tax assets and non-current tax assets.

Particulars	(₹ in millions)		
	March 31, 2021	March 31, 2020	Change
Current Assets			
Investment, cash and cash equivalents, bank balances (Cash, bank and investments)	2,584.51	2,242.19	342.32
Less- Current Borrowings	-	(964.64)	964.64
Net Cash, bank and investments	2,584.51	1,277.55	1,306.96
Receivables	1,835.01	2,724.51	(889.50)
Other	1,994.86	1,194.36	800.50
Total	6,414.38	5,196.42	1,217.96

❖ Primary reason for increase in cash, bank and investment balances is due to significant improvement in collection, days sales outstanding reduced significantly from 83 days as of March 31, 2020 to 65 days as of March 31, 2021.

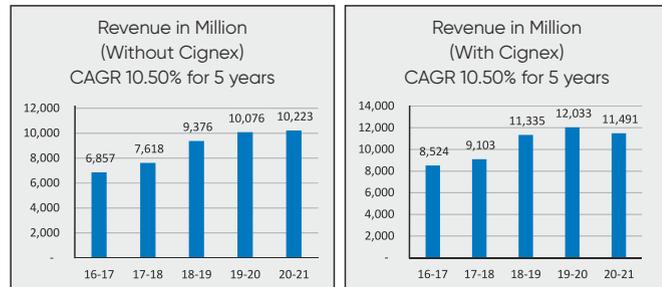
❖ Other current assets includes security deposits, unbilled revenue, balances with government authorities, prepaid expenses and other financial assets. Other assets mainly increased due to receivable from Cignex toward divestment of Cignex stake amounting to ₹ 640.8 million and increase in unbilled revenue by ₹ 129.5 million.

Statement of Profit and Loss

Revenue from operations

❖ Revenue at ₹ 11,490.1 million; down 4.5% YoY because of non-inclusion of Cignex revenue in Q4FY21 and impact of pandemic in the initial quarters. Revenue without Cignex in FY21 was ₹ 10,223.8 million as compared to ₹ 10,076.3 million in FY20, an increase of 1.5%.

- ❖ Our adjusted quarterly revenue rate is now approximately ₹ 2500 million with a spike in the fourth quarter due to the tax return processing business that we do.
- ❖ 5 years revenue and CAGR without Cignex and with Cignex is as below:



Other Income

(₹ in millions)

Particulars	March 31, 2021	March 31, 2020	Change
Exchange gain	21.04	152.63	(131.59)
Interest, dividend and profits on investments	34.09	21.51	12.58
Interest others	20.14	1.19	18.95
Miscellaneous Income (including Advances and excess provisions written back and profit on sale of fixed assets)	32.26	29.77	2.49
Total	107.53	205.10	(97.57)

- ❖ The decrease in other income is primarily due to exchange gains.
- ❖ Interest others mainly includes interest on income tax refunds and interest accrued on amount receivable from Cignex toward redemption of its shares.

Expenditure

- ❖ Operating expenses (excluding depreciation and finance costs) include purchase of IT products and licenses, employee benefits expense and other expenses. The total operating expenses stood at ₹ 10,068.1 million in FY 2020-21 compared to ₹ 10,797.5 million in FY 2019-20. Operating expenses as a percentage to revenue has decreased from 89.7% of revenue in FY 2019-20 to 87.6% of revenue in FY 2020-21.
- ❖ Employee benefits expense has decreased to ₹ 7,707.9 million in FY 2020-21 from ₹ 7,750.7 million in FY 2019-20. Employee benefit expenses have increased from 64.4% of

Cash flow

(₹ in millions)

Particulars	2020-21	2019-20	2018-19	2017-18	2016-17
Operating activities	1,017.75	834.81	896.07	550.59	862.11
Investing activities	(792.95)	(96.50)	(647.76)	(370.93)	(233.11)
Financing activities	(989.83)	514.01	(369.97)	(38.35)	(563.33)
Net Cash flow during the year	(765.03)	1252.32	(121.66)	141.21	65.67

revenue in FY 2019-20 to 67.1% of revenue in FY 2020-21.

Depreciation and Amortization

- ❖ Depreciation charge has increased to ₹ 394.8 million in FY 2020-21 from ₹ 370.0 million in FY 2019-20.

Exceptional items

Particulars	March 31, 2021	March 31, 2020	Change
Profit on Sale of Investment	36.50	-	36.50
Impairment of goodwill and other assets	(365.89)	157.72	(523.62)
Exchange gain on sale of financial assets	315.96	-	315.96
Total	(13.43)	157.72	(171.16)

- ❖ Exchange gains of ₹ 316.0 million, arising from buy back of equity capital and redemption of preference capital held in overseas subsidiaries.
- ❖ Profit on divestment of ₹ 36.5 million, of Cignex Datamatics Corporation BVI.
- ❖ Impairment charges of ₹ 365.9 million, created on goodwill, investment and other assets of some subsidiaries, based on management's assessment of changes in market conditions.
- ❖ During the previous year, On April 20, 2020, Duo Consulting Inc. ("Duo"), a subsidiary of Cignex Datamatics Inc. (Cignex USA), entered into a sale and assignment agreement ("Asset Purchase Agreement") with a third party. Under the terms of the agreement, Duo has agreed to sell contracts and computer system, assign its employees along with customer contracts, and business IT systems. Consequently, the Management of the Holding Company, in its annual assessment for goodwill impairment, has impaired the goodwill associated with Duo amounting to ₹ 157.7 million in the consolidated financial results.

Tax expense

- ❖ The tax expense for the year amounted to ₹ 253.5 million against ₹ 261.8 million for the previous year. The Effective Tax Rate (ETR) for the year amounted to 23.2% as compared to 29.8% in the previous year.

Profit after Tax

- ❖ Net profit after non-controlling Interest increased from ₹ 637.4 million in FY 2019-20 to ₹ 797.5 million in FY 2020-21.



Key Financial Ratios

Key financial ratios for last 5 years

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Profitability Ratios					
EBITDA Margin	12.4%	10.3%	11.8%	9.0%	9.7%
PBT Margin	9.5%	7.3%	10.1%	9.3%	8.1%
PAT Margin	6.9%	5.2%	6.5%	6.9%	7.5%
EPS Basic (Rs.)	13.53	10.81	12.64	10.87	10.85
Liquidity Ratios					
Current Ratio (In Times)	4.15	2.38	2.84	2.44	2.63
Quick Ratio (In Times)	3.81	2.21	2.63	2.34	2.52
Efficiency Ratios					
Debtors Turnover (No. of days)	65	83	79	82	68
Leverage Financial Ratios					
Debt/Equity Ratio (In Times)	-	0.14	0.05	0.11	0.10
Return on Equity Ratio	13.5%	11.4%	15.8%	10.1%	10.4%

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 and California Consumer Privacy Act (CCPA) in the United States 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

It is one year since COVID-19 was declared a global pandemic and the threat of pandemic is far from over. Though world economy is recovering and the economic outlook is positive, the uncertainties related to the pandemic spread and severity within different regions and corresponding lockdowns can severely impact the businesses across the world.

Like last year, Datamatics priorities continue to be employee well-being, servicing and retaining customers and tightly managing cash-flows.

Employee well-being is of foremost importance for Datamatics. Protecting the health and life of all Datamaticians and their families occupies center stage. At a company level, Datamatics is implementing all the guidelines recommended by the Government to ensure the safety and well-being of employees and to reduce the spread of the pandemic in the society at large.

Headcount

The total number of Employees including subsidiaries as on March 31, 2021 was 10,669 as against 10,383 as on March 31, 2020.

Focus on customers. During past one year Team Datamatics worked exceedingly well working from home as well as in hybrid model and ensured continuity of services for our customers. Datamatics has the necessary infrastructure in place to ensure smooth functioning of business. Datamatics was appreciated by several of its customers for its delivery excellence over the past year and has received commendations from its customers.

As customers are increasingly adopting digital technologies to drive their businesses, it has provided an excellent opportunity to partner with them in implementing digital transformation solutions that would enable them to remain competitive. The Company has seen an increased demand from its customers for digital technologies and is fully geared up to service them.

Managing cash-flow and cost optimization continues to be a top priority for the company. The Datamatics Management



team is keeping a keen eye on cash flow, taking all the necessary efforts to actively conserve cash and curtail all discretionary spends.

Looking ahead, Datamatics will continue to focus on technologies, such as Intelligent Document Processing, Robotics, Cloud, Digital Experiences, Analytics, and Artificial Intelligence. These digital technologies are some of the thrust areas for Datamatics and the company is investing in developing intelligent innovative solutions in these areas.

Datamatics will continue to invest in developing as well as updating its own IP solutions in the digital technology space. Datamatics is expanding its partner network and believes that the evolving partner ecosystem will increase the sales momentum and will ensure smooth implementation and support for Datamatics IP solutions globally.

In addition to digital technologies, Datamatics has been focusing on areas, such as Automated Fare Collection and Smart transport as growth areas in India as well as across the globe and will continue the focus.

Datamatics is seeing an increase in demands in technology spending cycles, both from new and existing clients. This acceleration is expected to remain a key growth driver for the IT industry for the next few years as digital transformation plays out. It is an era of technology upgradation which is creating huge opportunities for the IT industry. Datamatics is also seeing specific opportunities in the process automation and dynamic content management areas.

Overall, Datamatics is well prepared to address the challenge posed by COVID-19 pandemic and remains cautious and at the same time confident of sustaining the growth momentum in coming year.

