Datamatics

Header: The power of knowledge
Strap: Datamatics Technologies is the 15th largest BPO company in India. Its clients include Lexis Nexis, Moody’s, J P Morgan, American Express and Unisys

Datamatics is a pioneering company in many ways. Though financially not spectacular and hence rarely in the limelight, Datamatics has always been far ahead of times. In fact, at a very strategy level, what Datamatics has been doing since 1992, organisations have not even begun to consider in 2003: Outsourcing the outsourced.

Datamatics is a group of companies. The flagship company – Datamatics Ltd – is a software company primarily into offering IT services to the international market. Its associate companies are into other areas. Datamatics Financial Services is into offering financial services to various financial institutions, Datamatics Staffing Services offers human resources (HR) services and Datamatics Direct Marketing offers direct marketing services. Datamatics Technologies offers BPO services to international clients in various areas – data processing, finance and accounting, HR services, claims processing and document management and workflow.

Manish Modi, CEO, Datamatics Technologies, recounts a very interesting tale regarding the origin of Datamatics Technologies. As a part of his induction programme in 1991, Mr Modi was being introduced to various Datamatics companies – Datamatics Financial Services being one of them. The company provided data entry services to various Indian financial institutions. Now the accuracy level of data entry services was rather low – 85% or so. This was because the data had to be entered through dumb terminals into proprietary machines. And since the quality assurance team did not do a diligent check, this meant that accuracy levels were far lower. Dr Kanodia, chairman, Datamatics Group of companies, hit on a brilliant idea. How about doing double entry of data using two independent people working on two machines – PCs had started arriving then - and using the software to compare independently entered data. The accuracy levels were as high as 99.995%. However, the Indian corporates were not willing to pay the price for higher accuracy, and that led to targeting export markets.

Datamatics Technologies began its initial work in January 1992 with 30 people and started offering data-entry services to various publishing houses. The prime consideration then was to ensure a continuous nature of work.
Hence, the publishing industry seemed ideal. The initial work was in the area of legal and financial databases. Later the work diversified to include scientific, technical and medical data.

Datamatics Technologies then hit upon another innovative idea. Instead of investing in hardware infrastructure and recruiting employees to do the data entry work, Datamatics Technologies wisely chose to outsource the data entry work to homemakers. The company targeted women who find full-time office work inconvenient due to domestic responsibilities but still had some time, which could be used to get some additional income for the family. Datamatics Technologies gets its data entry work done through more than 1,000 Knowledge Associates. They work from the convenience of their homes. This saves infrastructure costs and allows for flexible employee liability in terms of costs that are commensurate with the changing workload. This considerably reduces costs. Datamatics Technologies has 50 mentors who monitor, train and provide support to these Knowledge Associates. The compensation offered is related to the quantum of work hours put in, productivity and quality of work. The work done by Knowledge Associates is checked for quality by an internal team.

Though Datamatics Technologies began as a data entry shop, it quickly moved up the value chain – from data entry to data processing to Knowledge Management. This would involve offering services in the area of adding context, indexing, content addition and so on. In fact, Datamatics Technologies, as early as 1992, spent a considerable amount of money to train its staff on SGML tagging, a technology that has caught up only recently in its XML avatar. Datamatics Technologies has almost 200 software engineers to develop the software for data conversion, maintenance of databases and so on.

Though providing data processing and knowledge management to publishing companies still make up for a major source of revenue, in the last two years Datamatics Technologies has begun to diversify. These areas include finance and accounts, HR services, healthcare claims processing document management and workflow. Around 60% of the revenues come from publishing-related knowledge management and data processing, the rest come from finance and accounts, HR services and processing healthcare claims.

For finance and account services, Datamatics Technologies has employed almost 60 chartered accountants – some of them are even American Certified Public Accountants (CPA) – for analysing ledgers and journals. In HR services, Datamatics Technologies provides resume-entering services for
indexed-based search. Datamatics has partnership with document management specialists such as Hummingbird and with workflow management companies such as Filenet to provide document management and enterprise workflow solutions.

Though Datamatics has call centre expertise – a group company, Datamatics Financial Services runs a call centre for Indian corporates. Datamatics is not planning to consider entering the call centre space for the export market as that would require a high degree of specialisation, investment and a totally different focus from the present area.

Apart from 1,000 knowledge associates, Datamatics Technologies has around 700 employees. Two hundred of them are software engineers who develop and maintain databases and work on data conversion programmes. Sixty of its employees are chartered accountants for financial processing, 30 for HR services, 30 for claims processing, 40 each in imaging and legal processing, 24 in marketing and the rest mainly provide quality assurance services to the data entry work, including 50 assigned to mentoring the 1,000 knowledge associates.

Datamatics has had a healthy growth in top line and bottom line. Without divulging the exact figures, Mr Modi, informs that revenues have increased from roughly Rs 27 crore in year ending 2001 to Rs 42 crore in year ending 2002, to Rs 60 crore in the year ending 2003 and the projected revenues for this year are to the tune of Rs 90 crore.

Datamatics has a proven business model, track record of successful delivery and clientele like Lexis Nexis, Moody’s, J P Morgan, American Express and Unisys. A survey conducted by Nasscom has found Datamatics Technologies to be the 15th largest BPO company in India. Datamatics plans to strengthen its value offering in the core area of knowledge management and data processing even as it slowly diversifies into other BPO areas such as finance and accounts, HR services, healthcare claims processing and document management.

Datamatics Technologies and Cadmus Communications have formed a joint venture to form Knowledge Work Global, to provide full range of content processing, content management and related services. Cadmus would hold 80% whereas Datamatics would hold 20% stake in the company, with Cadmus having the option to buy out Datamatics stake. The centre will provide full range of services for journals, periodicals and books including data composition, copy editing, issue management and full service composition.
Datamatics Technologies has chosen to acquire companies carefully to further its penetration in chosen segments. Datamatics started by acquiring Saztec to strengthen its marketing of knowledge management solutions in data warehousing, imaging technologies, work flow and document management. Recently Datamatics has acquired Corpay to complement its finance and accounting offerings. Datamatics is looking for acquisitions in publishing, data warehousing. Manish Modi, ceo, Datamatics Technologies says that the acquisition target should integrate with the company. Datamatics is looking for both organic as well as inorganic growth. The valuation of the company and bandwidth of management are other important considerations in choosing the target.

Start-Up Year: 1992  
Area of Operations: Data Processing in publishing space, finance and accounts, HR services, healthcare claims processing and document management  
Location: Mumbai  
CEO/Managing Director: Manish Modi  
Promoters/Owners: Dr Lalit Kanodia and Kanodia family  
Approximate Headcount: 700 employees and 1,000 Knowledge Associates  
Approximate Revenues: Rs 60 crore (2002-03), Rs 42 crore (2001-02) and Rs 27 crore (2000-01)