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24th Annual Report 1999-2000

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"I shall be telling this
Somewhere ages and ages hence:
Two roads diverged in a wood, and I -
I took the less travelled by,
And that has made all the difference"

- 'The Village' by Badri Narayan from CMC's Art collection.
- Quote from 'The Road Not Taken' by Robert Frost.

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BOARD OF DIRECTORS

Chairman & Managing Director

Shri S S Ghosh

Directors

Shri J S Maini

Dr A K Chakravarti

Dr K R S Murthy

Shri H C Gandhi

Prof Pankaj Jalote

Shri Roopen Roy

Dr P Dasgupta
(w.e.f. 18/02/2000)

Shri P K De
(w.e.f. 19/04/2000)

Sr Manager – Finance & Company Secretary
Shri Rajesh Kumar Rana

Head – Corporate Finance & Accounts
Shri R M Srivastava

Registered Office
CMC Centre
Old Mumbai Highway
Gachibowli
Hyderabad-500019 (A.P.)

Corporate Office
1, Ring Road
Kilokri
Opp. Maharani Bagh
New Delhi-110014

Executive Directors

Shri S Kapoor (Systems Integration)

Shri A Karnad (Customer Services)

Smt Saroj Vinayek (Vigilance)

Shri S.K. Sehgal (Planning, Personnel & HRD)

Auditors
M/s Gupta & Gupta
Chartered Accountants
4-8, Asaf Ali Road
New Delhi-110002

Bankers
Canara Bank
State Bank of Bikaner & Jaipur

Registrars & Share Transfer Agents
M/s MCS Limited
Sri Venkatesh Bhavan
212-A, Shahpurjat
New Delhi-110049

Listing
The Hyderabad Stock Exchange Ltd.

Chennai Stock Exchange Ltd.

The Stock Exchange, Mumbai

The Delhi Stock Exchange Association Ltd.

National Stock Exchange of India Ltd.

The Calcutta Stock Exchange Association Ltd.

Depositories
National Securities Depositories Ltd.

Central Depository Services (India) Ltd.

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NOTICE

SUBJECT: 24th ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the Shareholders of CMC Limited will be held on September 28, 2000, at 2.30 P.M. at Registered Office, CMC Centre, Old Mumbai Highway, Gachibowli, Hyderabad-500019 to transact the following:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as on March 31, 2000 and Profit & Loss Account for the year ended March 31, 2000 alongwith the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri H C Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Prof Pankaj Jalote, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Roopen Roy, who retires by rotation and being eligible, offers himself for reappointment.
5. To declare dividend.

SPECIAL BUSINESS:

6. **To consider and if thought fit to pass with or without modification(s), the following Resolution as a Special Resolution:**

   "RESOLVED that pursuant to Section-17 and other applicable provisions, if any, of the Companies Act, 1956, Clause-III(A) of the Object Clause of the Memorandum of Association of the Company detailing the main objects for which the Company is established, be amended by inserting new sub-clauses as under:

   (22) To promote, develop, organise, set-up, maintain, coordinate, support, assist, run, carryout, take/give licence, operate and establish either on its own or through various agencies, centres and facilities, both in India and abroad, providing education and training in all aspects of information technology, computers, data processing machines, networking, computer and allied equipment maintenance and all such other aspects of electronic data processing, etc.

   (23) To promote, develop, assist, support, enter into contracts, agreements, arrangements, business deals, maintain, provide consultancy services, fabricate, manufacture and produce, install and establish, carryout, acquire, purchase, hire, let-out, run and operate, both in India and abroad, for the Company and other customers and clients, various facilities for and carryout analysis, design, development, integration, enhancement, modification, testing and maintenance etc., in the entire field of computer software & systems and systems.

   (24) To promote, install, set-up, construct, acquire, purchase, hire, let-out, maintain, run, manufacture, operate and establish in India and/or elsewhere, either on its own or through joint ventures, LAN/WAN, Network machinery and equipment dealing with receipt, storage and transfer of multimedia, like data, graphics, audio and video, establish Internet and data centre facilities, services and applications and operate, hire, set-up, construct, acquire, maintain, run, take and give licence to provide, receive, install, obtain, establish and act as Internet Service Provider, provide network security solutions, extranet application service and promote, operate, establish, let-out, hire, set-up and install and maintain various services, machinery and equipment etc., for providing facilities for electronic commerce/electronic governance and electronic data/document transfer and carryout all such related activities and services that may be necessary, ancillary and incidental thereto and/or can conveniently be carried out."

7. **To consider and if thought fit to pass with or without modification(s), the following Resolution as a Special Resolution:**

   "RESOLVED that pursuant to Section-31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of Company be amended as under substituting:

   (i) the word "Two" appearing in Article-58 by the word "Five";

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(ii) the words "Rs.5 crores" appearing in Article-83 by the words "the limits as prescribed by the Government Guidelines from time to time"; and

(iii) the ending proviso to Article-83(v) by proviso "Provided that no person who has already attained the age of 60 years shall be appointed to any permanent post in the Company."

BY ORDER OF THE BOARD
For CMC LIMITED

Place : New Delhi
Date : July 27, 2000

Rajesh Kumar Rana
Sr. Manager - Finance
& Company Secretary

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member. The Proxy Form must be deposited with the Company not later than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from September 14, 2000 to September 28, 2000 (both days inclusive).
3. The relative Explanatory Statement pursuant to provisions of Section-173(2) of the Companies Act, 1956 is annexed, hereto.

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to provisions of Section 173(2) of the Companies Act, 1956

Item No. 6:

The Company primarily carries on its business through five vertically divided Strategic Business Units, namely, Customer Services, Systems Integration, International, Indonet and Education & Training. Each Strategic Business Unit works as an independent profit centre with both the revenue and expenses recorded separately for each Strategic Unit.

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Although the Object clause of the Memorandum implicitly cover all the activities currently being undertaken by the Company, a need was felt to explicitly include in the Object clause of the Memorandum of Association the current business of the Strategic Business Units of the Company relating to Education & Training, Software Integration and INDONET.

Accordingly, the Company is approaching the Members and the Resolution is commended for their approval.

None of the Directors is considered to be interested in the Resolution.

Item No. 7:

The existing Article-58 of the Articles of Association of the Company provides that two Members present in person, one of whom shall be a representative of the President, shall be quorum for a general meeting. However, this provision is not in conformity with the provisions of Section-174 of the Companies Act, 1956, which provides that unless the Articles of the Company prescribe a larger number, five members personally present, in case of Public Company, shall be the quorum for a meeting of the Company.

Furthermore, Article 83(ii) of the Articles of Association of the Company imposes a restriction on the powers of the Board of Directors providing that while undertaking works of capital nature and acquiring capital assets of an immovable nature, all cases involving a capital expenditure exceeding Rs.5 crores shall be referred to the President for his approval before authorisation. However, with a view to give greater autonomy to the Public Sector Enterprises,

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the Government of India vide their OM No. DPE/16/22/90-Fin dated 6th May, 1997 of the Department of Public Enterprises, Ministry of Industry, revised the powers delegated to the Boards of Public Sector Enterprises to sanction capital outlay in their Enterprises without prior Government approval subject to certain conditions based on Gross Block of Assets, which will keep on changing from time to time.

Also, Article-83(v) of the Articles of Association of the Company imposes a restriction on the Powers of the Board of Directors to not appoint persons who have attained the age of 58 years with an upper salary limit of Rs.2,500, whether they be from the Public or Private Sector, without the prior approval of the President. Consequent to the Notification No. 18(6)98-GM-GL-002 dated 19th May, 1998 of the Department of Public Enterprises, Ministry of Industry, Government of India, the Board of Directors of the Company raised the retirement age of all below Board level employees from 58 years to 60 years. Furthermore, vide Notification of even number dated 30th May, 1998, the Department of Public Enterprises has further advised enhancing the age of retirement for Board level appointees in the Central PSEs. The Department of Electronics, Government of India, vide their letter No.4(16).98-psu dated 14th December, 1998 has also advised that these directions be incorporated by way of amendment in the Articles of Association of the Company. Similarly, there have been several Pay Revisions since then. The corresponding upper salary limit to Rs.2,500 would be Rs.20,500 as per the revised Pay scales effective 1st January, 1997.

The proposed amendments to Articles-58, 83(ii) and 83(v) are, therefore, commended for approval of the Members.

None of the Directors, except with regard to enhancement of retirement age of Board level appointees, is considered to be interested in the Resolution.

INSPECTION:

A copy of the Memorandum and Articles of Association of the Company incorporating the proposed amendments will be open to inspection at the Registered Office of the Company at CMC Centre, Old Mumbai Highway, Gachibowli, Hyderabad-500019 on all working days, Mondays to Fridays, between 11.00 a.m. to 1.00 p.m.

BY ORDER OF THE BOARD
For CMC LIMITED

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Place : New Delhi
Date : July 27, 2000

Rajesh Kumar Rana
Sr. Manager - Finance
& Company Secretary

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DIRECTORS' REPORT 1999-2000

Shri S.S. Ghosh
Chairman & Managing Director

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To
The Shareholders
CMC Limited

Your Directors have great pleasure in presenting to you the 24th Annual Report of the Company for the financial year ended March 31, 2000 alongwith the Audited Statement of Accounts, Auditors' Report and the Review of Accounts by the Comptroller and Auditor General of India u/s 619(4) of the Companies Act, 1956.

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FINANCIAL HIGHLIGHTS

(Rs. Lakhs)

	1999-2000	1998-1999
Revenue	**46874**	34617
Expenditure	**41048**	31234
Profit/(Loss) before tax	**5826**	3383
Less: Prior period adjustments	**(95)**	(167)
	5921	3550
Less:		
i) Obsolescence	**91**	52
ii) Salary arrears	**2500**	1900
iii) Bad/doubtful debts	**100**	73
iv) Non-moving inventory, w.i.p., peripherals, F.A.	**60**	82
v) Provision for leave encashment	**—**	187
vi) Provision for productivity linked incentive	**1100**	—
Profit before tax	**2070**	1256
Provision for taxation	**800**	525
Dividend tax	**67**	15
Profit after tax	**1203**	716
Less: Proposed dividend	**303**	152
	900	564
Add: Profit/(loss) brought forward from previous year	**2162**	1598
Balance of profit taken to Balance Sheet	**3062**	2162

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The total revenue for the year 1999-2000 under review is Rs.46874 lakhs as compared to previous year's Rs.34617 lakhs, an increase of 35.41%. The operational revenue increased from Rs.33888 lakhs to Rs.45706 lakhs representing an increase of over 34.9%. After accounting for obsolescence of stores & spares, write off/provision for doubtful debts, write-off of non-moving of PCs/WIP/Peripherals, fixed assets, salary revision, productivity linked incentive aggregating to Rs.3851 lakhs, profit for the year before provision for tax stood at Rs.2070 lakhs.

After providing for tax of Rs.800 lakhs, profit for the year (before dividend) stands at Rs.1270 lakhs.

There has also been improvement on different parameters in 1999-2000 over that of in 1998-1999 and some of them are given below.

	1999-2000	1998-1999
Value addition to person power	**9.53**	7.08
PBIT/Capital employed (%)	**25.02**	19.55
Earning Per Share	**Rs. 7.94 (As on 31/3/2000)**	Rs. 4.73 (As on 31/3/1999)

DIVIDEND

Your Directors recommend for your consideration payment of dividend at 20% of paid-up equity share capital for the year ended March 31, 2000.

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STRATEGIC BUSINESS UNITS (SBUs) PERFORMANCE:

Your Company's Strategic Business Units continue to grow. Unit-wise achievements are given below:

CUSTOMER SERVICES:

Inauguration of Indian Customs EDI System by the Customs Commissioner Shri KP Sreedhara Raman at the Thiruvananthapuram Air Cargo Complex.

CS Strategic Business Unit (SBU) of your Company crossed the Rs.250 crores mark and achieved an impressive revenue growth of 41% over the previous financial year surpassing all targets. The value addition was Rs.8986 lakhs out of a revenue figure of Rs.25448 lakhs.

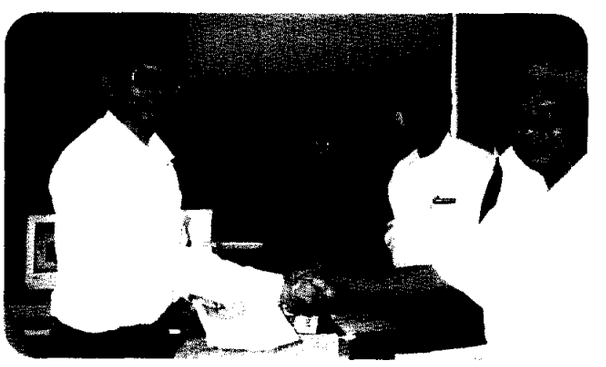
This SBU has geared itself to meet the new challenges of the millennium with rapid technological advancement in IT area with special emphasis on capability build-up for services in the area of E-Governance. As the largest third party service provider, this SBU delivers business value to its domestic/international customers in the areas of hardware/software support services, network design/implementation services, facilities management and turnkey project implementation involving H/W and N/W design & integration, supply, installation with life cycle support to these systems. Customer Services SBU also offers value added services in the areas of system performance management, capacity planning and in environmental engineering areas optimising resources related to computer installations setup.

This SBU has signed MoUs with large organisations like IOC, ITI, ONGC, Railways, DRDO, SAIL, etc. to take care of their IT needs on a turnkey basis. In order to offer diverse, customised solutions to corporate customers in cost effective manner, this SBU has signed various support/reseller agreements and system integrators agreements with International manufacturers like Compaq, Hewlett Packard, IBM, Sun Microsystems, Cisco, Cabletron, Stratus, Nordx-CDT, StorageTek, Computer Associates, Acer, Ramco Systems, etc.

This year also your Company retained No.1 position in Third Party Maintenance (TPM) market of the country. Several major orders have been received from customers like National Stock Exchange, Calcutta Stock Exchange, Central Railways, ONGC, ADA, OTCEI, IIRS, etc. Widespread geographical reach to provide the best support to the remotest locations is one of the key success factor in maintaining leadership in this service segment.

In environmental engineering services, major projects were completed at ONGC-Jorhat and multiple locations across the country for Customs' EDI Centres and Airport Authority of India.

With a major focus on networking projects and networking support services, your Company has completed a number of large projects and projects of national importance in this year. Some of them are:



Shri Suresh Chanda, MD of AP Technology Services Ltd. signs the MoU with CMC Ltd. for Maintenance and Facilities Management for Andhra Pradesh Secretariat.

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