

CMC Limited
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A **TATA** Enterprise



CMC Limited
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28th Annual Report
2003 - 2004

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This annual report can be
accessed at www.cmcltd.com

Annual General Meeting on
Monday, August 30, 2004 at
2.30 p.m. at Bhartiya Vidya Bhavan
Auditorium, BVB Hyderabad Kendra
No. 5-9-1105, Basheerbagh-King Koti
Road, Hyderabad-500 029

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr S Ramadorai

Managing Director & CEO

Mr R Ramanan

Directors

Mr Ishaat Hussain

Dr KRS Murthy

Mr Surendra Singh

Mr C B Bhav

Mr Shardul Shroff

Company Secretary

Mr Vivek Agarwal

Auditors

M/s S.B. Billimoria & Co.

Registered Office

CMC Centre

Old Mumbai Highway

Gachibowli

Hyderabad-500019 (A.P.)

Corporate Office

PTI Building, 5th Floor

4, Sansad Marg

New Delhi-110001

Principal Bankers

Canara Bank

State Bank of Bikaner & Jaipur

ICICI Bank

Audit Committee

Dr KRS Murthy

Mr Surendra Singh

Mr C B Bhav

Share Transfer-cum-Shareholders

Grievance Committee

Mr Surendra Singh

Mr R Ramanan

Mr Shardul Shroff

Mr Vivek Agarwal

Remuneration Committee

Dr KRS Murthy

Mr S Ramadorai

Mr C B Bhav

Ethics and Compliance Committee

Mr Surendra Singh

Mr R Ramanan

Mr Shardul Shroff

Mr Vivek Agarwal

Registrars & Share Transfer Agents

M/s MCS Limited

Sri Venkatesh Bhavan

W-40, Okhla Industrial Area, Phase II

New Delhi-110020

Stock Exchanges where Company's Securities are listed

Madras Stock Exchange Ltd.

The Stock Exchange, Mumbai

National Stock Exchange of India Ltd.

The Calcutta Stock Exchange Assn. Ltd.

NOTICE

Notice is hereby given that the 28th Annual General Meeting of the Members of CMC Limited will be held on Monday, August 30, 2004 at 2.30 P.M. at the Bhartiya Vidya Bhavan Auditorium, BVB Hyderabad Kendra No. 5-9-1105 Basheerbagh-King Koti Road, Hyderabad –500 029, A.P. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2004 and the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr Surendra Singh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr C B Bhave, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED that in accordance with Section 198, 269, 309, 310 Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment or modification thereof, the Company hereby approves the appointment and terms of remuneration of Mr R Ramanan as Managing Director & CEO of the Company, with effect from 13th December, 2003 for a period of three years on the terms and conditions as set out in the Explanatory Statement and entered into an Agreement between Mr. R. Ramanan and the Company with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Company and Mr. R. Ramanan."

"Further Resolved that the Board of Directors of the Company be and is hereby authorized to vary, alter, increase or enhance from time to time terms and conditions of appointment of Mr. R. Ramanan subject to the limit laid down under the applicable provisions of the Companies Act, 1956 and subject to the requisite approvals, if any, being obtained.

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 regulations contained in the draft Articles of Association of the Company submitted to this meeting and for the purpose of identification initialed by the Chairman be and are hereby approved and adopted as the new Articles of Association of the Company in substitution for and to exclusion of all the existing Articles thereof."

**BY ORDER OF THE BOARD
For CMC LIMITED**

**Mumbai
July 17, 2004**

**VIVEK AGARWAL
COMPANY SECRETARY**

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Notes:

1. **A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote at the meeting instead of himself and the proxy need not be a Member of the Company. The Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.**
2. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 setting out the material facts in respect of the business under item nos. 6 & 7 and the relevant details of item nos. 3 & 4 above pursuant to Clause 49 of the listing agreement are annexed hereto.
3. Members who hold shares in dematerialised form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
4. For the convenience of the members, attendance slip is enclosed elsewhere in the Annual Report. Members/Proxy Holders/ Authorised Representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue. Proxy/Authorised Representatives of a member should state on the attendance slip as 'Proxy' or 'Authorised Representative as the case may be.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday August 26, 2004 to Monday, August 30, 2004 (both days inclusive).
6. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after August 30, 2004 (i) to those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before August 25, 2004; (ii) in respect of shares held in electronic form to those 'deemed' members whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on August 25, 2004.
7. In accordance with SEBI's directions vide their Circular No. DCC/FITT/Cir-3/2001 dated October 15, 2001, arrangements have been made to credit your dividend amount directly to your bank account through the Electronic Clearing Service (ECS).

In case you hold shares in physical form please furnish your bank details in the ECS Mandate Form enclosed separately together with a xerox copy of your cheque leaf and return to our Registrars, MCS Limited on or before August 21, 2004. The said details in respect of the shares held in electronic form should be sent to your respective Depository Participant and not to the Registrar as the Registrar is obliged to use only the data provided by the Depository while making payment of dividend.
8. Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, dividends which remain unclaimed for a period of 7 years from the date of transfer of the same to the company's unpaid dividend account will be transferred to the Investor Education and Protection Fund established by the Central Government. Shareholders who have not encashed their dividend warrant(s) so far are requested to make their claim to the Registrar & Share Transfer Agents of the Company. The Company has been periodically reminding the shareholders concerned to claim their dividend from the Company.
9. Pursuant to Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them. Shareholders desirous of making nominations are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the Registrar & Share Transfer Agents of the Company.
10. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

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

Item No. 6:

Mr R Ramanan, age 45 years, has a Bachelor of Technology in Electrical Engineering from IIT, Mumbai with more than 21 years of rich working experience in Tata Consultancy Services (TCS). He held several key positions in TCS. Starting his career as a Software Engineer in TCS in July 1981, he has been a Project Leader, a Group Leader and an Overseas Regional Manager representing TCS in the USA. He is also Chairman of CMC Americas Inc. He joined CMC as Dy. Managing Director & COO on October 16, 2001 and elevated to the post of Managing Director & CEO on December 13, 2003 on superannuation of Mr S S Ghosh.

The Board of Directors passed a resolution on December 13, 2003 regarding elevation of Mr R Ramanan as Managing Director & CEO of the Company for a period of three years at a remuneration and upon the terms and conditions as set out in the agreement (Agreement) entered into by the Company with Mr R Ramanan (Mr Ramanan), the material terms of which are as under:

1. Period:

From December 13, 2003 to December 12, 2006

2. Remuneration:

Basic Salary : Rs. 38040 per month with such revision as the Board may approve from time to time.

Perquisites:

Furnished accommodation, electricity, water, gas and soft furnishings, medical reimbursements and leave travel concessions for self and family, profit linked incentive, club fees, medical insurance, personal accident insurance, leave encashment, benefits of Provident Fund and Gratuity Fund, car and telephone etc. in accordance with the rules of the Company.

In case no accommodation is provided to Mr Ramanan, he will be paid House Rent Allowance as per rules of the Company.

Provided that the total remuneration payable to him by way of salary and perquisites shall not exceed 5% of the net profits of the Company calculated in accordance with Section 198 and 309 of the Companies Act, 1956 (the Act).

3. The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to Managing and Whole-Time Directors in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.
4. Mr Ramanan shall, subject to the supervision and control of the Board of Directors, carry out such duties as may be entrusted to him.
5. The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' remuneration in lieu thereof.
6. If at any time Mr Ramanan ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director. If at any time Mr Ramanan ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
7. Mr Ramanan is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Act.
8. Mr Ramanan shall not be entitled to supplement his earnings with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/ or minor children in any selling agency of the Company without the prior approval of the Central Government.

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9. That Mr Ramanan shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committees thereof.
10. Mr Ramanan shall not have the following powers:
 - The power to make calls on shareholders in respect of monies unpaid on shares in the Company.
 - The power to issue debentures and
 - The power to invest the funds of the Company in shares, stocks and securities.

The Resolution set out in item 6 of the convening notice has to be considered accordingly and the Board recommends the same.

The Agreement made between the Company on the one part and Mr R. Ramanan on the other part, is available for inspection by the Members of the Company at its Registered Office during usual business hours on any working day upto the date of this Meeting.

None of the Directors of the Company except Mr R Ramanan is concerned or interested in the said Resolution.

Item No. 7:

At present, the Articles of Association of the Company consists of several restrictive Clauses, which have become redundant due to sale of balance holding of Company's shares by the Government of India to the general public.

Accordingly, the Board of Directors at its 144th Meeting held on April 26, 2004 has recommended to approve and adopt a new set of Articles of Association of the Company.

Section 31 of the Companies Act, 1956 requires approval of Members of the Company by way of a Special Resolution for any such changes. Hence the present Resolution.

A set of the new Articles of Association of the Company is available for inspection by the Members at the Registered Office of the Company during usual working hours on all working days upto the date of this Meeting.

None of the Directors is interested or concerned in the said Resolution.

**BY ORDER OF THE BOARD
For CMC LIMITED**

**Mumbai
July 17, 2004**

**VIVEK AGARWAL
COMPANY SECRETARY**

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT
(In Pursuance of Clause 49 of the Listing Agreement)

Name	Mr Surendra Singh	Mr C B Bhawe
Date of Birth	21.07.1937	28.08.1950
Date of Appointment	16.10.2001	16.10.2001
Qualifications	Retd. I.A.S. Officer	B.E. (Electrical)
Expertise in specific functional areas	Business and Finance Management	Business and Finance Management
Directorships in other Companies	1. UTI Bank Limited 2. NIIT Limited 3. Jubilant Organosys Limited 4. BAG Films Limited 5. Andhra Pradesh Paper Mills Limited	1. National Securities Depository Limited, Mg. Director 2. Tata Telecom Limited
Chairman/Member of Committees of the Board of Companies of which he is a Director	CMC Limited Share Transfer-cum-Shareholders Grievance Committee – Chairman, Audit Committee NIIT Limited Audit Committee, Shareholders Grievance Committee – Chairman UTI Bank Limited Remuneration Committee – Chairman, Shareholders Grievance Committee – Chairman	CMC Limited Audit Committee, Remuneration Committee Tata Telecom Limited Audit Committee

BY ORDER OF THE BOARD
For CMC LIMITED

Mumbai
July 17, 2004

VIVEK AGARWAL
COMPANY SECRETARY

DIRECTORS' REPORT

TO THE MEMBERS OF CMC LIMITED

Your Directors have pleasure in presenting the Twenty-eighth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

(Rs. in Crores)

Particulars	2003-04	2002-03
Income from Sales and Services	747.07	607.99
Other Income	16.60	6.74
Total Income	763.67	614.73
Operating Expenses	685.65	548.58
Profit before Depreciation, Interest and Tax	78.02	66.15
Depreciation	8.75	8.05
Interest	3.56	1.44
Profit before Tax	65.71	56.66
Provision for Taxation (incl. deferred Income Tax)	17.72	19.61
Profit after Tax	47.99	37.05
Add: Profit brought forward from previous year	97.14	70.63
Amount available for appropriations	145.13	107.68
Appropriations		
Proposed Dividend	8.33	6.06
Tax on Proposed Dividend	1.07	0.78
Transfer to General Reserve	4.80	3.70
Balance carried to Balance Sheet	130.93	97.14
	145.13	107.68

1.1 Operating Results

The Company's total revenue for the year at Rs. 763.67 crores registered an increase of 24% over the previous year. The profit before tax at Rs. 65.71 crores registered an increase of 16% over the previous year. The profit after tax stood at Rs. 47.99 crores registering an increase of 30% over the previous year.

2. DIVIDEND

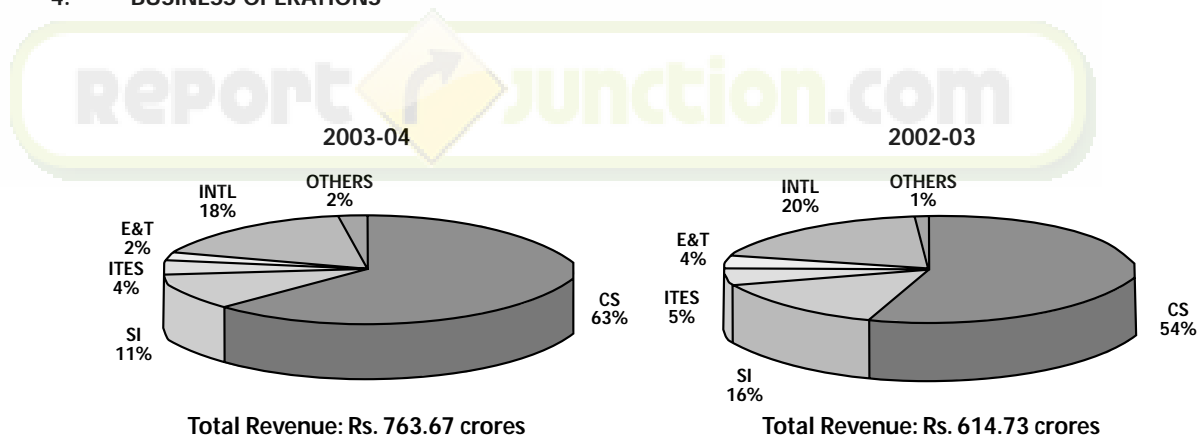
Your Directors recommend payment of dividend at 55% of paid-up equity share capital for the year ended March 31, 2004.

3. CHANGE IN SHAREHOLDING OF PROMOTERS

Under disinvestment programme, the Government of India has divested its remaining holding of 39,76,374 shares representing 26.25% of issued and paid-up equity capital of the Company by way of offer for sale to the general public through 100% book building process. The discovered price under the said process was Rs. 485 per share and retail investors had been offered shares at a discount of 5% over the discovered price, i.e. Rs. 460.75 per share. The offer got very good response and was over-subscribed 11 times. The shares were transferred on March 15, 2004. As a result, the Government has ceased to be a shareholder of the Company.

Further, on March 29, 2004, Tata Sons Limited transferred its entire shareholding of 51.12% to Tata Consultancy Services Limited, a subsidiary of Tata Sons Limited.

4. BUSINESS OPERATIONS



4.1 Domestic Operations:

4.1.1 Customer Services (CS)

Customer services SBU undertakes activities of IT Infrastructure development and management, network design, consultancy and management, storage management, security solutions, business continuity/disaster recovery, third party maintenance and equipment supply and integration.

The revenue of CS SBU from domestic operations increased by 41.7% to Rs. 476.32 crores during the year. The CS SBU has positioned the Company as a dominant provider of end-to-end solutions and services, encompassing comprehensive services of IT infrastructure design, implementation and life cycle support.