

CMC Limited

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32nd Annual Report
2007 - 2008

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Board of Directors



S Ramadorai



Ishaat Hussain



Kalpana Morparia



Dr KRS Murthy



R Ramanan



Shardul Shroff



Surendra Singh

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Annual General Meeting will be held on Tuesday, June 24, 2008 at Bhartiya Vidya Bhavan Auditorium, Basheerbagh, Hyderabad, at 3.30 p.m. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.

CORPORATE INFORMATION

Board of Directors

Mr S Ramadorai (Chairman)
Mr R Ramanan (Managing Director & CEO)
Mr Ishaat Hussain
Dr KRS Murthy
Mr Surendra Singh
Mr C B Bhavé (upto 14-02-08)
Mr Shardul Shroff
Ms Kalpana Morparia (from 11-03-08)

Management Team

Mr R Ramanan (Managing Director & CEO)
Mr J K Gupta (CFO)
Mr Prashant K Shukla, (COO)
Mr Vivek Agarwal (Company Secretary & Head – Legal)
Mr Prasad Rangnekar (Global Head, Emerging Technologies)
Mr Prabhat Mittra (Global Head, CS & ITES)
Mr Uday Bhohe (Global Head - SI)
Mr Saibal Ghosh (Global Head, E&T & National Sales Head)
Mr Dilip Madhav Pai, (CIO)
Mr S V Ramanan (Head HR & Corporate Communications)

Statutory Auditors

M/s S.B. Billimoria & Co.
Chartered Accountants

Secretarial Auditors

M/s Chandrasekaran Associates
Company Secretaries

Internal Auditors

M/s Ernst & Young Pvt. Ltd

Registered Office

CMC Centre
Old Mumbai Highway
Gachibowli, Hyderabad-500032
Tel. : 040-66578000 (10 lines)
Fax : 040-23000509

Corporate Office

PTI Building, 5th Floor
4, Sansad Marg
New Delhi-110001
Tel. : 011-23736151-8 (8 lines)
Fax : 011-23736159

Principal Bankers

Canara Bank
State Bank of Bikaner & Jaipur
ICICI Bank

Board Committees

Audit Committee

Dr KRS Murthy
Mr S Ramadorai
Mr Surendra Singh

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 Surendra Singh

Executive Committee

Mr S Ramadorai
Mr R Ramanan
Mr Ishaat Hussain
Dr KRS Murthy
Ms Kalpana Morparia

Nomination Committee

Mr Surendra Singh
Mr S Ramadorai
Mr R Ramanan
Mr Shardul Shroff

Ethics & Compliance Committee

Mr Surendra Singh
Mr R Ramanan
Mr Shardul Shroff
Mr Vivek Agarwal

Registrars & Share Transfer Agents

M/s Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No 1
Banjara Hills, Hyderabad - 500 034

Stock Exchanges where Company's Securities are listed

Bombay Stock Exchange Ltd.
National Stock Exchange of India Ltd.
The Calcutta Stock Exchange Ass. Ltd.

NOTICE

Notice is hereby given that the 32nd Annual General Meeting of the Members of CMC Limited will be held on Tuesday, June 24, 2008 at 3.30 P.M. at Bhartiya Vidya Bhavan Auditorium, BVB Hyderabad Kendra No. 5-9-1105 Basheerbagh-King Koti Road, Hyderabad – 500 029, Andhra Pradesh, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended on 31st March, 2008 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 Dr KRS Murthy, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Shardul Shroff, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider, and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors Messrs S.B. Billimoria & Co., Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2008-09, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors, plus service tax and reimbursement of out of pocket expenses at actuals.”

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT Ms Kalpana Morparia be and is hereby appointed as Director of the Company liable to retire by rotation.”

7. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) a sum not exceeding one per cent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing Director and the Whole-time Directors, if any) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year of the period of five years commencing 1st April, 2007.”

New Delhi
April 17, 2008

Registered Office:

CMC Centre
 Old Mumbai Highway, Gachibowli
 Hyderabad-500 032 (A.P.)

By order of the Board
For CMC Limited

VIVEK AGARWAL
Company Secretary & Head - Legal

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 details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges of person seeking appointment/re-appointment as Directors under item nos. 3,4 & 6 above, are annexed hereto.
3. The relative 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. 5, 6, & 7 is annexed hereto.
4. 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.

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5. 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.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, June 18, 2008 to Tuesday, June 24, 2008 (both days inclusive).
7. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after June 24, 2008 to (i) 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 June 17, 2008; (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on June 17, 2008.
8. 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, Karvy Computershare Private Limited on or before June 17, 2008. 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.
9. 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 (IEP Fund) established by the Central Government. The following are the details of the dividends paid by the Company and respective due dates for claiming by the Shareholders:

Dividend Year	Date of Declaration of dividend	Last date for claim
2000-01	28-09-2001	27-09-2008
2001-02	29-08-2002	28-08-2009
2002-03	31-07-2003	30-07-2010
2003-04	30-08-2004	29-08-2011
2004-05	17-06-2005	16-06-2012
2005-06	27-06-2006	26-06-2013
2006-07	25-06-2007	24-06-2014

Further the Company shall not be in a position to entertain the claims of the Shareholders for the unclaimed dividends which have been transferred to the credit of IEP Fund.

In view of the above, the Shareholders are advised to send all the un-encashed dividend warrants pertaining to the above years to our Registrar & Share Transfer Agents for revalidation and encash them before the due dates before it is transferred to the IEP Fund.

10. 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.
11. Members are requested to send their queries, if any, to the Company's Corporate Office at New Delhi at least ten days before the date of the meeting so that information can be made available at the meeting.
12. 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.

**By order of the Board
For CMC Limited**

**New Delhi
April 17, 2008**

**VIVEK AGARWAL
Company Secretary & Head - Legal**

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT AT THE ANNUAL GENERAL MEETING
(In Pursuance of Clause 49 of the Listing Agreement)**

Name	Dr KRS Murthy	Mr Shardul Shroff	Ms Kalpana Morparia
Date of Birth	22.03.1938	01.10.1955	30.05.1949
Date of Appointment	16.10.2001	16.10.2001	11.03.2008
Qualifications	<ul style="list-style-type: none"> • Doctorate in Business Administration from Harvard Business School, • Masters in Mgmt. from Sloan School, MIT. • Gold Medalist of Mysore University. 	<ul style="list-style-type: none"> • B.Com (Hons) from Sydenham College, Mumbai, • LL.B. from Government Law College, Mumbai, • Advocate on Record, Supreme Court. 	Bachelor in Science and Law from Bombay University.
Expertise in specific functional areas	Business Management	Legal, Project Finance, Mergers & Acquisitions, Insurance, Corporate Finance etc.	Restructuring, Merger and other Management activities
Directorships held in other Public Companies (excluding foreign companies)	National Stock Exchange – Public Representative Himatsingka Seide Ltd. Independent Director	Infrastructure Development Finance Co. Limited Apollo Tyres Limited NIIT Limited Ballarpur Industries Limited Ashok Leyland Limited Mysore Cements Limited	ICICI Prudential Life Insurance Co. Ltd. ICICI Lombard Gen. Insurance Co. Ltd. ICICI Prudential Asset Management Co. Ltd ICICI Securities Ltd. Dr Reddy's Laboratories Ltd. Bennett Coleman & Co. Ltd. (The Times of India Group)
Memberships/ Chairmanships of Committees of other Public Companies (includes only Audit Committee and Share Transfer cum Shareholders Grievance Committee)	Himatsingka Seide Ltd. Audit Committee	Infrastructure Development Finance Corporation Ltd. Audit Committee Apollo Tyres Limited Share Grievance Committee NIIT Limited Audit Committee Remuneration/Compensation Committee - Chairman	ICICI Lombard Gen. Insurance Co. Ltd. Board Governance Committee (Chairperson) Investment Committee ICICI Prudential Life Insurance Co. Ltd. Investment Committee (Chairperson) Governance Committee (Chairperson) ICICI Securities Ltd. Audit Committee ESOS Compensation Committee Dr Reddy's Laboratories Ltd. Audit Committee Compensation Committee Bennett Coleman & Co. Ltd. (The Times of India Group) Audit Committee

For CMC Limited

New Delhi
April 17, 2008

VIVEK AGARWAL
Company Secretary & Head - Legal

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**Item No. 5****Appointment of Statutory Auditors**

Presently the Company's accounts are being audited by Messrs S.B. Billimoria & Co., (SBB). SBB is an associate of Messrs Deloitte Haskins & Sells (DHS). SBB have informed the Company that they do not wish to seek re-appointment as statutory auditors of the Company for the financial year 2008-09.

In view of the above, and based on the recommendations of the Audit Committee, the Board of the Directors has, at its meeting held on April 17, 2008, proposed the appointment of DHS as the statutory auditors in place of SBB for the financial year 2008-09.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Companies Act, 1956 ("Act") signifying its intention to propose the appointment of DHS as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. DHS have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

The Members' approval is being sought for the appointment of DHS as the Statutory Auditors and to authorise the Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

The Board of Directors recommend their appointment and none of the Directors is interested in the Resolution.

Item No. 6**Appointment of Ms Kalpana Morparia as a Director**

Ms Kalpana Morparia was appointed as an Independent Director pursuant to Articles 82 & 85 of the Articles of Association of the Company by the Board of Directors at its meeting held on March 11, 2008.

As per provisions of said Articles and Section 260 of the Companies Act, 1956, Ms Kalpana Morparia holds office up to the date of this Annual General Meeting. The Company has received a notice along with the deposit of Rs. 500 from a Member signifying intention to propose the appointment of Ms Kalpana Morparia as Director of the Company liable to retirement by rotation.

The Board of Directors is of the opinion that it would be in the interest of the Company to avail of Ms Morparia's experience and her continuance will be of benefit to the Company.

The resolution is accordingly recommended for the approval of the Members.

None of the Directors except Ms Kalpana Morparia is concerned or interested in the Resolution.

Item No. 7**Commission to Non-Executive Directors**

Taking into account the responsibilities of the Directors, it is proposed that in terms of Section 309(4) of the Companies Act, 1956, the Directors (apart from the Managing Director and the Whole-time Directors, if any) be paid, for each of the five financial years of the Company commencing 1st April, 2007, remuneration not exceeding one per cent per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956. This remuneration will be distributed amongst all or some of the Directors in accordance with the directions given by the Board.

All the Directors of the Company except the Managing Director, are concerned or interested in the Resolution at item no. 7 of the Notice to the extent of the remuneration that may be received by them.

**By order of the Board
For CMC Limited**

**New Delhi
April 17, 2008**

**VIVEK AGARWAL
Company Secretary & Head - Legal**

DIRECTORS' REPORT

TO THE MEMBERS OF CMC LIMITED

Your Directors have pleasure in presenting the 32nd Annual Report and the Audited Statement of Accounts for the year ended March 31, 2008.

1. FINANCIAL RESULTS

(Rs. in Crore)

Particulars	2007-08	2006-07
Income from Sales and Services	977.19	988.91
Other Income	11.90	5.49
Total Income	989.09	994.40
Operating Expenses	863.75	897.59
Profit before Depreciation, Interest and Tax	125.34	96.81
Depreciation	7.87	8.24
Interest	0.36	3.70
Profit before Tax	117.11	84.87
Provision for Taxation (incl. deferred Income Tax)	28.89	20.78
Profit after Tax	88.22	64.09
Add: Profit brought forward from previous year	210.62	167.11
Amount available for appropriations	298.84	231.20
Appropriations		
Proposed Dividend	16.67	12.12
Tax on Proposed Dividend	2.83	2.05
Transfer to General Reserve	8.82	6.41
Balance carried to Balance Sheet	270.52	210.62
	298.84	231.20

1.1 OPERATING RESULTS

During the year, your Company earned total revenue of Rs. 989.09 crore compared with Rs. 994.40 crore during the previous year, registering a marginal decline of 1% primarily due to a 3.6% reduction in sale of equipment. The income from Sales and Services is Rs. 977.19 crore as compared to Rs. 988.91 crore in the last year.

The profit before tax at Rs. 117.11 crore registered an increase of 38% over the previous year mainly on account of improvement in business mix towards more service business and International business accompanied by improvement in operating efficiencies. The Company made a provision of tax totaling to Rs. 28.89 crore, inclusive of Fringe Benefit Tax amounting to Rs. 1.47 crore. The Profit after Tax stood at Rs. 88.22 crore registering an increase of 38% over the previous year.

2. DIVIDEND

In view of the Company's performance, your Directors are pleased to recommend for approval, a dividend of 110% for the year ended March 31, 2008 (Rs. 11 per equity share) on the paid-up equity share capital.

3. TRANSFER TO RESERVES

The Company proposes to transfer Rs. 8.82 crore to the General Reserve out of amount available for appropriation, and an amount of Rs. 270.52 crore is proposed to be retained in the Profit and Loss Account.

4. BUSINESS OPERATIONS

The business operation of the Company is divided into four Strategic Business Units (SBUs):

4.1. Customer Services (CS)

The CS SBU undertakes activities related to IT infrastructure including infrastructure architecture, design and consulting services; turnkey system integration of large network and data center infrastructures including supply of associated equipment and software; on-site and remote facilities management of multi-location infrastructures for domestic and international clients.

The CS SBU earned revenue of Rs. 573.55 crore during the year compared to Rs. 579.04 crore earned during the previous year. The marginal drop in revenue is attributable to the company's strategy of defocusing from low margin equipment sale business.

Continued focus on Infrastructure Services enabled the CS SBU to win several large domestic service deals in facility management, nationwide application rollout and helpdesk services, nationwide petrol stations retail automation rollout, design and rollout of a nationwide vehicle tracking system for a large petroleum distribution company.

4.2 Systems Integration (SI)

The SI SBU undertakes the activities of solution deployment that includes embedded systems, software development, software maintenance and support, turnkey project implementation and systems consultancy. The SI SBU earned revenue of Rs. 297.84 crore during the current year compared to Rs. 297.25 crore earned in the previous year.

In the domestic market the SI SBU continues to be a strong player in general insurance sector, defense, games management and e-Governance space. During the year the SBU extended its reach in the insurance sector by bagging two more orders from private sector insurance companies in India. The SI SBU also built capabilities and offerings in the new vertical of construction industry/township management during the year. In the global market, SI SBU continues to be strong in shipping, transportation and embedded systems.