

CMC Limited

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**33<sup>rd</sup> Annual Report**  
2008 - 2009

A **TATA** Enterprise

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## Board of Directors



L-R: Mr Ishaat Hussain, Dr KRS Murthy, Mr Surendra Singh, Mr S Ramadorai, Ms Kalpana Morparia and Mr R Ramanan

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Annual General Meeting will be held on Friday, June 26, 2009 at Bhaskara Auditorium, B M Birla Science Centre, Adarsh Nagar, Hyderabad - 500063 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.

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## CORPORATE INFORMATION

### Board of Directors

Mr S Ramadorai (Chairman)  
Mr R Ramanan (Managing Director & CEO)  
Mr Ishaat Hussain  
Dr KRS Murthy  
Mr Surendra Singh  
Ms Kalpana Morparia  
Mr Shardul Shroff (upto 05-03-09)

### Board Committees

#### Audit Committee

Dr KRS Murthy  
Mr Surendra Singh  
Ms Kalpana Morparia

#### Shareholders/Investors Grievance Committee

Mr Surendra Singh  
Mr R Ramanan  
Dr KRS Murthy

#### Governance Committee

Dr KRS Murthy  
Mr S Ramadorai  
Mr Surendra Singh  
Ms Kalpana Morparia

#### Executive Committee

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

#### Ethics & Compliance Committee

Mr Surendra Singh  
Mr R Ramanan  
Mr Vivek Agarwal

#### 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 Avadhesh Dixit (Head - HR)

### Statutory Auditors

M/s Deloitte Haskins & Sells  
Chartered Accountants

### Secretarial Auditors

M/s Chandrasekaran Associates  
Company Secretaries

### Internal Auditors

M/s Ernst & Young Pvt. Ltd.

### Principal Bankers

Canara Bank  
State Bank of Bikaner & Jaipur  
ICICI Bank

### 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.

### 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

## NOTICE

Notice is hereby given that the 33<sup>rd</sup> Annual General Meeting of the Members of CMC Limited will be held on Friday, June 26, 2009 at 3.30 p.m. at Bhaskara Auditorium, B M Birla Science Centre, Adarsh Nagar, Hyderabad - 500063, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2009 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 S Ramadorai, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Ishaat Hussain, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and to fix their remuneration.

**Mumbai**  
**13 April, 2009**

#### 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**

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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 details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges of persons seeking re-appointment as Directors under item Nos. 3 and 4 above 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, June 18, 2009 to Friday, June 26, 2009 (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 June 26, 2009 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, 2009; (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, 2009.
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).

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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 (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:

Financial Year	Date of Declaration of dividend	Last date for claim
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
2007-08	24-06-2008	23-06-2015

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 Registrars & Share Transfer Agents for revalidation and encash them before the due dates for transfer to the IEP Fund.

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 Registrars & Share Transfer Agents of the Company.
10. 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.
11. 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**

**Mumbai  
13 April, 2009**

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

**DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING  
(Pursuant to Clause 49 of the Listing Agreement)**

Particulars	Mr S Ramadorai	Mr Ishaat Hussain
<b>Date of Birth</b>	06.10.1944	02.09.1947
<b>Date of Appointment</b>	16.10.2001	16.10.2001
<b>Qualifications</b>	B.Sc. (Physics) from Delhi University; B.E. (Electronics & Telecommunications) from IISC Bangalore; and M.Sc. (Computer) from University of California, USA	B.A. (Economics) Chartered Accountant, England & Wales
<b>Expertise in specific functional areas</b>	Wide experience in Information Technology Services	Business Management and Finance
<b>Chairmanships/ Directorships of other Companies (excluding foreign Companies and Section 25 Companies)</b>	Tata Industries Limited Tata Elxsi Limited Tata Technologies Limited - Chairman WTI Advanced Technologies Limited Hindustan Unilever Limited Piramal Healthcare Limited Tata Consultancy Services Limited - CEO & Mg. Director C- Edge Technologies Limited Tata Teleservices (Maharashtra) Limited Computational Research Laboratories Ltd. Tata Communications Limited	Tata Sons Limited Tata Steel Limited Titan Industries Limited Voltas Ltd. - Chairman Tata Teleservices Ltd. Tata Industries Ltd. Tata AIG General Insurance Co. Ltd. Tata AIG Life Insurance Co. Limited Tata Sky Limited - Chairman Tata Refractories Ltd. Bombay Stock Exchange Limited Tata Capital Ltd. The Bombay Burmah Trading Corporation Ltd. Tata Limited
<b>Chairmanships / Memberships of Committees of other Public companies (includes only Audit Committee and Shareholders/investors Grievance Committee)</b>	<b>Audit Committee</b> Tata Technologies Ltd. - Chairman Tata Elxsi Limited Hindustan Unilever Limited  <b>Shareholders / Investor Grievance Committee</b> Tata Consultancy Services Limited	<b>Audit Committee</b> TISCO Ltd. Tata Industries Ltd. - Chairman Titan Industries Limited Tata AIG General Insurance Co. Ltd. Tata Teleservices Ltd. - Chairman Tata AIG Life Insurance Co. Ltd. Tata Sky Ltd. Bombay Stock Exchange Ltd. - Chairman  <b>Shareholders / Investor Grievance Committee</b> TISCO Ltd. - Chairman
<b>Number of Shares held in the Company</b>	NIL	NIL

**For CMC Limited**

Mumbai  
13 April, 2009

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

## DIRECTORS' REPORT

### TO THE MEMBERS OF CMC LIMITED

Your Directors have pleasure in presenting the 33rd Annual Report and the Audited Statement of Accounts for the year ended March 31, 2009.

#### 1. FINANCIAL RESULTS

(Rs. in Crore)

Particulars	2008-09	2007-08
Income from Sales and Services	820.45	977.19
Other Income	19.81	11.90
<b>Total Income</b>	<b>840.26</b>	989.09
Operating Expenses	701.42	863.75
Profit before Depreciation, Interest and Tax	138.84	125.34
Depreciation	9.29	7.87
Interest	1.88	0.36
<b>Profit before Tax</b>	<b>127.67</b>	117.11
Provision for Taxation (incl. deferred income tax)	22.10	28.89
<b>Profit after Tax</b>	<b>105.57</b>	88.22
Add: Profit brought forward from previous year	270.52	210.62
Amount available for appropriations	376.09	298.84
<b>Appropriations</b>		
Proposed Dividend	22.73	16.67
Tax on Proposed Dividend	3.86	2.83
Transfer to General Reserve	10.55	8.82
Balance carried forward to Balance Sheet	338.95	270.52
	<b>376.09</b>	298.84

#### 1.1 OPERATING RESULTS

During the year, your Company earned total revenue of Rs. 840.26 crore compared with Rs. 989.09 crore during the previous year, registering a decline of 15% primarily due to a 40% reduction in sale of low margin equipments. The income from Sales and Services is Rs. 820.45 crore as compared to Rs 977.19 crore earned in the last year.



The profit before tax at Rs. 127.67 crore registered an increase of 9% over the previous year mainly on account of improvement in business mix towards more service and international business accompanied by improvement in operating efficiencies. The Company made a provision of tax totalling to Rs. 22.10 crore, inclusive of Fringe Benefit Tax amounting to Rs. 1.62 crore. The Profit after Tax stood at Rs. 105.57 crore registering an increase of 20% over the previous year.

## **2. DIVIDEND**

In view of the improvement in profits of the Company, your Directors recommend for approval of the Members an enhanced dividend at 150% (Rs. 15.00 per equity share) of the paid-up equity share capital as at March 31, 2009.

## **3. TRANSFER TO RESERVES**

The Company proposes to transfer Rs. 10.55 crore to the General Reserve out of the amount available for appropriation, and an amount of Rs. 338.95 crore is proposed to be retained in 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 centre infrastructures including supply of associated equipment and software; on-site and remote facilities management of multi-location infrastructures of domestic and international clients.

The CS SBU earned a revenue of Rs. 383.44 crore during the year compared to Rs. 573.55 crore during the previous year. The drop in revenue is attributable to our strategy of defocusing from low margin equipment sale business.

Continued focus on Infrastructure Services enabled the CS SBU to get into deeper engagement with existing customers and win large domestic service deals in facility management, nationwide application rollout and helpdesk services.

### **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. 312.05 crore during the year compared with Rs. 297.84 crore earned in the previous year.

In the domestic market the SI SBU continues to be a strong player in general insurance sector, defence, securities, transport, games management and e-Governance space. During the year, the SBU won new orders with private insurance companies. CMC has strongly focussed on the private sector for new business and accordingly has steadily built ERP capabilities over the past few years. In the global market, SI SBU won significant new orders in the financial information services sector.

**4.3 IT enabled Services (ITeS)**

The ITeS SBU undertakes business process outsourcing services including total front-office/back-office outsourcing with specific business domain expertise and on-demand software services; office records digitization and document management; recruitment and examination results management; legacy data migration management; working as state-level agency for Election Commission. The ITeS SBU earned a revenue of Rs. 72.29 crore during the year compared to Rs. 64.99 crore in the previous year. The ITeS SBU extended its reach into additional verticals like media research, insurance, banking, legal, logistics, and publishing domains in the global market with its KPO offerings.

**4.4 Education & Training (E&T)**

The E&T SBU of the Company offers courses on information technology and allied areas including professional courses, career development courses etc.

The E&T SBU earned a revenue of Rs.44.47 crore compared to Rs.47.27 crore in the previous year. The revenue was lower as the companies reduced outsourcing of induction programmes owing to the downturn trend in international business scenario. E&T SBU continues to be a preferred vendor for a large number of IT and ITES companies both for induction programmes as well as refresher programmes.

**5. SPECIAL ECONOMIC ZONE**

The Company is setting up of an IT and ITeS Sector specific Special Economic Zone (SEZ), named Synergy Park at its Campus at Gachibowli, Hyderabad. The project is progressing well. Phase I of the project with seating capacity of around 2700 in three ODCs is now fully functional. The Company has spent Rs. 40.19 crore on this project till March 31, 2009.

**6. CREDIT RATING**

ICRA Limited has carried out a credit rating assessment of the Company both for short term and long term exposures, in compliance with BASEL II norms implemented by Reserve Bank of India for all banking facilities. ICRA has reaffirmed A1+ rating for short term debt instruments up to Rs. 100 crore and LAA rating for long term exposure (both fund based as well as non fund based) for a total amount of Rs. 250 crore. This will enable the Company to access banking services at low costs and reflects the improvement in margins, working capital management and cash flows of the Company.

**7. SUBSIDIARY COMPANY**

Your Company has a wholly owned subsidiary CMC Americas Inc. in USA. Copies of the Balance Sheet, Profit & Loss Account and Report of the Auditors of the Subsidiary Company have not been attached as per approval granted by the Ministry of Corporate Affairs, Government of India under Section 212(8) of the Companies Act, 1956. However, as per the terms of the exemption letter, a statement containing brief financial details of the Subsidiary Company for the year ended March 31, 2009 is included in the Annual Report. As required under the Listing Agreements with the Stock Exchanges, the Company has prepared the Consolidated Financial Statements of the Company and its Subsidiary as per Accounting Standard (AS)21 - "Consolidated Financial Statements" and form part of the Annual Report and Accounts.

The Annual Accounts of the Subsidiary Company and related detailed information will be made available to the Shareholders of the Company seeking such information. The Annual Accounts of the Subsidiary Company are also kept for inspection by investors at the Registered Office of your Company.