

CMC Limited

**34<sup>th</sup> Annual Report**  
2009 - 2010

A **TATA** Enterprise

## Board of Directors



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

## Management Team



L-R : Mr Avadhesh Dixit, Mr Vivek Agarwal, Mr J K Gupta, Mr R Ramanan and Mr Prashant K Shukla

# Contents

Corporate Information	2
Notice	3
Directors' Report	8
Management Discussion and Analysis	16
Corporate Governance Report	22
Certificate on Corporate Governance	33
Secretarial Audit Report	34
Auditors' Report	36
Balance Sheet	40
Profit and Loss Account	41
Cash Flow Statement	42
Schedules forming part of the Balance Sheet	43
Schedules forming part of the Profit and Loss Account	48
Notes on Balance Sheet & Profit and Loss Account	49
Balance Sheet Abstract and Company's General Business Profile	61
Statement under Section 212(8) of the Companies Act, 1956 related to Subsidiary Company	62
Auditors' Report on the Consolidated Financial Statements	63
Consolidated Balance Sheet	64
Consolidated Profit and Loss Account	65
Consolidated Cash Flow Statement	66
Schedules forming part of the Consolidated Balance Sheet	67
Schedules forming part of the Consolidated Profit and Loss Account	71
Notes to the Consolidated Financial Statements	73

Annual General Meeting will be held on Tuesday, June 29, 2010 at Bhaskara Auditorium, B M Birla Science Centre, Adarsh Nagar, Hyderabad - 500063 at 3 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)  
Dr KRS Murthy  
Mr Surendra Singh  
Ms Kalpana Morparia  
Mr S Mahalingam (w.e.f. 14-01-2010)  
Mr Ishaat Hussain (upto 03-01-2010)

### 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  
Mr S Mahalingam

#### Executive Committee

Mr S Ramadorai  
Mr R Ramanan  
Dr KRS Murthy  
Mr Surendra Singh  
Ms Kalpana Morparia  
Mr S Mahalingam

#### 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 (A.P.)

### 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-500 032 (A.P.)  
Tel. : 040-66578000 (10 lines)  
Fax : 040-23000509

### Corporate Office

PTI Building, 5th Floor  
4, Sansad Marg  
New Delhi-110 001  
Tel. : 011-23736151-8 (8 lines)  
Fax : 011-23736159

## NOTICE

Notice is hereby given that the 34th Annual General Meeting of the Members of CMC Limited will be held on Tuesday, June 29, 2010 at 3 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 31st March, 2010 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 Dr K R S Murthy, 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 the following resolution as an Ordinary Resolution:  
 "RESOLVED THAT Mr S Mahalingam be and is hereby appointed as Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
 "RESOLVED that pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), read with Schedule XIII of the Act, the Company hereby approves of the re-appointment and terms of remuneration of Mr R Ramanan, Managing Director & CEO of the Company from December 13, 2009 to April 30, 2013, upon the terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty to the Board to alter and vary the terms and conditions of the said re-appointment and remuneration in such manner as may be agreed to between the Board and Mr R Ramanan."  
 "RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

**Mumbai**  
**15 April, 2010**

#### 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 persons seeking appointment/re-appointment as Directors under item Nos. 3, 4, 6 & 7 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. 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.

## CMC Limited

### Thirty fourth annual report 2009 - 2010

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 sign 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 Tuesday, June 22, 2010 to Tuesday, June 29, 2010 (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 29, 2010 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 21, 2010; (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 21, 2010.
8. Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, dividends which remain unpaid/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
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
2008-09	26-06-2009	25-06-2016

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  
15 April, 2010**

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

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

Particulars	Mr Surendra Singh	Dr KRS Murthy	Mr S Mahalingam	Mr R Ramanan
<b>Date of Birth</b>	21.07.1937	22.03.1938	10.02.1948	09.10.1958
<b>Date of Appointment</b>	16.10.2001	16.10.2001	14.01.2010	16.10.2001
<b>Qualifications</b>	M.Sc., I.A.S. Officer	Doctorate in Business Administration from Harvard Business School, Masters in Mgmt. from Sloan School, MIT. Gold Medalist of Mysore University.	Chartered Accountant	B. Tech. (Electrical Engg.)
<b>Expertise in specific functional areas</b>	Business and Finance Management	Business Management	Finance Management	Business Management
<b>Chairmanships/ Directorships of other Companies (excluding foreign companies and Section 25 companies)</b>	NIIT Limited NIIT Technologies Limited Jubilant Organosys Limited NIIT Smart Serve Limited	National Stock Exchange of India Limited Himatsingka Seide Limited Brigade Enterprises Limited	Tata Consultancy Services Limited AP Online Limited WTI Advanced Technology Limited Tata Realty and Infrastructure Limited	Tata Business Support Services Limited
<b>Chairmanships / Memberships of committees of other Public companies (includes only Audit Committee and Shareholders/ Investors Grievance Committee)</b>	<b>Audit Committee</b> NIIT Limited NIIT Technologies Limited Jubilant Organosys Limited  <b>Shareholders / Investor Grievance Committee</b> NIIT Limited - Chairman Jubilant Organosys Limited	<b>Audit Committee</b> Himatsingka Seide Limited Brigade Enterprises Limited  <b>Shareholders / Investor Grievance Committee</b> Brigade Enterprises Limited	<b>Audit Committee</b> Tata Realty and Infrastructure Limited - Chairman	-
<b>Number of Shares held in the Company</b>	NIL	NIL	NIL	NIL

**For CMC Limited**

**Mumbai**  
**15 April, 2010**

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

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

**Item No. 6**

**Appointment of Mr S Mahalingam as a Director**

Mr S Mahalingam was appointed as an Additional Director pursuant to Articles 82 & 85 of the Articles of Association of the Company by the Board of Directors at its meeting held on January 14, 2010.

As per provisions of said Articles and Section 260 of the Companies Act, 1956, Mr S Mahalingam 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 Mr S Mahalingam 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 Mr Mahalingam's experience and his continuance will be of benefit to the Company.

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

None of the Directors except Mr S Mahalingam is concerned or interested in the Resolution.

**Item No. 7**

**Re-appointment of Mr R Ramanan as Managing Director & CEO**

The Board of Directors of the Company ("Board") has on December 09, 2009, re-appointed Mr R Ramanan, as Managing Director & Chief Executive Officer (MD & CEO) of the Company with effect from December 13, 2009 to April 30, 2013, subject to the approval of the Members.

Mr R Ramanan, aged 51 years, is a B.Tech. (Electrical Engg.) from IIT Mumbai with more than 28 years of rich working experience. He held several key positions in Tata Consultancy Services ("TCS"), starting his career as a Software Engineer in July 1981. He has been a Project Leader, a Group Leader and an Overseas Regional Manager representing TCS in USA. Mr R Ramanan was appointed as Dy. Managing Director & COO of the CMC Limited w.e.f. October 16, 2001. He was elevated to the post of MD & CEO w.e.f. December 13, 2003. He was re-appointed as MD & CEO w.e.f. December 13, 2006 for a period of 3 years on the recommendation of the Board and your approval.

On the recommendations of the Governance Committee, the Board, at its meeting held on December 09, 2009, approved the terms and conditions of his re-appointment, subject to the approval of the Members.

The main terms and conditions relating to the re-appointment of Mr R Ramanan as MD & CEO are as follows:

**A. Tenure of Appointment:**

The re-appointment of the MD & CEO is with effect from December 13, 2009 to April 30, 2013.

**B. Nature of Duties:**

The MD & CEO shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board, and exercise such powers as may be assigned to him, subject to the superintendence, control and directions of the Board in connection with and in the best interest of the Company and the business of its subsidiary, including performing duties as assigned by the Board from time to time, by serving on the Board of its subsidiary or any other executive body or Committee of such a Company.

**C. Remuneration:**

- (i) Basic Salary upto Rs. 3,50,000 per month. The annual increments which will be effective 1<sup>st</sup> April each year will be decided by the Board and merit based and takes into account the Company's performance. In addition to the basic salary payable, MD & CEO shall also be entitled to benefits, perquisites & allowances as determined by the Board from time to time and incentive remuneration and/or commission based on certain performance criteria to be prescribed by the Board.
- (ii) Minimum Remuneration: Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the MD & CEO, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, benefits, perquisites, allowances and incentive remuneration as specified above.



**D. Other terms of Appointment:**

- (i) The MD & CEO shall not become interested or otherwise concerned, directly or through his spouse and/or children, in any selling agency of the Company.
- (ii) The terms and conditions of appointment of the MD & CEO may be altered and varied from time to time by the Board as it may, in its discretion deems fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and the MD & CEO, subject to such approvals as may be required.
- (iii) The appointment may be terminated by either party by giving to the other party six months' notice of such termination or the Company paying six months' remuneration in lieu thereof.
- (iv) The employment of the MD & CEO may be terminated by the Company without notice for payment in lieu of notice:
  - (a) If the MD & CEO is found to be guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company of any subsidiary company to which he is required by the Agreement to render services; or
  - (b) In the event of any serious repeated or continuing breach (after prior warning) non-observance by the MD & CEO of any of the stipulations contained in the agreement to be executed between the Company and the MD & CEO; or
  - (c) In the event the Board expresses its loss of confidence in the MD & CEO.
- (v) In the event of MD & CEO is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate his contract on such terms as the Board may consider appropriate in the circumstances.
- (vi) Upon the termination by whatever means of the MD & CEO's appointment:
  - (a) The MD & CEO shall immediately tender his resignation as Director of the Company and from such other offices held by him in the Company, in subsidiary company without claim for compensation for loss of office.
  - (b) The MD & CEO shall not without the consent of the Company at any time thereafter represent himself as connected with the company or any of its subsidiary company.
- (vii) The MD & CEO is appointed as a Director by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 283(1)(l) of the Act. The MD & CEO will not be liable to retire by rotation.
- (viii) The terms and conditions of the appointment of the MD & CEO also include clauses pertaining to adherence with the Tata Code of Conduct, no conflict of interest with the Company and maintenance of confidentiality.
- (ix) If and when the Agreement expires or is terminated for any reason whatsoever, the MD & CEO will cease to be the Managing Director and Chief Executive Officer, and also cease to be a Director. If at any time, the MD & CEO ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the Managing Director & Chief Executive Officer, and the Agreement shall forthwith terminate. If at any time, the MD & CEO ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and Managing Director & Chief Executive Officer of the Company.

In compliance with the provisions of Section 309 read with Schedule XIII of the Act, terms of the remuneration specified above are now being placed before the Members in General Meeting for their approval.

Mr R Ramanan is concerned or interested in Item No. 7 of the Notice.

As required under Section 302 of the Companies Act, 1956 ("Act"), an abstract of the main terms and conditions of the re-appointment of Mr R Ramanan together with the memorandum of concern or interest has been sent to the Members earlier. The Resolution regarding the re-appointment and remuneration of the MD & CEO at Item No.7 is commended for acceptance by the Members.

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

**Mumbai  
15 April, 2010**

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

## DIRECTORS' REPORT

### TO THE MEMBERS OF CMC LIMITED

Your Directors have pleasure in presenting the 34th Annual Report and the Audited Statement of Accounts for the year ended March 31, 2010.

#### 1. FINANCIAL RESULTS

(Rs. in Crore)

Particulars	2009-10	2008-09
Income from Sales and Services	<b>690.01</b>	820.45
Other Income	<b>18.75</b>	19.81
<b>Total Income</b>	<b>708.76</b>	840.26
Operating Expenses	<b>549.46</b>	701.42
Profit before Depreciation, Interest and Tax	<b>159.30</b>	138.84
Depreciation	<b>9.82</b>	9.29
Interest	<b>2.65</b>	1.88
<b>Profit before Tax</b>	<b>146.83</b>	127.67
Provision for Taxation (incl. deferred income tax)	<b>17.25</b>	22.10
<b>Profit after Tax</b>	<b>129.58</b>	105.57
Add: Profit brought forward from previous year	<b>338.95</b>	270.52
Amount available for appropriations	<b>468.53</b>	376.09
<b>Appropriations</b>		
Proposed Dividend	<b>30.30</b>	22.73
Tax on Proposed Dividend	<b>5.15</b>	3.86
Transfer to General Reserve	<b>12.96</b>	10.55
Balance carried forward to Balance Sheet	<b>420.12</b>	338.95
	<b>468.53</b>	376.09

#### 1.1 OPERATING RESULTS

During the year, your Company earned total revenue of Rs. 708.76 crore compared with Rs. 840.26 crore during the previous year, registering a decline of 16% primarily due to reduction in sale of low margin equipments. The income from Sales and Services is Rs. 690.01 crore as compared to Rs. 820.45 crore earned in the last year.