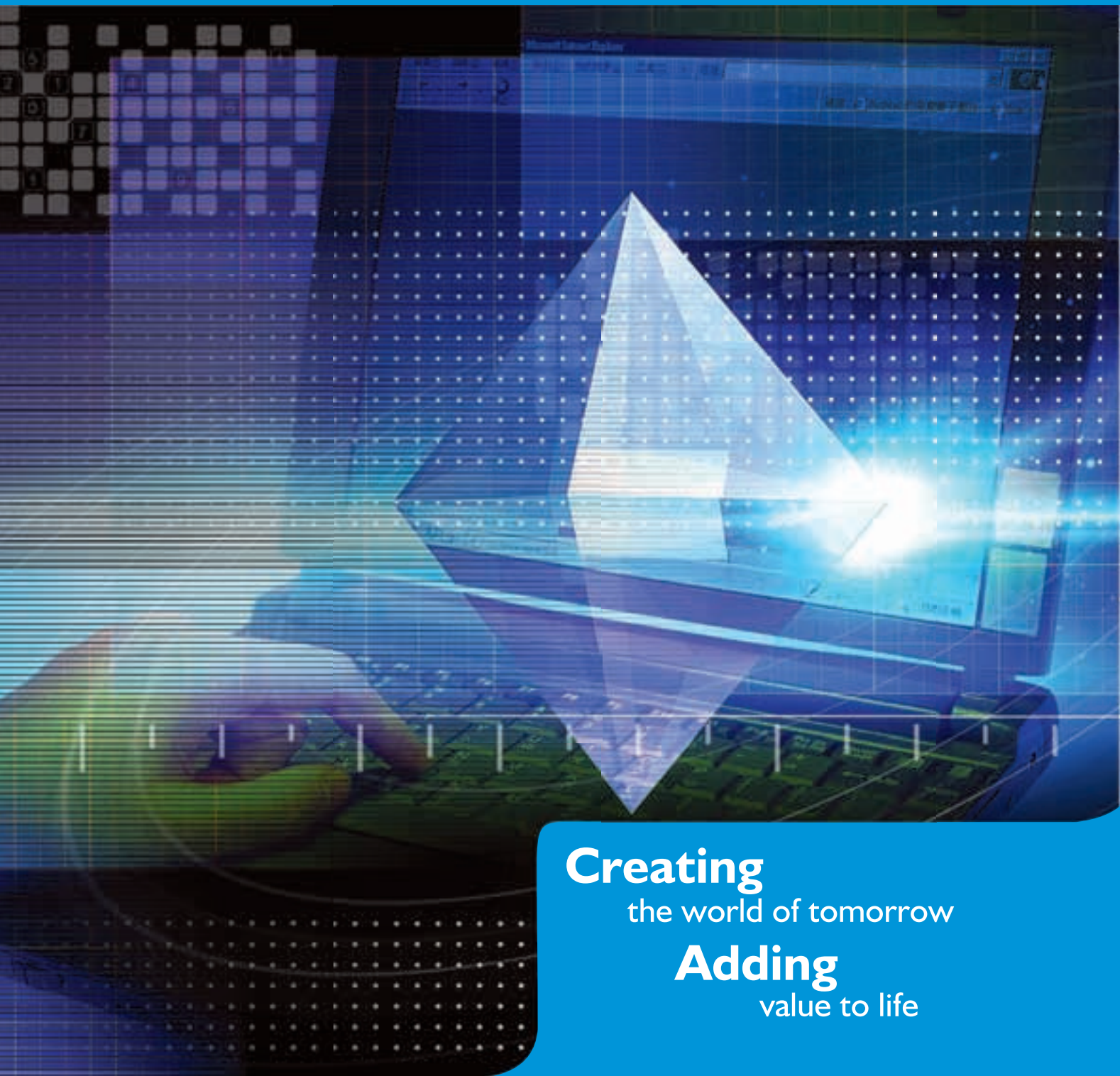


A **TATA** Enterprise

CMC Limited  
  
Your IT Partner



**Creating**  
the world of tomorrow  
**Adding**  
value to life

36th Annual Report  
2011 - 2012

## Board of Directors



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

## Management Team



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

# Contents

Corporate Information	2
Notice	3
Directors' Report	6
Management Discussion and Analysis	15
Corporate Governance Report	30
Certificate on Corporate Governance	46
Secretarial Audit Report	47
<b>Consolidated Financial Statements</b>	
Auditors' Report	49
Consolidated Balance Sheet	50
Consolidated Statement of Profit and Loss	51
Consolidated Cash Flow Statement	52
Notes on Consolidated Financial Statements	54
<b>Standalone Financial Statements</b>	
Auditors' Report	78
Standalone Balance Sheet	82
Standalone Statement of Profit and Loss	83
Standalone Cash Flow Statement	84
Notes on Standalone Financial Statements	86

Annual General Meeting will be held on Wednesday, June 27, 2012 at CMC's Auditorium at its Registered Office, CMC Centre, Old Mumbai Highway, Gachibowli, Hyderabad-500 032, Andhra Pradesh 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  
Mr Sudhakar Rao

### Board Committees

#### Audit Committee

Dr KRS Murthy  
Mr Surendra Singh  
Mr Sudhakar Rao

#### 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 Vivek Agarwal (Company Secretary)  
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  
Plot No. 17 to 24, Vittalrao Nagar  
Madhapur, Hyderabad - 500 081

### Stock Exchanges where Company's Securities are listed

Bombay Stock Exchange Limited (BSE)  
National Stock Exchange of India Limited (NSE)  
The Calcutta Stock Exchange Limited (CSE)

### Registered Office

CMC Centre  
Old Mumbai Highway  
Gachibowli, Hyderabad-500032  
Tel. : 91 40 6657 8000 (10 lines)  
Fax : 91 40 2300 0509

### Corporate Office

PTI Building, 5th Floor  
4, Sansad Marg  
New Delhi-110 001  
Tel. : 91 11 2373 6151-8 (8 lines)  
Fax : 91 11 2373 6159

## NOTICE

Notice is hereby given that the 36th Annual General Meeting of the Members of CMC Limited will be held on Wednesday, 27 June, 2012 at 3.00 p.m. at CMC's Auditorium, CMC Centre, Old Mumbai Highway, Gachibowli, Hyderabad-500 032, 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 31 March, 2012 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 for the financial year 2011-12 on equity shares.
3. To appoint a Director in place of Mr. S Mahalingam, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** Dr. KRS Murthy, a Director liable to retire by rotation, who does not seek re-election, be not re-appointed a Director of the Company."

**"RESOLVED FURTHER THAT** the vacancy, so created on the Board of Directors of the Company, be not filled."

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. Sudhakar Rao 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 1 April, 2012."

### 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/herself and the Proxy need not be a Member of the Company.** Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable.
2. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking re-appointment/appointment as Directors under Item Nos. 3 and 6 of the Notice, 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 Item nos. 6 and 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.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 21 June, 2012 to Wednesday, 27 June, 2012 (both days inclusive).
6. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 4 July, 2012 but before 26 July, 2012.

7. Members holding shares in electronic form are hereby informed that the bank particulars registered against their respective depository accounts will be used by the Company for the payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change in address, change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
8. Members holding shares in physical form are requested to advise any change of address, bank details etc. immediately to the Company's Registrar and Share Transfer Agents, M/s Karvy Computershare Private Limited (RTA).
9. 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 claim by the Shareholders:

Financial Year	Date of Declaration of dividend	Last date for claim
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
2009-10	29-06-2010	28-06-2017
2010-11	27-06-2011	26-06-2018

Further, the Company shall not be in a position to entertain the claims of 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 RTA for revalidation or issuance of Demand Draft in lieu thereof and encash them before 'the due dates for transfer to the IEP Fund'.

10. Members desiring any information as regards the Annual Report are requested to write to the Company's Corporate Office at New Delhi at least ten days before the date of the Annual General Meeting so that information can be made available at the meeting.
11. Members are requested to register their e-mail addresses through their Depository Participant where they are holding their Demat Accounts for sending the future communications by e-mail. Members holding the shares in physical form may register their e-mail addresses through the RTA, giving reference of their Folio Number.

By Order of the Board of Directors

New Delhi  
30 April, 2012

**VIVEK AGARWAL**  
Company Secretary

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

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

**Item No. 6**

**Appointment of Mr Sudhakar Rao as a Director**

Mr Sudhakar Rao was appointed as an Additional Director pursuant to Articles 82 and 85 of the Articles of Association of the Company by the Board of Directors at its meeting held on 11 July, 2011.

As per provisions of said Articles and Section 260 of the Companies Act, 1956, Mr Sudhakar Rao holds office up to the date of this Annual General Meeting. The Company has received a notice along with the deposit of ₹ 500 from a Member signifying intention to propose the appointment of Mr Sudhakar Rao 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 Sudhakar Rao'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 Sudhakar Rao is concerned or interested in the Resolution.

**Item No. 7**

**Commission to Non-Executive Directors**

As per the approval granted at the 32nd Annual General Meeting of the Company held on 24 June, 2008, Non-Executive Directors have been paid Commission maximum upto 1% of the net profit of the Company computed in accordance with the provisions of the Section 309(4) of the Companies Act, 1956. The said approval has expired on 31 March, 2012.

Taking into account the responsibilities of the Directors, it is proposed that the said commission be continued to be paid to the Non-Executive Directors other than Managing Director or Whole Time Director, if any, for each of the five financial years of the Company commencing 01 April, 2012 as per the recommendations of the Governance Committee and approval of the Board.

All the Directors of the Company except the Managing Director & CEO, 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 of Directors

New Delhi  
30 April, 2012

**VIVEK AGARWAL**  
Company Secretary

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

Particulars	Mr S Mahalingam	Mr Sudhakar Rao
<b>Date of Birth</b>	10.02.1948	03.09.1949
<b>Date of Appointment</b>	14.01.2010	11.07.2011
<b>Qualifications</b>	Chartered Accountant	Masters in Economics, I.A.S. Officer (Retd.)
<b>Expertise in specific functional areas</b>	Finance Management	Business and Finance Management
<b>Chairmanships/ Directorships of other Companies (excluding foreign companies and Section 25 companies)</b>	Tata Consultancy Services Limited AP Online Limited* WTI Advanced Technology Limited Tata Realty and Infrastructure Limited	Indian Oil Corporation Limited BSE Limited BSE Institute Limited L&T Infrastructure Development Projects Limited Binani Industries Limited
<b>Chairmanships / Memberships of other Public committees (includes only Audit Committee and Shareholders / Investors Grievance Committee)</b>	<b>Audit Committee</b> Tata Realty and Infrastructure Limited*	<b>Audit Committee</b> Indian Oil Corporation Limited BSE Limited BSE Institute Limited L&T Infrastructure Development Projects Ltd.
<b>Number of Shares held in the Company</b>	NIL	NIL

\* Chairman

# DIRECTORS' REPORT

## TO THE MEMBERS OF CMC LIMITED

Your Directors have pleasure in presenting the 36<sup>th</sup> Annual Report and the Audited Statement of Accounts for the year ended 31 March, 2012.

### 1. FINANCIAL RESULTS

(₹ in Crore)

Particulars	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Income from Sales and Services	<b>952.96</b>	794.21	<b>1466.96</b>	1080.53
Other operating revenues	<b>2.38</b>	3.87	<b>2.38</b>	3.87
Other Income	<b>44.39</b>	11.79	<b>17.46</b>	11.80
<b>Total Income</b>	<b>999.73</b>	809.87	<b>1486.80</b>	1096.20
Operating Expenses	<b>788.79</b>	625.74	<b>1245.01</b>	873.69
Profit before Depreciation, Interest and Tax	<b>210.94</b>	184.13	<b>241.79</b>	222.51
Depreciation and amortisation	<b>20.88</b>	10.09	<b>21.37</b>	10.46
Interest	<b>0.01</b>	0.01	<b>0.02</b>	0.22
<b>Profit before Tax</b>	<b>190.05</b>	174.03	<b>220.40</b>	211.83
Provision for Taxation (incl. deferred Income Tax)	<b>46.72</b>	18.30	<b>68.59</b>	32.42
<b>Profit After Tax</b>	<b>143.33</b>	155.73	<b>151.81</b>	179.41
Add: Profit brought forward from previous year	<b>525.07</b>	420.12	<b>582.07</b>	453.44
Amount available for appropriations	<b>668.40</b>	575.85	<b>733.88</b>	632.85
<b>Appropriations</b>				
Proposed Dividend	<b>37.88</b>	30.30	<b>37.88</b>	30.30
Tax on Proposed Dividend	<b>6.14</b>	4.91	<b>6.14</b>	4.91
Transfer to General Reserve	<b>14.33</b>	15.57	<b>14.33</b>	15.57
Balance carried to Balance Sheet	<b>610.05</b>	525.07	<b>675.53</b>	582.07
	<b>668.40</b>	575.85	<b>733.88</b>	632.85

### 2. DIVIDEND

Your Directors are pleased to recommend for approval of the Members a dividend of ₹ 12.50 per share on 3,03,00,000 Equity Shares of ₹ 10 each of the Company for the financial year 2011-12.

### 3. TRANSFER TO RESERVES

The Company proposes to transfer ₹ 14.33 crore to the General Reserve out of amount available for appropriation, and an amount of ₹ 610.05 crore is proposed to be retained in the Profit and Loss Account.



#### **4. OPERATING RESULTS & BUSINESS OPERATIONS**

Your Company built-up on the momentum of growth achieved in the previous year and delivered a robust growth of 36% in consolidated income from sales and services to ₹ 1466.96 crore in the year ending 31 March, 2012 compared to ₹ 1080.53 crore achieved in the previous year. The growth was broad based with both domestic and international geographies contributing to growth. The domestic business grew by 21% to ₹ 582.82 crore, while International business grew 48% to ₹ 884.14 crore. The wholly owned subsidiary of your Company, CMC Americas, Inc. drove growth of international business with 48% increase in revenue in dollar terms. The income from sales and services on standalone basis grew by 20% to ₹ 952.96 crore during 2011-12 compared to ₹ 794.21 crore in the previous year.

All the business segments of your Company contributed to growth. SI SBU delivered highest growth of 45% followed by 27% by ITeS SBU, 24% by CS SBU and 9% by E&T SBU on a consolidated basis.

The Operating Profit (Earnings Before Interest, Tax and Depreciation) increased by 6.5% on a consolidated basis to ₹ 224.33 crore compared to ₹ 210.71 crore in the previous year.

On a Standalone basis, the Company has recorded income from sales and services of ₹ 952.96 crore as compared to ₹ 794.21 crore in the previous year registering a growth of 20% on yearly basis. The growth in operating revenue has been contributed, 30% by ITeS SBU followed by 13% by SI SBU, 24% by CS SBU, 9% by E&T SBU and 70% increase in rentals from SEZ Hyderabad over the previous financial year.

Your Company continued to focus in the areas aligned with the overall vision of being a leading Systems Engineering and Integration Company. Key activities that received thrust during 2011-12 were delivery of services around CMC's software assets, turnkey project implementation, ERP implementations and development of portals to bring state government services to the doorstep of the citizen. Your Company also focused product development capability including indigenously developed solutions involving complex embedded hardware designs, software and firmware development.

#### **5. SPECIAL ECONOMIC ZONE (SEZ)**

Your Company had taken up 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 being developed in 3 phases at total estimated cost of ₹ 445 crore, and will have total capacity of around 12500 seats when completed. Phase I of the project, consisting of Offshore Development Centre (ODC) 1, 2 & 3 was completed in 2008-09. In Phase II of the project, ODC 5 with seating capacity of 3200 has become operational in April, 2011 and ODC 6 with seating capacity of 2800 became operational in January, 2012. The work on Phase III of the project consisting of Multi Level Car Parking and ODC 4 with seating capacity of around 3500 is in full swing. Your Company has spent ₹ 227.63 crore on this project till 31 March, 2012. The Company has also set up another SEZ Unit in Kolkata to cater the demand of international client and provide them business continuity solution.

#### **6. CREDIT RATING**

Your Directors have pleasure to inform that ICRA Limited has reaffirmed LAA+ rating of your Company for long term exposure (both fund based as well as non fund based) for a total amount of ₹ 250 crore. ICRA has also reaffirmed A1+ rating for short term debt instruments of the Company up to ₹ 100 crore. ICRA had 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. This enables the Company to access banking services at low costs. This also reflects the improvement in margins, working capital management and cash flows of the Company.

## **7. SUBSIDIARY COMPANIES**

Your Company has two wholly owned subsidiary companies viz. CMC Americas, Inc. and CMC eBiz, Inc. in USA. A statement containing brief financial details of the Subsidiary Companies for the year ended 31 March, 2012 is included in the notes on the consolidated financial statement. As required under the Listing Agreements with the Stock Exchanges, the Company has prepared the Consolidated Financial Statements of the Company and its Subsidiaries as per Accounting Standard (AS)-21 and form part of the Annual Report and Accounts.

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

## **8. FIXED DEPOSIT**

During the year, the Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956.

## **9. LISTING**

The equity shares of the Company are listed with Bombay Stock Exchange, National Stock Exchange and Calcutta Stock Exchange. There are no arrears on account of payment of listing fees to the Stock Exchanges.

## **10. DIRECTORS**

Mr Sudhakar Rao was appointed as Additional Director on 11 July, 2011 and can hold office up to the date of the ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit, in respect of Mr Rao, proposing his appointment as a Director of the Company.

Mr S Mahalingam, Director, retires by rotation and being eligible, has offered himself for re-appointment. Dr KRS Murthy, Director, retires by rotation and holds office till the ensuing Annual General Meeting as he has not offered himself for re-appointment. The Board record its appreciation of the contribution made by Dr KRS Murthy as a Director.

## **11. BUSINESS EXCELLENCE AND QUALITY INITIATIVES**

Your Company continues to strive towards maintaining sustainable growth through the philosophy of business excellence using the Tata Business Excellence Model (TBEM). In the annual TBEM assessment that your Company was subject to, the Company made remarkable progress moving into the league of "Serious Adopters". Various process improvement initiatives to address the assessment findings are underway. Executive Management continues to retain ownership of key areas such as leadership, strategic planning,