



Dear Shareholders,

Good afternoon and a warm welcome to the 35th Annual General Meeting of your Company. Firstly, on behalf of all CMCites, I thank you all for your continued trust, encouragement and support to the Company and its management.

Over the past few years, I have been sharing with you updates on CMC's transformational journey. One that it has undertaken with a view to achieve superior business performance in terms of profitability and cash flows.

In this context, I am pleased that your Company is back to growth in FY 2010-11 with a 24% rise in Consolidated Operating Revenue, while continuing to focus on improving business mix and profitability. Your company achieved further improvement in operating parameters during the year. Manpower productivity improved further by 7% and level of debtors reduced to 85 days. Improved cash flow management helped your Company to meet its capital expenditure of Rs. 100 crore from internal resources without resorting to any borrowing.

Considering these achievements, I would like to compliment the management of your Company for its excellent performance during FY 2010-11.

In our efforts to continue to improve transparency and information sharing with its stakeholders, the MD&A section of the annual report has been significantly improved with additional analysis of factors leading to changes in financial performance. We have also added information on five year trends in key financial performance indices in this section for better understanding of the transformational journey of the Company and the strategic direction. I am sure you would have found it useful. Also the MD&A section carries analysis of consolidated financial performance of the Company for the first time. Over the years, the operations of our Subsidiary company have increased significantly, making consolidated performance more relevant for better understanding of the Company.

In line with this, the Company decided to publish Consolidated Accounts first and Standalone Accounts later in the Annual Report. I must complement the Company management for bringing out these improvements in reporting, in line with best in class practices.

During the year, the Company got the Certificate of Recognition from the Institute of Company Secretaries of India, for the excellence in Corporate Governance practices followed in the Company.

Financial Performance

Your Company delivered an all-round improvement in financial performance during the year.

The Consolidated Operating Revenue of your Company increased to Rs. 1,080.53 crore, an increase of 24% over Rs. 870.73 crore achieved in the previous year. Similarly Profit After Tax - on a consolidated basis - increased to Rs. 179.41 crore, an increase of 25% over Rs. 143.23 crore achieved in the previous year.

The improvement in profitability resulted in an increase in Earning Per Share on a consolidated basis, which stood at Rs. 118.43 in 2010-11, compared to Rs. 94.54 in the previous year.

As a result of this consistent improvement in financial performance, the Board of Directors of your Company proposed a maiden bonus share issue in the ratio of 1:1, which was approved by the shareholders by overwhelming majority through a postal ballot.

I am glad to inform you that the process of allotment of bonus shares was completed on 10th June, 2011 and these bonus shares were listed and admitted to dealings on the Stock Exchanges w.e.f 17th June, 2011.

In view of good financial performance, your Board has recommended a dividend of Rs. 20/- per share for the year ended 31st March, 2011.

The improvement in financial performance, and the resultant financial strength, is also reflected in upgrading of the long term credit rating of your Company from LAA to LAA+ by the Credit Rating Agency, ICRA. ICRA also reaffirmed its highest credit rating of A1+ for short term debt instruments.

Business Operations

Your Company achieved broad-based growth during the year, both in domestic and international markets.

International business, in all the key geographies that we operate in, registered a growth of 37%, while our domestic business grew by 11%. CMC Americas achieved the unique distinction of crossing the 100 million US\$ mark for the first time, ending the year with revenues of 102.3 million US\$. The share of our Services business increased from 88.2% to 90.5% during the year.

The first onsite Delivery Center of the Company was set up in Austin, Texas, which has over 100 seats. This has enabled near-shore delivery to CMC clients. Moreover, the Company's first state-of-the-art SEZ unit in Hyderabad has become operational in April 2011, further enhancing its capability to service international clients.

CMC's all-round growth was fuelled by each of its SBUs growing its value-adding service revenues during the year. The Company also expanded its operating margins, driven by the improvement in the business mix and better cost management.

The Business Environment and the way ahead

The broad business outlook for CMC remains positive, and your Company is looking to leverage the many growth opportunities available to it.

The Infrastructure, BFSI, Retail, Transportation and e-Governance sectors continue to see robust demand in India. Emerging opportunities in the industry today includes the fast growing SMB segment in India which accounts for 40% of the Indian market and is growing at an estimated rate of 8% per annum. This segment is also growing fast globally.

Post-recession, there is an increased emphasis around the world on cost savings and improved efficiencies through outsourcing. The BPO segment has experienced an increase of 2% worldwide; also, new technologies like Cloud Computing (opportunities estimated at more than 150 billion US\$) are enabling rapid growth of Software as a Service (SaaS), Infrastructure as a Service, Business to Consumer collaborative solutions using audio / video conferencing, innovative online services like online tutoring and training, online shopping, online ticketing, digital content management services, etc. Mobile Value-Added Services (VAS) is another major area of growth with an estimated market of Rs. 55,000 crore by 2015 in India alone, due to the exponential increase in mobile penetration in the country.

One of the high-growth segments with increasing IT spends is **Government** - with large nationwide opportunities in the rollout of the UID Project, increasing effectiveness of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Govt-to-Citizen services in all states, Transportation solutions using GPS/GIS technologies, etc. The BFSI and Retail segments are also seeing increased need for mobile banking and payment services, high-end customer analytics, Internet security and RFID implementations.

Last year, I had shared with you the various growth opportunities for your Company. Let us look at the progress of some of the strategic initiatives we had taken since then, and the progress made.

During the year, your Company put in place processes to systematize and encourage innovation within the Company. Your Company now has a senior person to head 'Innovation', and the results have been heartening. A team of senior CMC technologists has been constituted as the Architecture and Technology Committee (ATC) which will help supervise our R&D efforts. Besides improvements in the technology component of our solutions, your Company actively participates in the Tata Group's 'Tata Innovista' Program. I am happy to inform you that 2 entries from your Company won awards at the event last year.

The innovation initiatives of the Company include leveraging of emerging Android and Apple iOS platforms for mobile solutions for its various products, and enabling the fast-emerging Cloud computing-based solutions and services.

Even though CMC has a number of accomplishments to its credit over the years, it has been largely a 'silent' player. In a fiercely competitive market place, brand building and corporate communications are important for any company, and CMC has initiated steps to address the same. The Company has also started communicating better with its customers and its employees, shareholders and the general public.

Last year, I had mentioned the many business opportunities in emerging India, particularly in Tier 2 & Tier 3 cities. Consequently, I am happy to see that your Company has launched the 'ePragati' initiative in Pune and Indore during the last year. This is an important initiative, where CMC is creating a collaborative platform between local government, educational institutions, industry and technology companies and enabling empowerment of emerging cities through technology. This initiative needs to be diligently followed up in these cities, and extended to many more. I expect this initiative to create awareness about technology solutions to the many challenges faced by emerging India, to create knowledge-sharing communities in this segment of the geography, and to re-emphasize CMC's commitment to the Indian market.

With focused follow-up and sales efforts over time, I see the ePragati initiative leading to significant business opportunities and valuable partnerships in these new regions.

Last year, I had mentioned about business opportunities in emerging economies. It is good to note that your Company has made advances in countries like Rwanda, Zimbabwe, Bangladesh, Sri Lanka and Nepal in this regard, winning notable projects from some leading Banking and Financial Services institutions in these markets.

Many opportunities are coming up in India in the domains of e-Governance, infrastructure, power, roads and ports. No doubt, the competition is tough, but CMC has significant, proven strengths in these fields, and opportunities to grow. I am pleased to share that your Company has won some key state-level and national-level projects from leading institutions in each of the above-mentioned sectors.

The growth in India, while impressive, has also created two Indias: one of the 'haves' and the other of the 'have-nots'. While 'inclusive growth' poses a challenge to Indian society today, it also provides several opportunities for a company like CMC.

There are challenges in executing the Unique ID program, which as we know, is going to provide a base for much of the service delivery by the Government. These challenges translate into opportunities for CMC. I am pleased to share that our Company has won some key projects in this area, such as UID Training content management.

There are also two rapidly emerging areas of interest, in both the corporate world as well as in major governments, namely 'Green Strategies' and 'Sustainability Solutions'. Both these stakeholders realize the need to make our planet a safer place to live in, while ensuring that we give back to the society, resulting in major technology spends and innovations.

Green IT and IT for Green technologies have an estimated 60% CAGR, and a 4.8 billion US\$ estimated spend worldwide by 2013. Companies are looking to increasingly adopt energy efficient devices, power-saving tools and IT-enabled solutions to make enterprises more green-efficient and sustainable.

Implementation of energy storage solutions, smart buildings with environmental intelligence, etc. also need IT training and vocational skills which are key to sustainability.

Your Company is actively looking at opportunities as a value-adding service provider in these emerging areas.

Today, financial inclusion is very much on the agenda of virtually all banks - and the financial sector at large - now that much of the sector has undertaken technology upgradation. However they have largely tended to 'skim the cream'. Our nation's growth requires higher savings, higher investments in the equity markets, higher credit, better delivery of rural development initiatives and more targeted cash-transfer programs like the NREGS and others.

So while this is a challenge particularly for the financial and social sectors, it is clearly an opportunity for 'technology enablers' like CMC.

While cash transfer schemes to the 'bottom of the pyramid' aims to provide a 'safety net', it is not the primary solution for poverty alleviation. The real social and economic development driving 'upward mobility' in India is going to come from making our youth employable through diverse and dependable skill-development programs.

To sustain our current economic growth levels, it is estimated that we need to build a 700 million globally employable workforce by 2022, comprising 200 million university graduates and 500 million vocationally skilled people. And, many of you would be aware that a massive national skill-building drive is under way.

As an early entrant, CMC has enjoyed a head start in the IT Education & Training, Assessment and Certification business in India, and was once viewed as an industry benchmark. Today, we see innovative Public Private Partnership models for skill development, now being designed and implemented across the country, and the potential business opportunity in this space is considerable.

According to NASSCOM, of the 550,000 engineering graduates passing out every year, anywhere between 10% and 25% cannot be readily employed by any technology firm in the country. According to consulting firm Aspiring Minds, merely 4.22% of engineering graduates are employable in product companies, and only 17% in IT services. India's 60 billion US\$ outsourcing industry is already spending almost 1 billion US\$ a year on readying these graduates, picked up from different campuses.

This clearly shows a large gap between the skills acquired by graduates and skills required in the IT industry, and provides a huge opportunity for IT training companies.

Industry studies reveal a market size of 2.3 billion US\$ in the vocational training segment of the education sector, growing at a healthy rate of 25%. Also, the proportion of graduates of science and other streams engaged in software development is expected to increase from about 5% to 10% currently to about 15% to 20%.

This is being driven by the willingness by firms to train graduates and employ them in software development and functionality testing, as well as increasing desire by graduates to enter the IT industry.

In this context, CMC should be looking at undertaking an aggressive initiative in the IT Education & Training space, covering both the mainstream and vocational training streams.

In summary, the transformation of CMC is underway, and the exercise of strategic planning in CMC is starting to yield results. Our vision and ambition is clear. The challenges are obvious, and emerging opportunities now await the action of the bold.

To conclude, I would like to convey my sincere thanks to all our shareholders for their continued trust and confidence in the Management of the Company. I am also grateful to my colleagues on the Board for their valuable guidance. Your Company has had yet another successful year, in spite of a difficult business environment, due to your collective support, and that of our committed employees.

I also convey my sincere thanks to our customers, suppliers, bankers, auditors, legal advisors, consultants and all other business associates, the Government and various authorities for their continued interest and confidence in the Company and its Management.

Thank you.

Place: Hyderabad
Date: June 27, 2011

S RAMADORAI
CHAIRMAN

Note: This does not purport to be the proceedings of the 35th AGM of the Company held on 27 June 2011.