

33rd Annual General Meeting Chairman's Address



Dear Shareholders,

Good afternoon and a warm welcome to the 33rd Annual General Meeting of your Company. On behalf of all CMCites, I thank you all for your continued trust, encouragement and support to the Company and its management.

Your Company has stayed the course and continued to make good progress on its transformative journey despite difficult operating conditions in global and local markets.

Financial Performance

Led by a capable management team, your Company further improved its business mix as well as its operating profitability and delivered all round improvement in financial performance during the financial year 2008-09, as you can see from the display on the screen.

Profit After Tax, PAT on standalone basis crossed the Rs. 100 crore mark for the first time in the history of the Company. Your Company recorded Profit After Tax of Rs. 105.57 crore, registering a growth of 20% over the last year. On a consolidated basis, PAT grew 26% to Rs. 116.14 crore.

Improvement in profitability resulted in a significant increase in Earning Per Share, EPS, which stood at Rs. 69.68 in 2008-09, compared to Rs. 58.23 in the previous year as you can see in the display on the screen. In view of increased profits, your Board has recommended an increase in dividend rate to 150% compared to 110% in the previous year.

Your Company continued to work towards generating cash, increased its cash balance from Rs. 119 crore to Rs. 154 crore and continued to enhance its operational efficiency as you can see in the graphical representation on the screen.

Apart from the financials, I would like to share with you that at an overall strategic level, your Company is diversifying its market presence globally. The Company made strategic entry in Japanese and European Markets apart from strengthening its presence in American and Indian Markets. Your Company has also worked closely with TCS business units across markets and verticals to optimize the synergistic benefits available. Your Company earned new businesses in the areas of Ports and Cargo in Europe, Embedded Systems in Japan and Europe, e-Governance in India, and deepened its relationship with key clients in Embedded Systems and ITES areas in America during the year.

This success has been endorsed by Credit Rating Agency, who have re-affirmed A1+ rating - indicating the highest-credit-quality for short term debt instruments - and a LAA rating, indicating high-credit-quality for long term exposure for both fund based as well as non-fund based exposure.

Business Environment

When I spoke to you last year, I briefly touched upon the challenging business environment being faced by the IT industry due to slowdown in some western economies led by the US. The global economic situation only worsened during the second half of 2008-09, with the malaise spreading to other developed markets and to other industries beyond the banking sector to impact verticals like manufacturing, hi-tech and telecom. A large number of companies reduced their IT spend either by

delaying the decision or by putting on hold some discretionary spending on new IT projects, especially in the US.

The slower pace of economic activity also resulted in a significant reduction in the growth rate of the Indian IT industry to almost half of what was witnessed in the preceding 4 to 5 years.

The changed business environment necessitated greater rigor, focus and diligence from every CMCite. Customers were also feeling the rippling effect of the recession, so your Company worked towards enhancing value addition and deepened the engagement through greater collaboration. At such times customers look to improve their efficiencies and seek better return on investment. Your Company addressed this by working towards creating innovative solutions to meet their needs. This helped your Company in retaining its key customers and continued expansion in the relationships.

I am happy to share that despite a strong slowdown in the US, the business of your Company in the US grew by 15% in dollar terms during the year. As a result, the Americas accounted for around 25% of total consolidated operating revenue of your Company during 2008-09. Your Company also consolidated its position as a dominant player in the Indian General Insurance vertical, resulting in over 30% growth in its overall domestic software and solutions business.

While the turmoil in global economy impacted emerging growth economies like China and India initially, the bounce-back in these markets has been quicker. India and China are still expected to remain among the fastest growing economies in the world.

With the new Government in India now in place and with a stronger mandate after recent elections, it is widely believed that reforms and the fiscal consolidation process will accelerate in India, opening up new opportunities for the IT Industry. One fallout of the global slowdown has been that as opportunities have shrunk in the major overseas markets, all major IT companies have started focusing on opportunities in the nascent Indian market, thereby changing the competitive landscape for provision of IT services in India.

Joint-Go-to-Market with TCS

I mentioned earlier that your Company has been focused on leveraging synergies with TCS and creating a Joint-Go-to-Market approach for various solutions, verticals and markets. This approach to business strategy has immensely benefited your Company over the years. During 2008-09, your Company earned almost 46% of its consolidated operating revenue through such synergy and Joint-Go-to-Market transactions.

In 2008-09, these synergies with TCS were leveraged to together win a large

mission mode project, e-Passport Seva, from the Government of India's Ministry of External Affairs. Joint capabilities of TCS and CMC and its past track-record of delivering large projects like MCA21 were successfully showcased to demonstrate the compelling value proposition.

Managing skills and resources

Your Company is in the knowledge business and its success is driven by the determination, passion and skills of its people. Therefore, learning and development of people is the key to providing your Company with a pool of highly skilled staff in key technology and domain areas who can deliver complex and innovative solutions.

There was a renewed focus on training and one key success achieved last year is the definite increase in learning opportunities for every employee. Thanks to new software, CMCites can now avail of on-line training and certification opportunities, which has helped enhance employee morale and performance. There has also been a visible improvement in employee productivity as well as attrition during the year 2008-09.

Innovation

In a competitive environment, innovation is the only way to stay ahead. One form of innovation is in enhancement of portfolio of products and services. Your Company's dedicated R&D team has successfully built complex solutions in areas like Real-time ticketing systems, Biometric solutions, SCADA and Mobile Computing. Such intellectual assets are being leveraged fully by establishing a clear roadmap of progressing products from R&D to the market.

Business Excellence and Quality Initiatives

I am pleased to report that your Company continues to strive for performance excellence and quality improvement year on year. The Tata Business Excellence Model, TBEM, which was adopted by the Company five years back, provides a platform for continuous improvement for the entire organization.

During the year, the Company's STP at Kolkata was certified for ISO 27001 for its information security management system. It's Hyderabad Center was recertified for ISO 9000:2000 for Software Services and Embedded Systems services.

Corporate Sustainability

As part of the Tata group, your Company has a strong commitment to the community and has participated in several Tata group level initiatives to help under-privileged and physically challenged children.

During the year under review, your Company has helped disaster hit areas by providing relief for flood victims of Bihar and Midnapore. It has independently contributed to better health services available through a range of activities from organizing eye camps to cultural events for Hospices.

The Company leverages its own expertise in IT education and training towards bringing in greater social equity. It has adopted a policy on affirmative action for Scheduled Castes and Scheduled Tribes Communities, including increasing their employability through training.

Towards reinforcing the CMC family feeling, employee engagement platforms like Maitree and other initiatives that bring people together in non-work related forums, are encouraged.

The Way Ahead

Looking ahead, it is clear that the global downturn has put pressure on IT spends of the clients. The management of your Company believes that IT spends in the private sector globally will seek improvement in operational efficiency, cost savings and better return on investment. Increased regulations in many markets leading to more enterprise regulations, security and reporting will be some of the other drivers of IT spend in the private sector.

In the Government sector, your Company can visualize opportunities emerging from the increased focus on environment and requirement of enhanced infrastructure to deliver citizens' services more effectively as well as mission critical e-Governance programs that help increase government efficiencies will continue to drive IT spend in this sector.

Your Company on its own and by collaborating with TCS is well poised to exploit these opportunities as they emerge. Specifically, we see opportunities manifesting themselves in the following ways:

1. Your Company foresees large IT investments by Government departments such as Railways, Defence and Finance with a view to improve infrastructure and e-Governance. Your Company is gearing itself to tap all these opportunities.
2. The cost imperative will drive a gradual shift away from traditional labor intensive outsourcing models to asset or framework-centric services. Delivery models based on newer technologies such as cloud computing, SaaS and virtualization will become a reality. Your Company already has a rich portfolio of industry specific assets which allows delivery of cost effective solutions.
3. With pressure on investment in additional hardware, the focus now will be on niche targeted services and maintenance services to maximize the returns

from investment already made. Your Company has an established maintenance portfolio which is being enhanced further through service offerings like Remote Infrastructure Management.

4. Increasing demand for productivity and efficiency improvement is likely to lead to larger investment in training of IT workforce. The Education and Training SBU of your Company will offer courses to meet these requirements and tap the emerging opportunities. Your Company is well poised to leverage these opportunities in the market.

Acknowledgements

Finally, I would like to convey my heartfelt thanks to all our shareholders for their continued trust and confidence in the management of the Company. My gratitude is due to my colleagues on the Board for their valuable guidance. The Company has come out with yet another successful year in spite of a difficult business environment due to the strong support of all stakeholders and business associates. I 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 support, interest and confidence in the Company and its Management.

Thank you

Place: Hyderabad

Date: June 26, 2009

S RAMADORAI

CHAIRMAN

Note: This does not purport to be proceedings of the 33rd AGM held on June 26, 2009.