

RANK:3 (MID-SIZE COMPANIES)

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A Harmonious Growth

CMC's turnaround expert becomes the No. 3 winner in mid-size players

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Walk into R. Ramanan's office, and the first thing that strikes you is a series of pictures on the wall. There is Ramanan with former US President Bill Clinton, with A.P.J. Abdul Kalam, and another with Microsoft CEO Steve Ballmer. There is even one with Manmohan Singh when he was the finance minister. So when Ramanan tells you that even as far back as 1981, when he joined Tata Consultancy Services (TCS), he knew he wanted to be head of a company like it in 20 years, you sort of believe him. Ironically, CMC — then a state-owned enterprise — was the first company he got a job offer from, but declined because they delayed his joining letter. And 20 years later, and by a twist of fate, here he is, at its helm.

An IIT-Bombay alumnus and a Tata lifer, Ramanan was with TCS handling projects in India and overseas in 2001 when he was made deputy managing director of CMC, which the Tatas bought. He was made the MD and CEO when CMC became a wholly-owned arm of TCS later that year. In the decade he has led it, a series of transformations converted the computer maintenance firm into a global systems integration firm. His approach was a little unorthodox then. "I emphasised on improving profit margins," says Ramanan. "We achieved this partly by moving out of low-margin business such as selling hard-ware. That's now 10 per cent, from 60 per cent in 2001."

	SALES GROWTH	PAT GROWTH	SHARE PRICE GROWTH
CMC	0.5	24.8	36.9
MSCI Consumer Staples Index	15.8	19.7	21.8
Percentile score (sector)*	6.3	68.8	87.5
Sample average#	18.6	14.0	6.5
Percentile score (survey sample)	7.7	66.5	83.7

Figures in per cent, for 3 years; *The share of comparable firms with lower sales, profit after tax (PAT) or stock price performance; #The performance of the 210 companies in the survey

It worked. CMC's margins improved from 7 per cent to 59 per cent in the past decade. Its scrip has grown 37 per cent, against the 21.8 per cent of the MSCI Consumer Staples Index over the past three years. During this period, Ramanan has been guiding the Rs 1,200-crore company on strengthening its core competencies in embedded and real-time systems. Currently, about 15 per cent of revenues come from this segment, growing at 25-35 per cent and faster than the industry rate of 20 per cent. Confident of its potential, Ramanan plans to create a separate business unit to manage it. However, growth has been slow compared to its peers such as Wipro, TCS, HCL and Infosys.

In line with the TCS tradition, about 50 per cent of CMC's revenues come from overseas, 35 per cent of that from the US via its arm CMC Americas (formerly Baton Rouge, which it bought in the 1980s — among the first cross-border investment by an Indian firm). But Ramanan is not ignoring India either. "The domestic market for systems integration is developing rapidly," he says. "We will also focus on other Saarc nations, even China." The next two years will be about organic growth; he keeps an eye open for possible acquisitions, though. Ask his team, and they tell you Ramanan is a great guy to work with. It is a harmonious environment. Maybe that comes from his love for playing the harmonica (he also writes poetry), though it is not clear if he plays for his colleagues. But so far at least, CMC's fortunes have been dancing to his tunes.

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<http://businessworld.in/businessworld/businessworld/content/Harmonious-Growth.html>