

Company: CMC limited

Sl. 48

SID: RH13009

SMS ID: 111957

Kolkata Dalhousie Centre

CMC is an end to end information technology solutions and service provider. It is number 2 software developer in India. Incorporated in 1975, CMC is a subsidiary of Tata Consultancy Services. CMC operates through four strategic business units: customer services, system integration, IT enabled services and education and training. It has a software development park in Mumbai and Hyderabad, 18 offices in major Indian cities and more than 180 service locations. Branch offices are in the UK and Dubai. CMC's markets' are in Europe, Africa and Middle East. The company has more than 3000 employees. The four operations together cover the following practices:

- System and hardware consultancy
- Software and hardware maintenance
- Environmental engineering
- Equipment integration and supply
- Network management
- Facilities management
- Embedded system
- System study
- Software design & development
- Turnkey project management and integration
- Data centre services
- Networking Solution/EDI
- E Commerce
- Webhosting / Web application
- Education & training

As per the given assignment, I would compute and analyze the various financial statements collected from moneycontrol.com for CMC limited and definitely it is based on my study and understanding. The available records, data for CMC Limited are collected from internet. Some of the cases it is observed the format they follow in the statements differ from our study and in connection of this gap and my little knowledge on Finance I could not capture all relevant areas. However, I try to collate the statements and would prepare my interpretation.

For the above I arrange to download the Balance Sheet (1), Profit & Loss statement (2), Yearly Results (3), Key Financial Ratios of CMC (4) Cash Flow of CMC (5) and competition with other related industries (6) & Stock Prices (7)

If we go through the balance sheet we can find inventories are 13.41, 13.47, and 8.53 (in crores) for the year ending March 12, March 11 and March 10. Comparing to other components of balance sheet the figure is very low and which is very usual and common in IT industries.

During the period CMC has an expenses on sale is 783.33 (in crores) and inventory is 13.41.

Therefore Inventory Turnover is $783.33/13.41=58.41$ and days sales in inventory is $365/58.41=6.25$

Hence we can come to a conclusion inventory sits only less than 7 days before it was sold out.

Balance Sheet of CMC		----- in Rs. Cr. -----				
	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08	
	12 mths	12 mths	12 mths	12 mths	12 mths	
Sources Of Funds						
Total Share Capital	30.30	15.15	15.15	15.15	15.15	
Equity Share Capital	30.30	15.15	15.15	15.15	15.15	
Share Application Money	0.00	0.00	0.00	0.00	0.00	
Preference Share Capital	0.00	0.00	0.00	0.00	0.00	
Reserves	666.12	581.96	461.44	367.36	288.38	
Revaluation Reserves	0.00	0.00	0.00	0.00	0.00	
Networth	696.42	597.11	476.59	382.51	303.53	
Secured Loans	0.00	0.00	0.00	0.00	0.00	
Unsecured Loans	0.00	0.00	0.00	34.49	28.93	
Total Debt	0.00	0.00	0.00	34.49	28.93	
Total Liabilities	696.42	597.11	476.59	417.00	332.46	
	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08	
	12 mths	12 mths	12 mths	12 mths	12 mths	
Application Of Funds						
Gross Block	351.89	170.99	169.26	159.82	145.04	
Less: Accum. Depreciation	94.53	75.72	76.26	77.76	76.56	
Net Block	257.36	95.27	93.00	82.06	68.48	
Capital Work in Progress	33.39	107.55	27.25	14.87	16.27	
Investments	159.76	234.35	203.50	128.06	103.81	
Inventories	13.41	13.47	8.53	15.38	19.87	
Sundry Debtors	265.96	174.71	166.16	227.25	223.53	
Cash and Bank Balance	21.95	33.36	20.32	33.70	22.75	
Total Current Assets	301.32	221.54	195.01	276.33	266.15	
Loans and Advances	340.67	253.28	416.00	386.75	361.24	
Fixed Deposits	0.22	0.52	0.22	0.32	0.67	
Total CA, Loans & Advances	642.21	475.34	611.23	663.40	628.06	
Deffered Credit	0.00	0.00	0.00	0.00	0.00	
Current Liabilities	248.47	237.68	197.97	246.72	278.97	
Provisions	147.82	77.72	260.41	224.65	205.19	
Total CL & Provisions	396.29	315.40	458.38	471.37	484.16	
Net Current Assets	245.92	159.94	152.85	192.03	143.90	
Miscellaneous Expenses	0.00	0.00	0.00	0.00	0.00	
Total Assets	696.43	597.11	476.60	417.02	332.46	
Contingent Liabilities	233.88	138.59	131.45	37.83	21.03	
Book Value (Rs)	229.84	394.13	314.58	252.49	200.35	

Next we are going to calculate Current Ratio.

Current Ratio=Current Assets / Current Liabilities

Here in CMC it is $301.32/248.47=1.21$ times

We would say CMC has Rs. 1.21 current asset for every Re.1 liability. Short term creditor such as supplier- higher the credit ratio, better for the firm. However, we can also say the ratio is more than 1 and hence that indicates CMC's healthy position.

Here we calculate quick ratio

Quick Ratio= (Current Assets-Inventory) / Current Liabilities

For CMC,

Quick Ratio= $(301.32-13.41)/248.47$

=1.16 time

Inventory is much less than the other components in the Balance Sheet and therefore it is very close to Current ratio

We can make a quick look towards cash ratio and it is for CMC

Cash Ratio= Cash/Current Liabilities

= $21.95/248.47=0.09$

Very short term creditor might have some interest on it

As this is a IT based Company, there is not very big sundry creditors and payable turnover is not very important here.

Profit & Loss account of CMC

----- in Rs. Cr. -----

	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Sales Turnover	952.96	794.21	690.01	820.45	977.19
Excise Duty	0.00	0.00	0.00	0.00	0.00
Net Sales	952.96	794.21	690.01	820.45	977.19
Other Income	39.83	10.93	6.87	17.11	2.37
Stock Adjustments	0.33	0.00	0.00	0.00	0.00
Total Income	993.12	805.14	696.88	837.56	979.56
Expenditure					
Raw Materials	170.47	121.17	118.36	250.73	409.22
Power & Fuel Cost	0.00	0.00	0.00	0.00	0.00
Employee Cost	342.58	277.24	225.65	212.86	193.33
Other Manufacturing Expenses	116.13	104.05	86.72	81.45	180.64
Selling and Admin Expenses	83.01	67.87	60.19	71.36	67.29
Miscellaneous Expenses	71.14	52.78	47.88	84.38	12.02
Preoperative Exp Capitalised	0.00	0.00	0.00	0.00	0.00
Total Expenses	783.33	623.11	538.80	700.78	862.50
	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
	12 mths	12 mths	12 mths	12 mths	12 mths
Operating Profit	169.96	171.10	151.21	119.67	114.69
PBDIT	209.79	182.03	158.08	136.78	117.06
Interest	0.01	0.01	2.73	2.01	1.04
PBDT	209.78	182.02	155.35	134.77	116.02
Depreciation	20.88	10.09	9.82	9.29	7.87
Other Written Off	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	188.90	171.93	145.53	125.48	108.15
Extra-ordinary items	0.20	2.40	1.67	2.51	9.08
PBT (Post Extra-ord Items)	189.10	174.33	147.20	127.99	117.23
Tax	45.72	18.30	17.25	22.10	28.89
Reported Net Profit	143.33	155.73	129.58	105.57	88.22
Total Value Addition	612.86	501.94	420.43	450.05	453.27
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Equity Dividend	37.88	30.30	30.30	22.73	16.67
Corporate Dividend Tax	6.14	4.92	5.15	3.86	2.83
Per share data (annualised)					
Shares in issue (lakhs)	303.00	151.50	151.50	151.50	151.50
Earning Per Share (Rs)	47.30	102.79	85.53	69.68	58.23
Equity Dividend (%)	125.00	200.00	200.00	150.00	110.00
Book Value (Rs)	229.84	394.13	314.58	252.49	200.35

Yearly Results of CMC

----- in Rs. Cr. -----

	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
Sales Turnover	955.34	798.08	695.46	832.41	977.19
Other Income	44.39	11.79	13.31	7.85	11.90
Total Income	999.73	809.87	708.76	840.26	989.09
Total Expenses	788.79	625.74	549.46	701.42	863.74
Operating Profit	166.55	172.34	146.00	130.99	113.45
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	--	--
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	210.94	184.13	159.31	138.84	125.35
Interest	0.01	0.01	2.65	1.88	0.36
PBDT	210.93	184.12	156.65	136.97	124.98
Depreciation	20.88	10.09	9.82	9.30	7.87
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	190.05	174.03	146.83	127.67	117.11
Tax	46.72	18.30	17.25	22.10	28.89
Net Profit	143.33	155.73	129.58	105.57	88.22
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	--	--	--	--	--
Earnings Per Share	47.30	102.79	85.53	69.68	58.23
Book Value	--	--	--	--	--
Equity	30.30	15.15	15.15	15.15	15.15
Reserves	666.12	581.96	461.44	367.37	288.38
Face Value	10.00	10.00	10.00	10.00	10.00

But Asset turnover ratio indicates what CMC can generate in sale for every rupee in assets.

$$\text{Asset Turnover Ratio} = \text{Sales} / \text{Total Assets}$$

$$= 955.34 / 696.43 = 1.37$$

Now we move to profit margin of the Company.

This measure indicates how efficiently the firm uses its assets and how effectively the firm manages its operations.

$$\text{Profit margin} = \text{Net Profit} / \text{Sales}$$

$$= 143.33 / 955.34 = 15\%$$

This can be estimated that CMC in an accounting sense, generate 15 paise in profit for every rupee in sale.

Year	Mar 12	Mar 11	Mar 10
Profit Margin	15%	19.5%	19%

From the last three years profit margin calculation we see profit margin is little less than previous years, though during the period sales volume increases.

Return On Asset

This ratio is a measure of profit per rupee of assets and it can be defined as

$$\text{ROA (return on asset)} = \text{Net income} / \text{Total assets}$$

Year	Mar 12	Mar 11	Mar 10
ROA	143.33/696.43	155.73/597.11	129.58/152.85
ROA	20.58	26.08	27.19

This has been observed ROA is slightly down for 2012, comparing to the earlier years.

Price Earning Ratio

Price Earning Ratio For The Last Three Years

Year	Mar 12	Mar 11	Mar 10
PE Ratio	47.30	102.79	85.53

This is the ratio between Price per Share / Earning per Share

PE Ratio measures how much investors are willing to pay per rupee of current earning. Higher PE is often taken as a significant growth indicator of the firm. It has also been observed PE ratio is decreasing from Mar 11 to Mar 12.

Financial Cash Ratio

For CMC Limited, Cash flow statements are showing the changes in accounting and equivalents.

Operating Cash Flow:

EBIT	209.79
Depreciation	20.88
	230.67
	230.67
Current Taxes	45.72
Operating Cash Flow (in crores)	184.95

Now calculation of Capital Spending

Capital Spending= Ending Net Fixed Asset- Beginning Net Fixed Asset+
Depreciation

For CMC, Capital Spending= $257.36-95.27+94.53$
 $=256.62$ (in crores)

Over and above the two statements from the cash flow chart(5), it can be said net cash for operating activities are for the year 2012, 2011 and 2010 are 25.07 crores, 171.59 crores and 147.21 crores

Key Financial Ratios of CMC

	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
Investment Valuation Ratios					
Face Value	10.00	10.00	10.00	10.00	10.00
Dividend Per Share	12.50	20.00	20.00	15.00	11.00
Operating Profit Per Share (Rs)	56.08	112.74	99.52	78.78	75.63
Net Operating Profit Per Share (Rs)	314.51	524.23	455.45	541.55	645.01
Free Reserves Per Share (Rs)	219.84	384.13	304.58	242.45	190.31
Bonus in Equity Capital	50.00	--	--	--	--
Profitability Ratios					
Operating Profit Margin(%)	17.82	21.50	21.85	14.54	11.72
Profit Before Interest And Tax Margin(%)	15.11	19.95	20.13	13.28	10.88
Gross Profit Margin(%)	15.63	20.23	20.42	13.41	10.91
Cash Profit Margin(%)	15.94	20.31	20.12	12.44	8.98
Adjusted Cash Margin(%)	15.94	20.31	20.12	12.44	8.98
Net Profit Margin(%)	14.53	19.33	18.50	12.74	8.99
Adjusted Net Profit Margin(%)	14.53	19.33	18.50	12.74	8.99
Return On Capital Employed(%)	26.13	28.77	31.69	28.27	33.14
Return On Net Worth(%)	20.58	26.08	27.18	27.59	29.06
Adjusted Return on Net Worth(%)	19.57	25.71	27.50	24.51	26.44
Return on Assets Excluding Revaluations	229.84	394.13	314.58	252.49	200.35
Return on Assets Including Revaluations	229.84	394.13	314.58	252.49	200.35
Return on Long Term Funds(%)	26.13	28.77	31.69	28.27	33.14
Liquidity And Solvency Ratios					
Current Ratio	1.62	1.51	1.33	1.41	1.30
Quick Ratio	1.53	1.41	1.28	1.35	1.23
Debt Equity Ratio	--	--	--	0.09	0.10
Long Term Debt Equity Ratio	--	--	--	0.09	0.10
Debt Coverage Ratios					
Interest Cover	19,363.73	18,088.43	55.42	58.60	105.94
Total Debt to Owners Fund	--	--	--	0.09	0.10
Financial Charges Coverage Ratio	21,585.33	19,150.48	59.02	63.22	113.50
Financial Charges Coverage Ratio Post Tax	17,470.64	17,455.81	52.14	58.10	93.37
Management Efficiency Ratios					
Inventory Turnover Ratio	86.37	75.21	93.89	59.00	54.40
Debtors Turnover Ratio	4.33	4.66	3.51	3.64	4.20
Investments Turnover Ratio	86.37	75.21	93.89	59.00	54.40
Fixed Assets Turnover Ratio	2.71	4.64	4.08	5.13	6.74
Total Assets Turnover Ratio	1.37	1.33	1.45	1.97	2.94
Asset Turnover Ratio	1.47	1.48	1.54	2.19	6.74
Average Raw Material Holding	--	--	--	--	--
Average Finished Goods Held	4.61	5.62	4.25	6.12	6.64
Number of Days In Working Capital	92.90	72.50	79.74	84.26	53.01
Profit & Loss Account Ratios					
Material Cost Composition	17.88	15.25	17.15	30.55	41.87
Imported Composition of Raw	--	--	--	--	--

Materials Consumed					
Selling Distribution Cost Composition	0.43	0.39	0.35	0.45	0.44
Expenses as Composition of Total Sales	32.66	29.54	28.02	20.95	14.58
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	30.71	22.61	27.35	25.18	22.09
Dividend Payout Ratio Cash Profit	26.80	21.23	25.43	23.14	20.29
Earning Retention Ratio	67.71	77.07	72.96	71.65	75.72
Cash Earning Retention Ratio	72.00	78.48	74.85	74.21	77.88
AdjustedCash Flow Times	--	--	--	0.33	0.33

	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
Earnings Per Share	47.30	102.79	85.53	69.68	58.23
Book Value	229.84	394.13	314.58	252.49	200.35

Cash Flow of CMC

----- in Rs. Cr. -----

	Mar '12	Mar '11	Mar '10	Mar '09	Mar '08
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit Before Tax	190.05	174.03	146.83	127.67	117.11
Net Cash From Operating Activities	25.07	171.59	147.21	66.15	90.91
Net Cash (used in)/from Investing Activities	-1.72	-92.37	-21.24	-16.93	-7.58
Net Cash (used in)/from Financing Activities	-35.19	-35.07	-64.08	-14.61	-3.36
Net (decrease)/increase In Cash and Cash Equivalents	-11.70	44.19	61.95	34.62	79.98
Opening Cash & Cash Equivalents	33.88	215.85	153.90	119.29	38.97
Closing Cash & Cash Equivalents	22.17	260.05	215.85	153.90	118.95

Competition:

Especially for the competition I identify three companies from the same industries and these are 1) Redington, 2) HCL Info and TVS Electronics. The below chart (collected from chart 6) shows the figures from March 2012 financial statements.

Name	Last Price	Market cap (crores)	Sales Turnover	Net Profit	Total Assets
CMC	1408.25	4327.60	955.34	143.33	696.43
Redington	73.50	2933.77	9840.40	156.81	1529.68
HCL Info	39.00	869.23	10311.62	47.86	2517.72
TVS Electronics	16.05	28.36	216.62	1.40	108.59

Ratios:

Name	Asset Turnover Ratio	Profit Margin
CMC	1.37	15%
Redington	6.43	2%
HCL Info	4.10	0.46%
TVS Electronics	1.99	0.65%

From the above statements in terms of profit margin i.e. in one rupee sale CMC can generate 15 paise profit and at the same time the three other companies can generate 2 paise, and less than one paise. But in Asset Turnover ratio reflects Redington and HCL Info have generate more than 6 times or 4 times respectively for every rupee in asset.

Company Name	1 Year	9 Month	6 Month	3 Month	1 Month	2 Week	1 Week	Last Price
ACI Infotech	8.05 -4.97%	9.70 -21.13%	13.79 -44.53%	16.27 -52.98%	13.30 -42.48%	9.45 -19.05%	8.43 -9.25%	7.65
Birla Shloka	8.24 -46.36%	7.57 -41.61%	7.71 -42.67%	9.94 -55.53%	3.63 21.76%	3.43 28.86%	4.45 -0.67%	4.42
Cerebra Int	32.15 -49.46%	26.95 -39.70%	28.60 -43.18%	25.70 -36.77%	20.30 -19.95%	16.60 -2.11%	16.20 0.31%	16.25
CMC	982.30 48.29%	854.35 70.50%	1110.75 31.15%	1279.85 13.82%	1364.70 6.74%	1315.00 10.78%	1376.60 5.82%	1,456.70
Compuage Info	60.90 -36.21%	60.60 -35.89%	58.20 -33.25%	55.05 -29.43%	44.00 -11.70%	40.00 -2.87%	41.00 -5.24%	38.85
Computer Point	1.77 -14.12%	1.98 -23.23%	1.83 -16.94%	1.70 -10.59%	1.49 2.01%	1.43 6.29%	1.34 13.43%	1.52
EuroMult	5.95 -62.18%	5.58 -59.68%	4.45 -49.44%	4.15 -45.78%	2.97 -24.24%	2.55 -11.76%	2.70 -16.67%	2.25
HCL Info	45.50 -14.40%	42.65 -8.68%	43.65 -10.77%	39.95 -2.50%	36.70 6.13%	37.75 3.18%	39.05 -0.26%	38.95
Moser Baer	17.05 -70.15%	9.32 -45.39%	6.37 -20.09%	7.01 -27.39%	5.19 -1.93%	4.31 18.10%	4.89 4.09%	5.09
MRO-TEK	10.13 -21.92%	9.31 -15.04%	9.25 -14.49%	7.51 5.33%	5.65 40.00%	5.54 42.78%	6.99 13.16%	7.91
Redington	89.05 -14.49%	75.65 0.66%	76.55 -0.52%	85.50 -10.94%	84.45 -9.83%	80.75 -5.70%	80.60 -5.52%	76.15
Ricoh India	33.90 7.37%	55.60 -34.53%	83.30 -56.30%	54.65 -33.39%	38.05 -4.34%	33.75 7.85%	34.15 6.59%	36.40
S Mobility	67.50 -60.37%	46.00 -41.85%	43.60 -38.65%	39.45 -32.19%	24.25 10.31%	29.00 -7.76%	27.00 -0.93%	26.75
Smartlink Net	48.00 13.96%	50.00 9.40%	51.70 5.80%	59.10 -7.45%	56.10 -2.50%	53.50 2.24%	55.30 -1.08%	54.70
SPEL Semiconduc	8.45 -20.47%	7.72 -12.95%	7.70 -12.73%	7.80 -13.85%	5.81 15.66%	5.75 16.87%	6.51 3.23%	6.72
Total Exports L	15.40 61.04%	15.40 61.04%	30.40 -18.42%	27.50 -9.82%	24.80 -	24.80 -	24.80 -	24.80
TVS Electronics	17.50 -4.29%	17.15 -2.33%	16.00 4.69%	17.55 -4.56%	15.15 10.56%	14.97 11.89%	15.09 11.00%	16.75
Xo - Tronics	2.66 -100.00%	2.76 -	1.86 -	1.99 -	1.62 -	1.43 -	1.39 -	-

If we go through the market capitalisation and last price CMC is much ahead of other Companies (from chart 6).

Price Performance

Name	Last Price	6 Months	1 Year
CMC	1458.00	1110.45	982.30
Redington	76.50	76.55	89.05
HCL Info	39.00	10.65	45.50
TVS Electronics	16.80	16.00	17.50

Stocks performed during one year and after six months, it envisages growth in terms of stock CMC's position is healthy (chart 7), though it depends on various parameters.

Competition

Name	Last Price	Market Cap. (Rs. cr.)	Sales Turnover	Net Profit	Total Assets
CMC	1,428.25	4,327.60	955.34	143.33	696.43
Redington	73.50	2,933.77	9,840.40	156.81	1,529.68
HCL Info	39.00	869.23	10,311.62	47.86	2,517.72
S Mobility	25.40	604.74	1,008.60	-47.40	603.65
Smartlink Net	54.70	164.13	69.39	366.45	424.48
Moser Baer	5.00	84.15	2,096.07	-309.78	2,115.94
TVS Electronics	16.05	28.36	216.62	1.40	108.59
Compuage Info	38.00	25.29	1,544.44	10.21	254.19
MRO-TEK	7.70	14.39	34.14	-14.32	65.39
Zenith Computer	6.75	10.45	180.44	1.68	141.33
EuroMult	2.80	6.66	62.10	-94.18	145.43