

CMC Limited

CMC, subsidiary of TCS, Asia's largest software company, has reported excellent performance in Q4 FY 2009 :-

- ✈ Net Sales grew @ 11.2% q-o-q to Rs. 237.8 crore (Rs. 213.9 crore in Q3 FY 2009), led by 31.2% spurt in Customer Services sales of Rs. 87.26 crore (Rs. 66.5 crore) and 26.6% rise in ITES sales of Rs. 22.45 crore (Rs. 17.75 crore). System Integration turnover was flat at ~ Rs. 115 crore.
- ✈ OPM% improved to 16.6% (15.7% in Q3 FY 2009) owing to continued thrust on profitable business. EBIT% of ITES business enhanced substantially to 31.3% (17.1% in Q3 FY 2009).
- ✈ Strong sales growth, improved profitability coupled with almost doubled other income of Rs. 6.2 crore (Rs. 3.4 crore) lifted PBT (before extra ordinary items) up by 22.9% to Rs. 42.1 crore (Rs. 34.3 crore).
- ✈ Further aided by write back of liability no longer required in books of American subsidiary of Rs. 7.1 crore led by 43% spurt in PAT of Rs. 38.5 crore (Rs. 27 crore in Q3 FY 2009).

For FY 2009

- ✈ Net sales at Rs. 939.8 crore declined by 11.7% due to 33.1% plunge in Customer Service income of Rs. 383.44 crore following strategic exit from low margin hardware business. System integration sales rose by 11.9% to Rs. 431.43 crore. American geography contributed 33% growth in rupee terms & 15% growth in dollar terms.
- ✈ OPM% improved considerably to 13.5% (11.5%) by right mix of business (value adding solutions and services revenue). PBIT% of System integration business enhanced to 28.2% (24.9%) and that of ITES business improved to 21.1% (18.7%).
- ✈ Other income zoomed to Rs. 19.9 crore (Rs. 2.8 crore). Company demonstrated significant resilience to volatility in exchange rates resulting in exchange gain of Rs. 9.45 crore as against exchange loss of Rs. 1 crore in FY 2008. Moreover, company has net Cash & Cash equivalent of Rs. 128 crore & had earned Rs. 4.7 crore (Rs. 1.2 crore) as interest & dividend.
- ✈ As a result, PBT (before extra ordinary income) increased by 15.7% to Rs. 135.6 crore.
- ✈ After accounting for extra ordinary income of Rs. 8.2 crore (Rs. 6.1 crore net), PAT soared up by 25.9% to Rs. 116.2 crore (Rs. 92.3 crore).
- ✈ Company declared higher dividend of 150% (110%) for FY 2009. At CMP of Rs. 378/-, dividend yield works out to 4%.

Going forward

- ✈ Value adding services and system integration business using the assets of company will be enhanced going forward.
- ✈ Company is clearly focused on growth for future by a right combination of domestic and international business.
- ✈ At CMP of Rs. 378/-, the share is trading at 5.2 times FY 2009 actual consolidated EPS of Rs. 72.3 and 4.6 times FY 2010 EPS of Rs. 82/-. In view of decent growth prospects, we recommend to "BUY" the share at CMP.

Disclosures:

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