

July 19, 2013

CMC LTD.

BSE Code: 517326

NSE Code: CMC

Reuters Code:

CMC.NS

Bloomberg Code: CMC:IN

CMC Limited (CMC), incorporated in 1975, is a subsidiary of Tata Consultancy Services Ltd. The company is engaged in the design, development and implementation of software technologies and applications, providing professional services in India and overseas. It operates in four segments. Customer Services, Systems Integration, IT Enabled Services and Education and Training.

## Investor's Rationale

**Moderate growth in topline by 7.5% YoY, assisted by dominant System Integration business** – CMC, registered a moderate growth in its topline by 7.5% YoY at ₹4,860mn in Q1FY'14 against ₹4,523mn on consolidated basis primarily on account of growth in dominant System Integration business (10.8% YoY at ₹2,930mn) contributing 58% of the total sales. Further, 7.2% growth in Customer Service business also assisted in topline growth. Moreover, education business and IT business grew by 3.8% and 1.4% YoY at ₹144mn and ₹723mn respectively. While, SEZ business recorded decline of 18% YoY to ₹102mn.

**EBITDA margin contracted 80bps YoY on sharp rise in sub-contracting and outsourcing costs**– The EBITDA of the company grew marginally by 2.4% YoY to ₹770mn while, OPM contracted by 80bps YoY at 15.8% against 16.6% mainly due to sharp rise in sub-contracting and outsourcing costs by 409bps YoY at 38.0% against 33.9%. While, employee cost and other expenses fell 192bps and 215bps to 26.6% and 10.5% respectively.

**Sharp rise in tax pulled down the bottom-line** – CMC has recorded a decline in bottom-line during the quarter by 9.1% YoY at ₹531mn primarily on the account of sharp rise in tax by 62.9% YoY at ₹278mn mainly due to one-off tax from CMC Americas. Further, 13.8% YoY growth in depreciation also pressured the bottom-line. Even, robust growth in other income and decline in interest cost by 76.6% YoY and 78.3% YoY ₹101mn and ₹62mn respectively had not much impact on bottom-line. Thus, NPM crashed by 206bps YoY at 10.7% against 12.8%.

**Added 16 new clients to its existing figures** – CMC, witnessed broad based growth in India and International market, during the quarter, it added 16 new clients, 2 in US market and remaining 14 in Indian market.

### Market Data

Rating	BUY
CMP (₹)	1,320
Target Price	1,500
Stop Loss	1,150
Duration	Short-term
52-week High-Low (₹)	1,523/933
Rise from 52WL (%)	41.5
Correction from 52WH (%)	13.3
Beta	(0.1)
1 year Average Volume ('0000)	2.5
	3M-
Stock Return (%)	(2.5)
	6M-
	(1.2)
	1Y-
	40.1
Market Cap (₹bn)	40.0
Book Value (₹)	274.8

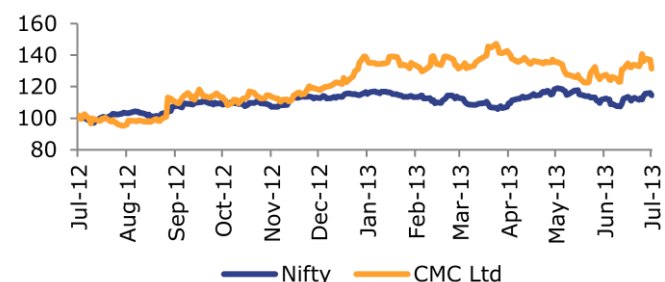
### Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	51.1	51.1	-
FII (%)	21.8	19.9	2.0
DII (%)	19.1	20.5	(1.4)
Public & Others (%)	8.0	8.6	(0.6)

### Quarterly Performance (Consolidated)

(₹Mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Sales	4,860	4,523	5,229	7.5	(7.0)
Op. exp	4,096	3,770	4,422	8.6	(7.4)
EBITDA	770	752	818	2.4	(5.8)
OPM (%)	15.8	16.6	15.6	(80bps)	22bps
Net profit	531	584	613	(9.1)	(13.4)
NPM (%)	10.7	12.8	11.6	(206bps)	(92bps)
EPS (₹)	17.5	19.3	20.2	(9.1)	(13.4)

### One Year Price Chart





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