

The future is here

CMC, a part of the Tata group since 2001, finds that its ability to provide customised innovative products is a key differentiator in the industry

Ramanathan Ramanan is a man with wings on his feet. These last six months, the CMC managing director has travelled around the globe on business, to the US, the UK, Europe, the Middle East, APAC and Mexico. And that vast geography is an indicator of the extent and intensity of growth at CMC.

Since 2001, this homegrown IT company has changed and grown into an international player deliv-

ering world-class solutions; the evolution can be traced to two predominant factors — a deep-rooted culture of innovation and the partnership with Tata Consultancy Services.

Corporate evolution

Set up in 1976, when IBM left India, CMC's first identity was that of a public sector unit; it inherited a number of facilities from IBM and its main task was maintenance of a large number of systems across India. Over the years this changed as the company was called upon to provide total computerisation solutions. It started adding software and training capabilities to become a service and solution provider.

One of the biggest examples of CMC's wide scope of operations is the Indian Railways reservation system, where CMC developed the application, computerised and connected 8,000 railway stations, trained thousands of end users, and undertook digitisation of existing operations, data and records.

"This turnkey project laid the framework for CMC's four pillars of business operations — infrastructure management, systems integration, education and training, and IT-enabled services, involving converting manual data into electronic data and creating complex workflow management systems and integrating these into the application," says Mr Ramanan.

Solutions for India

The Indian Railways project laid the tracks for several major projects to come its way — computerisation of the Bombay Stock Exchange and 13 other exchanges, automation of port operations in Mumbai, computerisation of operations of three of India's largest insurance companies (New India Assurance, United Insurance and National Insurance — with over 1,500 locations connected and networked by a product called Genisys). Other unique projects involved developing biometric-based systems (fingerprinting and criminal tracking system or FACTS), automation of mine operations (through a GPS-based truck despatch system called



CMC's Mumbai office is designed for increasing energy efficiencies

Nirdeshak), and even a project for the London Underground.

Each of these projects led to CMC developing in-depth and unique strengths and skills in R&D as they called for a high degree of indigenisation and innovation. The company had to focus on delivering low-cost, robust solutions that had to be replicable across a large number of sites across different states of India, an expertise not matched by any other company in India.

Though CMC grew in size and scale, there was a flip side to the situation — there was no focus on profitability, on developing formal processes for software development, or developing a customer base overseas or in the private sector. “The government business came to us on a platter. But the business, with its emphasis on lowest bids, was not very profitable,” says Mr Ramanan. With other Indian software companies looking mainly at development of applications for offshore markets, CMC could only watch as the rest of the industry galloped ahead. In the late '90s, CMC acquired an overseas arm, Baton Rouge International, and subsequently renamed it as CMC Americas in 2003. CMC was the first Indian company to acquire a foreign company.

Synergies with TCS

In 2001, CMC was acquired by Tata Consultancy Services and became a part of the Tata group. CMC brought to the table a strong presence in the Indian market and innovative solutions that could be exported to the global market.

TCS espied strategic benefits in CMC — its rock-solid Indian base and its portfolio of innovative applications across insurance, ports, railways, etc that could be exposed overseas by TCS's global marketing presence. Another area where CMC had developed competencies was in developing embedded systems, a complementary fit to TCS's capabilities and a key differentiator in the CMC portfolio. “We play a unique role. The identity of our company and the identity of our solutions give us a unique flavour. The opportunity for CMC to grow comes from the global presence of TCS and the Tata group,” says Mr Ramanan.

But before the partnership could bear fruit, there was a need for change. As a company, CMC had to transform its “capability and ability into agility”. CMC needed to evolve into a company with the mindset to tackle global private sector markets and be able to react and position itself proactively as a solution provider. Another key change that took time to accomplish was shedding old business lines arising out of its government heritage — old contracts where CMC had to supply equipment, upgrades and server refreshes — a low margin ‘box-selling’ business with payment collection problems. Looking at its bottom lines, CMC decided to



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consciously focus on the high margin business of providing complex solutions and services to customers.

“The conversion was a challenge — developing a global mindset, becoming more agile, instituting formal internal processes etc. At the same time we saw opportunities in leveraging our presence in the Indian market for further rapid growth in the private sector, and in leveraging TCS's global presence for CMC's solutions and services in areas where TCS had not penetrated,” says Mr Ramanan.

The breakthrough

Today CMC has successfully crossed the threshold; it has positioned itself as a solution and service oriented provider and now has the potential to grow rapidly. The synergies between TCS and CMC have played a key role in the new improved CMC persona. Some of these have taken longer to realise, such as formal systems for implementing SEI-CMM Level 5 processes, quality management systems, execution methodologies, intranet based digitisation tools, etc which were on par with international standards. But go-to-market synergies with TCS started bearing early fruit. The very first year CMC won a \$20 million infrastructure outsourcing contract in Charleston County, South Carolina, USA.

The other area of growth was in embedded systems — the CMC team grew from 70-80 people to one that is now 800-strong and services major clients such as GE, Motorola, Ericsson, Xerox and Xilinx. CMC takes on high-end work for these clients involving outsourced R&D and VVT (verification, validation and testing).

CMC also has a number of international clients in the ports business; it has implemented ports and logistics solutions for the port in Penang, Malaysia; eight ports in the UK, WWL's shipping services, AP Moiller, Port of Chile, etc. Another profitable business line has been the digitisation of workflow management for large financial and insurance companies in the US and the UK. “Our clients find that CMC DOCS — a CMC-developed tool — is a major differentiator,” says Mr Ramanan.

The innovation highway

These last few years, CMC has realised that in the

world of software suppliers, its key differentiators are quality and innovation; where the company goes the extra mile for its clients is to integrate external innovative solutions into its applications. For instance, its insurance application solution, Genisys, also includes HR tools for talent or agent management and CRM tools for customer management. “We are looking at enhancing the total customer experience,” says Mr Ramanan.

Within India, CMC is still in demand for its ability to provide low-cost indigenous solutions. Its client base covers leading public sector units across the oil and gas,



Offices: Corporate office: New Delhi; Network: 18 offices, 150 service locations, over 3,600 employees; Overseas locations: US, UK, UAE.

Business units: Customer services, systems integration, embedded systems, IT-enabled services, education and training.

Cutting hyper edge projects: Mission critical embedded systems for defence and airborne systems, GPS-GIS tracking system for Indian Oil Corporation’s fleet of 16,000 vehicles, digital township at Amanora Park, Pune, port automation, container handling and cargo logistics, FPGA based systems, investors’ biometric database for National Securities Depository, e-governance for the Chattisgarh government.

CS activities: Creating biometric hyper based technology to facilitate interaction of handicapped people with banks and other commercial institutions and job-enabled training for underprivileged students.

banking and insurance sectors, as well as private sector giants Hindustan Unilever, ITC, ICICI Lombard, Sampo, Chola and Tata Motors. From a preponderance of domestic revenue (nearly 90 per cent in 2001), CMC now generates only 60-65 per cent of its turnover from Indian clients — a much more balanced proportion. “Having a strong hold in the domestic market is a blessing in disguise given the current global market turmoil,” says Mr Ramanan.

Black is black

At CMC, the transformation has showed success on several fronts — internal systems, external client base, and on the balance sheet. The new challenge now lies in expediting this growth further. “We are targeting doubling of revenues in the next three years and increasing our margins to 20 per cent in the next five years. We have set the framework for this and we believe it is possible,” says Mr Ramanan.

The figures bear out the optimism. Today more than 60.2 per cent of CMC’s revenue comes from services, a big change from the 40 per cent mark it was at earlier. EBIDTA margins are at 12 per cent, as compared to 6-7 per cent in 2001. In 2004-05, profit after tax was Rs23.06 crore on revenues of Rs775 crore; in 2007-08, profits after tax stand at Rs88.22crore on a revenue base of Rs977 crore.

This year the company has not registered any negative impact in the current economic scenario. In fact, it is focusing on opportunities arising out of the fallout — for instance, an increased emphasis on education and training. CMC has established partnerships with leading international players in the field and intends to boost its own education and training business unit.

Other new business areas that CMC is looking at include roads, transportation, healthcare, defence and space technology. The partnership with TCS is also leading to business from new sources — the two companies have jointly bid for large projects such as the digitisation of the passport office and the Ministry of Company Affairs database. “These were projects that we as individual companies would have found difficult to manage. Together we have the capabilities for it,” says Mr Ramanan.

Today the biggest concerns at CMC are not bottom lines and margins. In spite of global recessionary fears, CMC’s biggest challenge is to sustain its strong innovative culture. It’s this culture and way of thinking and working that has helped the company grow and transform from a public sector unit set up in the era of FERA (Foreign Exchange Regulation Act) to a global player with the capability of delivering complex client-specific solutions across industries. CMC’s newfound sense of drive and vigour, married to TCS’s marketing capabilities, has taken the partnership to new heights. ●

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