

Profit after tax for the quarter at Rs. 10,643 Mn, up 27.3% over previous year

Tech Mahindra Limited

Registered Office : Gateway Building, Apollo Bunder, Mumbai 400 001. Website : www.techmahindra.com.

Email : investor.relations@techmahindra.com. CIN : L64200MH1986PLC041370

Consolidated Audited Financial Results for the quarter and six months period ended September 30, 2018

		Quarter ended			Six months period ended		Rs.in Lakhs
Particulars		September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	Year ended March 31, 2018
1	Revenue from Operations	862,985	827,628	760,638	1,690,613	1,494,248	3,077,293
2	Other Income	17,508	11,144	32,224	28,652	73,291	141,649
3	Total Revenue (1 + 2)	880,493	838,772	792,862	1,719,265	1,567,539	3,218,942
4	EXPENSES						
	Employee Benefits Expense	430,311	437,946	420,500	868,257	826,579	1,662,397
	Subcontracting Expenses	111,541	97,041	93,718	208,582	184,612	388,801
	Finance Costs	3,877	3,052	3,864	6,929	7,559	16,238
	Depreciation and Amortisation Expense	29,443	28,077	26,530	57,520	51,214	108,498
	Other Expenses	159,258	156,951	135,848	316,209	279,016	555,133
	Total Expenses	734,430	723,067	680,460	1,457,497	1,348,980	2,731,067
5	Profit before share in profit/(loss) of associates and tax (3-4)	146,063	115,705	112,402	261,768	218,559	487,875
6	Share of Profit / (Loss) of Associates	(1,328)	(1,185)	(2)	(2,513)	-	8
7	Profit before Tax (5 + 6)	144,735	114,520	112,400	259,255	218,559	487,883
8	Tax Expense						
	Current Tax	45,581	28,241	35,250	73,822	63,529	117,684
	Deferred Tax	(6,440)	(3,668)	(6,776)	(10,108)	(8,075)	(8,421)
	Total Tax Expense	39,141	24,573	28,474	63,714	55,454	109,263
9	Profit after tax (7 - 8)	105,594	89,947	83,926	195,541	163,105	378,620
	Profit for the period attributable to:						
	Owners of the Company	106,433	89,787	83,615	196,220	163,476	379,982
	Non Controlling Interests	(839)	160	311	(679)	(370)	(1,362)
10	Other Comprehensive Income	(7,304)	(1,711)	(10,850)	(9,015)	(16,794)	(21,899)
11	Total Comprehensive Income (9 + 10)	98,290	88,236	73,076	186,526	146,311	356,721
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	97,649	87,937	71,804	185,586	144,510	355,191
	Non Controlling Interests	641	299	1,272	940	1,801	1,530
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	44,222	44,198	43,995	44,222	43,995	44,170
13	Total Reserves						1,840,114
14	Earnings Per Equity Share (Rs)						
	(EPS for quarter and six months period ended are not annualised)						
	Basic	11.99	10.12	9.52	22.11	18.61	43.02
	Diluted	11.93	10.07	9.40	21.99	18.38	42.66

Standalone Information

Particulars	Quarter ended			Six months period ended		Year ended
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
Revenue from Operations	687,086	628,685	592,050	1,315,771	1,167,529	2,366,470
Profit before tax	164,627	111,082	161,056	275,709	261,806	490,454
Profit after tax	133,707	91,622	137,767	225,329	217,390	399,724

Primary Segments

The Company identifies its Primary Business Segments based on the type of services offered, i.e. IT Services & BPO services.

Segment wise Revenue, Results and Capital Employed

Particulars	Quarter ended			Six months period ended		Year ended
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
Segment Revenue						
a) IT	796,487	766,151	708,752	1,562,638	1,395,072	2,857,148
b) BPO	66,498	61,477	51,886	127,975	99,176	220,145
Total Sales / Income from operations	862,985	827,628	760,638	1,690,613	1,494,248	3,077,293
Segment Profit before tax, interest and depreciation						
a) IT	147,348	123,070	103,441	270,418	189,188	429,953
b) BPO	14,527	12,620	7,131	27,147	14,853	41,009
Total	161,875	135,690	110,572	297,565	204,041	470,962
Less:						
(i) Finance costs	3,877	3,052	3,864	6,929	7,559	16,238
(ii) Other un-allocable expenditure Net off un-allocable income	13,263	18,118	(5,692)	31,381	(22,077)	(33,159)
Profit before tax	144,735	114,520	112,400	259,255	218,559	487,883



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	Rs.in Lakhs			
Statement of segment Assets and Liabilities	September 30, 2018	June 30, 2018	September 30, 2017	March 31, 2018
Segment Assets				
Trade and Other Receivables				
IT	988,806	914,307	809,990	844,610
BPO	62,940	57,272	54,079	61,820
Total Trade Receivables	1,051,746	971,579	864,069	906,430
Goodwill				
IT	260,839	245,141	240,478	239,821
BPO	37,445	37,445	37,445	37,445
Total Goodwill	298,284	282,586	277,923	277,266
Unallocable Assets	1,869,800	1,908,387	1,628,082	1,860,029
TOTAL ASSETS	3,219,830	3,162,552	2,770,074	3,043,725
Segment Liabilities				
Unearned Revenue				
IT	28,922	24,674	24,789	27,520
BPO	161	180	331	-
Total Unearned Revenue	29,083	24,854	25,120	27,520
Advance from Customers				
IT	37,053	30,427	24,625	33,359
BPO	6,380	4,820	-	-
Total Advance from Customers	43,433	35,247	24,625	33,359
Unallocable Liabilities	1,165,133	1,074,582	956,032	1,047,654
TOTAL LIABILITIES	1,237,649	1,134,683	1,005,777	1,108,533

i) Segmental Capital Employed

Segregation of assets into primary segments has been done to the extent applicable. Segregation of balance assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the related assets are used interchangeably between segments. Accordingly no disclosure relating to such has been made.

ii) The management allocates certain indirect expenses to operating segments. During the current period, management has allocated certain additional indirect expenses, which were previously reported as unallocable, to operating segments. This change in allocation is also reflected in prior period comparatives.

Balance Sheet as at September 30, 2018 (Consolidated - Audited)

	Rs.in Lakhs	
Particulars	As at September 30, 2018	As at March 31, 2018
ASSETS		
Non-Current Assets		
(a) Property, Plant and Equipment	285,226	298,098
(b) Capital Work-in-Progress	26,080	23,993
(c) Investment Property	18,490	19,056
(d) Goodwill	298,284	277,266
(e) Other Intangible Assets	158,070	167,810
(f) Investment accounted using Equity method	7,601	10,100
(g) Financial Assets		
(i) Investments	106,407	114,483
(ii) Trade Receivables	1,483	1,380
(iii) Loans	546	524
(iv) Other Financial Assets	32,281	24,679
(h) Advance Income Taxes (Net of provisions)	211,206	177,753
(i) Deferred Tax Assets (Net)	80,254	57,656
(j) Other Non-Current Assets	54,889	60,224
Total Non - Current Assets	1,280,817	1,233,023
Current Assets		
(a) Inventories	8,456	6,592
(b) Financial Assets		
(i) Investments	358,706	344,494
(ii) Trade Receivables	719,064	649,789
(iii) Cash and Cash Equivalents	197,867	196,606
(iv) Other Balances with Banks	79,306	107,823
(v) Loans	45,000	15,000
(vi) Other Financial Assets	303,543	295,210
(c) Other Current Assets	227,073	195,187
Total Current Assets	1,939,015	1,810,701
Total Assets	3,219,832	3,043,724
EQUITY AND LIABILITIES		
Equity		
(a) Equity Share Capital	44,222	44,170
(b) Other Equity	1,885,472	1,840,114
Equity Attributable to Owners of the Company	1,929,694	1,884,284
Non controlling Interest	52,487	50,908
Total Equity	1,982,181	1,935,192
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	36,343	77,112
(ii) Other Financial Liabilities	77,951	57,292
(b) Provisions	56,051	55,511
(c) Deferred tax liabilities (Net)	435	580
(d) Other Non-Current Liabilities	3,176	3,330
Total Non - Current Liabilities	173,955	193,825
Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	111,712	95,487
(ii) Trade Payables	243,572	203,679
(iii) Other Financial Liabilities	257,696	200,632
(b) Other Current Liabilities	169,786	157,777
(c) Provisions	38,460	40,304
(d) Current Tax Liabilities (Net of advance income taxes)	119,430	93,788
Total Current Liabilities	940,656	791,667
Suspense Account (Net)	123,040	123,040
Total Equity and Liabilities	3,219,832	3,043,724



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Notes :

- 1 The quarterly and six months period ended results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on October 30, 2018.

2 Certain matters relating to erstwhile Satyam Computer Services Limited (erstwhile Satyam):

Subsequent to the letter dated January 7, 2009, due to the confession of the then Chairman of erstwhile Satyam with respect to fraud, various regulators/investigating agencies such as the Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), Directorate of Enforcement (ED), Central Bureau of Investigation (CBI) had initiated investigations on various matters and conducted inspections / issued notices calling for information which have been responded to. Certain non-compliances/breaches of laws and regulations by the erstwhile Satyam under the former Management (prior to Government nominated Board) were identified by various agencies which have been responded to/appropriately addressed by the erstwhile Satyam/Tech Mahindra Limited ('the Company') and the Company does not expect any further proceedings in this regard.

Proceedings in relation to 'Alleged Advances':

Pursuant to the aforesaid letter dated January 7, 2009, the erstwhile Satyam received letters from 37 companies seeking confirmation by way of acknowledgement of receipt of certain alleged amounts by the erstwhile Satyam (referred to as 'alleged advances'). These letters were followed by legal notices from them, claiming repayment of the alleged advances aggregating Rs. 123,040 Lakhs stated to be given as temporary advances but without any evidence in support of the nature of these transactions. The legal notices also claimed damages/compensation @18% per annum from the date of the advances till the date of repayment. The erstwhile Satyam has not acknowledged any liability to any of the 37 companies and has replied to the legal notices stating that the claims are legally untenable.

The 37 companies have filed petitions/suits for recovery against the erstwhile Satyam before the City Civil Court, Secunderabad (Court), with a prayer that these companies be declared as indigent persons for seeking exemption from payment of requisite court fees. Further, they have filed appeals before the Division Bench of the Honorable High Court of Andhra Pradesh, against the Orders of the Honorable High Court of Andhra Pradesh and the Honorable High Court of Judicature at Bombay sanctioning the scheme of merger of erstwhile Satyam with the Company w.e.f. April 1, 2011, which are yet to be heard. One of the aforesaid companies has also appealed against the Order rejecting the Petition for winding-up of the erstwhile Satyam. These matters have been combined for hearing.

The Directorate of Enforcement (ED) while investigating the matter under the Prevention of Money Laundering Act, 2002 (PMLA) had directed the erstwhile Satyam not to return the alleged advances until further instructions. In furtherance to the investigation, certain fixed deposits of the Company with certain banks, then aggregating to Rs. 82,200 Lakhs were alleged by ED to be 'proceeds of crime' and were provisionally attached vide Order dated October 18, 2012 by the ED (the Order). The Hon'ble High Court of Andhra Pradesh (the Court) had, pending further Orders in the Writ Petition, granted stay of the said Order and all proceedings thereto vide its Order dated December 11, 2012. The ED had challenged this interim Order passed by the Single Judge before the Division Bench of the Court. Vide order dated December 31, 2014, the Hon'ble High Court upon hearing the matter, has dismissed the Appeal filed by ED and affirmed the Stay granted by the Single Judge. Consequently, out of the aforesaid fixed deposits which were attached, fixed deposits aggregating Rs. 35,700 Lakhs have been redeemed. Certain banks have not honored the redemption claim and the Company is pursuing the matter legally.

In view of the aforesaid developments and also on an independent legal opinion the Management believes that the claim by the 37 companies for repayment of the alleged advances, including interest thereon is not legally tenable. Consequently, pending the final outcome of the proceedings, as a matter of prudence, the Company has accounted and disclosed the amount of Rs. 123,040 Lakhs as 'Suspense Account (net)'. Although remote, in the event that these cases are decided against the Company, there would be no effect on the financial results or financial position of the Company.

3 Satyam Venture Engineering Services Private Limited (SVES)

Accounting for sales commission

The contingency provision in the books represents provision with respect to sales commission, if any, payable to Venture Global LLC for the period from financial year 2005-2006 to 2011-2012 amounting to Rs. 5,290 Lakhs.

During the financial year 2011-2012, the Board of SVES reassessed the need to accrue sales commission considering that no services were rendered by Venture Global LLC during the period from FY 2005-2006 to FY 2011-2012. Accordingly, the Board of SVES decided to write back sales commission amounting to Rs. 3,590 Lakhs pertaining to the years from FY 2005-2006 to FY 2010-2011 and to not accrue for sales commission for FY 2011-2012 amounting to Rs. 1,700 Lakhs. However, pending the final disposal of legal proceedings in relation to disputes between Tech Mahindra Ltd and Venture Global LLC, the Board decided to account for a contingency provision for the sales commission amounting to Rs. 5,290 Lakhs covering the period from FY 2005-2006 to FY 2011-2012. Considering the Order of the Honorable High Court of Andhra Pradesh dated August 23, 2013 directing all parties to maintain status quo, the Board based on a legal opinion decided not to reverse the contingency provision made in FY 2011-2012. Further, since the matter is subjudice, sales commission for subsequent periods has been disclosed as a contingent liability amounting to Rs. 15,940 Lakhs as on September 30, 2018 (March 31, 2018: Rs. 14,460 Lakhs).

Preparation of financial statements

At the Annual General Meetings of SVES held on October 29, 2012, September 10, 2013, September 22, 2014, September 07, 2015, July 29, 2016, July 19, 2017 and July 23, 2018 one of the shareholders abstained from voting on the resolution for adoption of audited financial statements as at and for the years ended March 31, 2012, March 31, 2013, March 31, 2014, March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018 respectively. In the absence of unanimous consent of both the shareholders of SVES, the said financials have not been approved.

The financial statements as at and six months period ended September 30, 2018 have been drawn up incorporating the opening balances based on above said financial statements which have not been adopted by the Shareholders. Adjustments required, if any, will be made in accounts as and when determined.

- 4 Effective April 1, 2018, the Company has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively to contracts that are not completed as at the date of initial application and the comparative information is not restated. The effect of adoption of the standard did not have any significant impact on the financial statements of the Company.
- 5 Tax expense for the six months period ended September 30, 2018 is net of provision of Rs. 9,030 Lakhs of earlier periods, no longer required, written back. (Quarter ended "QE" September 30, 2018: Rs. Nil) (QE June 30, 2018: Rs. 9,030 Lakhs) (QE September 30, 2017: Rs. 1,575 Lakhs) (Six months period ended September 30, 2017: Rs. 2,695 Lakhs).
Tax expense for the year ended March 31, 2018 is net of provision of Rs. 25,728 Lakhs of earlier periods, no longer required, written back.

- 6 Previous period's figures have been regrouped wherever necessary.

7 Emphasis of Matters

The Emphasis of Matters in the Auditor's Report pertains to the following:

(i) With relation to Note 2 in respect of certain matters relating to erstwhile Satyam Computer Services Limited (erstwhile Satyam), amalgamated with the Company with effect from April 1, 2011 which are discussed below:

Certain non-compliances and breaches of laws and regulations by the erstwhile Satyam under the former Management (prior to Government nominated Board) identified by the various agencies have been responded to in earlier years and no further communication has been received by the Company on these matters and with the passage of time, the Company does not expect any further proceedings in this regard.

The Company's management, on the basis of current legal status and external legal opinion, as more fully described in note 2, has concluded that (i) claims made by 37 companies in the City Civil Court for alleged advances amounting to Rs. 123,040 Lakhs made by these companies to erstwhile Satyam and presented separately under 'Suspense account (net)' and (ii) the claims to these advances filed by Enforcement Directorate under the Prevention of Money Laundering Act in the High Court of Andhra Pradesh will not sustain on ultimate resolution by the respective Courts.

(ii) With relation to Note 3 in case of one of the subsidiaries of the Group, the other auditors in their auditor's report have drawn attention to a possible charge, that may arise in respect of the on-going dispute which is currently sub-judice between the promoters of the subsidiary on various issues relating to the shareholders agreement, the outcome of which is not determinable at this stage.

Further, the auditors have drawn attention to the fact that the annual financial statements for the years ended from March 31, 2012 to March 31, 2018 have not been adopted by the members of that subsidiary in their respective annual general meetings in the absence of unanimous consent of both the shareholders in terms of the Articles of Association of the subsidiary company. The financial statements as at and for the quarter and six month period ended September 30, 2018 have been drawn up incorporating the opening balances based on the above mentioned financial statements which have not been adopted by the shareholders of the subsidiary company. Adjustments to the opening balances, if any, will be made in the financial statements as and when determined.

8 Management response to Emphasis of Matters:

With regard to the Emphasis of Matters stated in Note 7 above, there are no additional developments on Emphasis of Matters mentioned in Notes 2 and 3 above which require adjustments to the financial statements.

- 9 The Financial Results have been made available to the Stock Exchanges where the Company's securities are listed and are posted on the Company's website (www.techmahindra.com).

Date : October 30, 2018
Place : Mumbai



C.P. Gurnani
Managing Director & CEO

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