

Profit after tax for the quarter at Rs. 9431 Mn, up 12.8% over previous Quarter

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 nine months ended December 31, 2017

		Quarter ended			Nine months ended		Rs.in Lakhs
Particulars		December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016	Year ended March 31, 2017
1	Revenue from Operations	7,77,596	7,60,638	7,55,750	22,71,844	21,64,584	29,14,084
2	Other Income	22,504	32,224	15,518	95,795	53,967	77,756
3	Total Revenue (1 + 2)	8,00,100	7,92,862	7,71,268	23,67,639	22,18,551	29,91,840
4	EXPENSES						
	Employee Benefits Expense	4,21,288	4,20,500	3,93,202	12,47,867	11,46,159	15,45,394
	Subcontracting Expenses	97,794	93,718	89,464	2,82,406	2,64,092	3,61,117
	Finance Costs	3,409	3,864	3,488	10,968	9,680	12,859
	Depreciation and Amortisation Expense	27,419	26,530	24,797	78,634	69,460	97,806
	Other Expenses	1,32,054	1,35,848	1,54,437	4,11,070	4,25,757	5,89,130
	Total Expenses	6,81,964	6,80,460	6,65,388	20,30,945	19,15,148	26,06,306
5	Profit before share in profit/(loss) of associates and tax (3-4)	1,18,136	1,12,402	1,05,880	3,36,694	3,03,403	3,85,534
6	Share of Profit / (Loss) of Associates	4	(2)	15	6	(234)	(234)
7	Profit before Tax (5 + 6)	1,18,140	1,12,400	1,05,895	3,36,700	3,03,169	3,85,300
8	Tax Expense						
	Current Tax	19,140	35,250	20,572	82,670	76,534	96,981
	Deferred Tax	6,564	(6,776)	837	(1,511)	(1,845)	3,232
	Total Tax Expense	25,704	28,474	21,409	81,159	74,689	1,00,213
9	Profit after tax (7 - 8)	92,436	83,926	84,486	2,55,541	2,28,480	2,85,087
	Profit for the period attributable to:						
	Owners of the Company	94,306	83,615	85,598	2,57,781	2,25,082	2,81,287
	Non Controlling Interests	(1,870)	311	(1,112)	(2,240)	3,398	3,800
10	Other Comprehensive Income	1,903	(10,850)	1,584	(14,891)	6,630	8,334
11	Total Comprehensive Income (9 + 10)	94,339	73,076	86,070	2,40,650	2,35,110	2,93,421
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	96,505	71,804	88,298	2,41,014	2,33,370	2,90,967
	Non Controlling Interests	(2,166)	1,272	(2,228)	(364)	1,740	2,454
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	44,145	43,995	43,826	44,145	43,826	43,877
13	Total Reserves						15,99,842
14	Earnings Per Equity Share (Rs) (not annualised)						
	Basic	10.73	9.52	9.79	29.32	25.73	32.14
	Diluted	10.61	9.40	9.63	29.01	25.33	31.64

Standalone Information (Audited)

		Quarter ended			Nine months ended		Rs.in Lakhs
Particulars		December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016	Year ended March 31, 2017
	Revenue from Operations	5,96,771	5,91,937	5,91,286	17,64,062	17,24,181	23,16,539
	Profit before tax	98,824	1,61,128	1,02,498	3,60,624	3,10,765	3,87,873
	Profit after tax	83,824	1,37,841	85,189	3,01,203	2,46,159	3,04,733

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

		Quarter ended			Nine months ended		Rs.in Lakhs
Particulars		December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016	Year ended March 31, 2017
Segment Revenue							
a) IT		7,15,710	7,08,752	7,03,116	21,10,782	20,14,790	27,12,365
b) BPO		61,886	51,886	52,634	1,61,062	1,49,794	2,01,719
Total		7,77,596	7,60,638	7,55,750	22,71,844	21,64,584	29,14,084
Less: Inter Segment Revenue		-	-	-	-	-	-
Net Sales / Income from operations		7,77,596	7,60,638	7,55,750	22,71,844	21,64,584	29,14,084
Segment Profit before tax, interest and depreciation							
a) IT		1,51,345	1,34,932	1,44,934	4,12,244	4,10,805	5,26,962
b) BPO		19,757	13,662	15,642	45,074	43,354	60,014
Total		1,71,102	1,48,594	1,60,576	4,57,318	4,54,159	5,86,976
Less:							
(i) Finance costs		3,409	3,864	3,488	10,968	9,680	12,859
(ii) Other un-allocable expenditure Net off un-allocable income		49,557	32,328	51,208	1,09,656	1,41,076	1,88,583
Profit before share in profit/(loss) of associates and tax		1,18,136	1,12,402	1,05,880	3,36,694	3,03,403	3,85,534



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	Rs.in Lakhs			
Statement of segment Assets and Liabilities	December 31, 2017	September 30, 2017	December 31, 2016	March 31, 2017
Segment Assets				
Trade and Other Receivables				
IT	8,05,065	8,09,990	8,29,596	7,08,335
BPO	74,048	54,079	48,118	42,956
Total Trade Receivables	8,79,113	8,64,069	8,77,714	7,51,291
Goodwill				
IT	2,34,186	2,40,478	2,11,129	2,25,342
BPO	37,445	37,445	37,445	37,445
Total Goodwill	2,71,631	2,77,923	2,48,574	2,62,787
Unallocable Assets	17,31,701	16,28,082	14,03,657	15,92,576
TOTAL ASSETS	28,82,445	27,70,074	25,29,944	26,06,654
Segment Liabilities				
Unearned Revenue				
IT	24,303	24,789	20,378	30,125
BPO	331	331	4,979	1,309
Total Unearned Revenue	24,634	25,120	25,357	31,434
Advance from Customers				
IT	33,310	24,625	28,263	25,287
BPO	-	-	-	-
Total Advance from Customers	33,310	24,625	28,263	25,287
Unallocable Liabilities	10,08,265	9,56,032	8,58,424	8,59,802
TOTAL LIABILITIES	10,66,209	10,05,777	9,12,045	9,16,523

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.

Notes :

1 The quarterly and nine monthly results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on January 29, 2018.

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

Subsequent to the letter dated January 7, 2009, the then Chairman of erstwhile Satyam's confession 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. 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/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. 123040 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. 82200 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 main Writ Petition is pending for final hearing. Meanwhile, 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. 35700 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 based 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. 123040 Lakhs as 'Suspense Account (net)', provided earlier. 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.



Tech Mahindra LimitedRegistered Office : Gateway Building, Apollo Bunder, Mumbai 400 001. Website : www.techmahindra.com.Email : investor.relations@techmahindra.com. CIN : L64200MH1986PLC041370**3 Satyam Venture Engineering Services Private Limited (SVES)****Accounting for sales commission**

During the financial year 2011-12, the Board of SVES re-assessed the need to accrue sales commission in its books and based on such re-assessment took the view, when the financial statements of SVES for the year ended March 31, 2012 were tabled for approval, that the accrual of sales commission from FY 05-06 to FY 10-11 of Rs. 3590 Lakhs be written back as other income in the Statement of Profit and Loss and the sales commission for the period from April 2011-December 2011 be reversed.

However, as a prudent measure, the Board directed that SVES to provide an amount of Rs. 5290 Lakhs as a provision for contingency, covering the period from FY 05-06 to FY 11-12 which in its opinion would be adequate to cover any possible outflow that may arise in respect of the above aforesaid matter and adjustments to the financial statements if any, arising out of dispute between joint venture partners to be made on final disposal of legal proceedings.

Taking into account subsequent legal developments and an Order of the Honorable High Court of Andhra Pradesh dated August 23, 2013 in the matter directing all parties to maintain status quo, the Board of SVES did not make any additional provision from FY 12-13 towards sales commission but instead disclosed an amount of Rs. 13564 Lakhs (March 31, 2017 : Rs 11220 Lakhs) as contingent liability towards any possible charge that may arise in respect of the above said matter, in the financial statements for the period ended December 31, 2017 and by way of abundant caution continued to carry forward contingency provision considering the issues before judicial authorities, notwithstanding the Board's view that there is no need to accrue sales commission.

Preparation of financial statements

At the Annual General Meetings of the SVES held on October 29, 2012, September 10, 2013, September 22, 2014, September 07, 2015, July 29, 2016 and July 19, 2017 one of the shareholders abstained from voting on the resolution for adoption of audited financial statements as at and for the year ended March 31, 2012, March 31, 2013, March 31, 2014, March 31, 2015, March 31, 2016 and March 31, 2017 respectively. In terms of Article 66 of the Articles of Association of SVES, the adoption of audited financial statements requires unanimous consent of both the shareholders of SVES. Therefore, the said financials have not been approved by the shareholders.

The financial statements as at and for the period ended December 31, 2017 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 The Company on May 4, 2017, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. acquired 84.7 % stake in CJS Solutions Group, LLC (CJS) for an initial consideration of Rs. 57420 Lakhs (USD 895 Lakhs). Further the subsidiary of the Company has acquired call and a written put options on the 15.3% Non-Controlling Interest to be exercised over three-year period ended December 31, 2019, based on variable pricing formula determined in the share purchase agreement with an overall cap of USD 1305 Lakhs.
- 5 The Company, on December 22, 2017 in accordance with the shareholders agreement, acquired an additional 32.07% stake in Comviva Technologies Limited from Bharati Group and Westbridge Ventures II Investment Holdings for a total consideration of Rs. 36186 Lakhs. As a result of this, the Company now holds 99.17 % stake in Comviva Technologies Limited as on December 31, 2017.
- 6 Tax expense for the quarter and nine months ended December 31, 2017 is net of excess provision of Rs. 22603 Lakhs and Rs. 25298 Lakhs respectively (quarter and nine months ended December 31, 2016: Rs. 8993 Lakhs and Rs. 6977 Lakhs respectively) of earlier periods written back, no longer required.
- 7 Corresponding figures for the quarter and nine months period ended December 31, 2016 and year ended March 31, 2017 were audited by another firm of Chartered Accountants, who expressed a modified opinion on the consolidated financial results for the quarter and nine months period ended December 31, 2016 dated January 30, 2017 in relation to audit coverage of certain subsidiaries and unmodified opinion on the annual consolidated financial results for the year ended March 31, 2017 dated May 26, 2017 respectively.
- 8 The Auditors in their opinion have stated that they have not audited the financial information of certain subsidiaries. The financial information pertaining to these subsidiaries is unaudited and has been furnished by the management and that the auditors' opinion on the consolidated financial statements is based solely on such unaudited financial information. The unaudited consolidated revenue pertaining to these subsidiaries for the quarter and nine months period ended 31 December 2017 is 9.1% and 8.3 % respectively of the consolidated revenue, and the unaudited consolidated loss pertaining to these subsidiaries for the quarter and nine months period ended 31 December 2017 is 0.9% and 3.4 % respectively of the consolidated Profit after tax.
- 9 Previous period figures have been regrouped/rearranged wherever necessary.

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

(i) 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 various 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/appropriately addressed 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 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. 123040 Lakhs made by these companies to erstwhile Satyam should be 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) 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 relation to the provision of Rs. 5290 Lakhs and contingent liability disclosed of Rs. 13564 Lakhs) 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, 2017 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 period ended December 31, 2017 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.

11 Management response to Emphasis of Matters:

With regard to the emphasis of matters stated in Note 10 above, there are no additional developments on Emphasis of Matters mentioned in Note 2 and 3 above which require adjustments to the financial statements.

- 12 The standalone 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 : January 29, 2018

Place : Mumbai

C. P. Gurnani
Managing Director & CEO