Profit after tax for the quarter at Rs.12,029 Mn, up 27.5% 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 nine months period ended December 31, 2018

Rs.in Million

	Particulars	Quarter ended			Nine months ended		Year ended
		December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
1	Revenue from Operations	89,437	86,298	77,760	2,58,498	2,27,184	3,07,729
2	Other Income	806	1,751	2,250	3,671	9,580	14,165
3	Total Revenue (1 + 2)	90,243	88,049	80,010	2,62,169	2,36,764	3,21,894
4	EXPENSES						
	Employee Benefits Expense	45,182	43,031	42,129	1,32,008	1,24,787	1,66,240
	Subcontracting Expenses	10,900	11,154	9,779	31,758	28,241	38,880
	Finance Costs	358	388	341	1,051	1,097	1,624
	Depreciation and Amortisation Expense	2,836	2,944	2,742	8,588	7,863	10,850
	Other Expenses	16,129	15,926	13,205	47,750	41,107	55,513
	Total Expenses	75,405	73,443	68,196	2,21,155	2,03,095	2,73,107
5	Profit before share in profit/(loss) of associates and tax (3-4)	14,838	14,606	11,814	41,014	33,669	48,787
6	Share of Profit / (Loss) of Associates	(132)	(133)	0	(383)	1	1
7	Profit before Tax (5 + 6)	14,706	14,473	11,814	40,631	33,670	48,788
8	Tax Expense						
	Current Tax	2,135	4,558	1,914	9,517	8,267	11,768
	Deferred Tax	503	(644)	656	(508)	(151)	(842)
	Total Tax Expense	2,638	3,914	2,570	9,009	8,116	10,926
9	Profit after tax (7 - 8)	12,068	10,559	9,244	31,622	25,554	37,862
	Profit for the period attributable to:						
	Owners of the Company	12,029	10,643	9,431	31,651	25,778	37,998
	Non Controlling Interests	39	(84)	(187)	(29)	(224)	(136)
10	Other Comprehensive Income	2,503	(730)	190	1,602	(1,489)	(2,190)
11	Total Comprehensive Income (9 + 10)	14,571	9,829	9,434	33,224	24,065	35,672
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	14,578	9,765	9,651	33,137	24,101	35,519
	Non Controlling Interests	(7)	64	(217)	87	(36)	153
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,425	4,422	4,415	4,425	4,415	4,417
13	Total Reserves						1,84,011
14	Earnings Per Equity Share (Rs) *(EPS for quarter and nine months period ended are not annualised)*						
	Basic	13.55	11.99	10.73	35.65	29.32	43.02
	Diluted	13.45	11.93	10.61	35.39	29.01	42.66

Standalone Information

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
Revenue from Operations	69,897	68,754	59,732	2,01,550	1,76,661	2,36,922
Profit before tax	13,848	16,455	9,943	41,358	36,107	49,002
Profit after tax	11,529	13,356	8,438	33,993	30,161	39,939

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			Nine months ended		Year ended
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
Segment Revenue						
a) IT	81,895	79,648	71,571	2,38,158	2,11,078	2,85,715
b) BPO	7,542	6,650	6,189	20,340	16,106	22,014
Total Sales / Income from operations	**89,437**	**86,298**	**77,760**	**2,58,498**	**2,27,184**	**3,07,729**
Segment Profit before tax, interest and depreciation						
a) IT	15,800	14,734	11,656	42,841	30,575	42,995
b) BPO	1,426	1,453	990	4,142	2,475	4,101
Total	**17,226**	**16,187**	**12,646**	**46,983**	**33,050**	**47,096**
Less:						
(i) Finance costs	358	388	341	1,051	1,097	1,624
(ii) Other un-allocable expenditure,net off un-allocable income	2,030	1,194	492	4,917	(1,716)	(3,315)
(iii) Share of Profit / (Loss) of Associates	(132)	(133)	0	(383)	1	1
Profit before tax	**14,706**	**14,473**	**11,814**	**40,631**	**33,670**	**48,788**

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TECH MAHINDRA LIMITED

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Rs.in Million

Statement of segment Assets and Liabilities	December 31, 2018	September 30, 2018	December 31, 2017	March 31, 2018
Segment Assets				
Trade and Other Receivables				
IT	96,483	98,881	80,506	84,461
BPO	7,884	6,294	7,405	6,182
Total Trade Receivables	**104,367**	**105,175**	**87,911**	**90,643**
Goodwill				
IT	24,695	26,084	23,419	23,982
BPO	3,745	3,745	3,745	3,745
Total Goodwill	**28,440**	**29,828**	**27,164**	**27,727**
Unallocable Assets	193,372	186,980	173,170	186,002
TOTAL ASSETS	326,179	321,983	288,245	304,372
Segment Liabilities				
Unearned Revenue				
IT	2,972	2,892	2,430	2,752
BPO	34	16	33	-
Total Unearned Revenue	**3,006**	**2,908**	**2,463**	**2,752**
Advance from Customers				
IT	3,306	3,705	3,331	3,336
BPO	651	638	-	-
Total Advance from Customers	**3,957**	**4,343**	**3,331**	**3,336**
Unallocable Liabilities	106,156	116,513	100,827	104,765
TOTAL LIABILITIES	113,119	123,765	106,621	110,853

i) Segmental Capital Employed
Segregation of assets into primary segments has been done to the extent applicable. Segregation of balance assets and liabilities into various primary segments has not been done as these 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 year, 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.

TECH MAHINDRA LIMITED

Notes :

1 The quarterly and nine months period ended financial results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on February 05, 2019.

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 to Rs. 12,304 Million 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), of which 1 petition has been converted into suit and balance 36 petitions are at various stages of pauperism/suit admission. Further, they have filed appeals before the Division Bench of the Hon'ble High Court of Andhra Pradesh, against the Orders of the Hon'ble High Court of Andhra Pradesh and the Hon'ble High Court of 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. 8,220 Million 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) granted stay of the said Order and all proceedings thereto vide its order dated December 11, 2012. The Hon'ble High Court of Andhra Pradesh, vide its Order dated December 31, 2018 set aside the provisional attachment Order of ED dated October 18, 2012. Further, the Hon'ble High Court directed the Banks to release the fixed deposits of the Company.

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. 12,304 Million as 'Suspense Account (net)'.

3 **Satyam Venture Engineering Services Private Limited (SVES)**
Accounting for sales commission
The Company carries a contingency provision in the books representing 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. 529 Million.

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. 359 Million 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. 170 Million. 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. 529 Million covering the period from FY 2005-2006 to FY 2011-2012. Considering the Order of the Hon'ble 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. 1,702 Million as on December 31, 2018 (March 31, 2018: Rs. 1,446 Million).

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 nine months period ended December 31, 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 quarter and nine months period ended December 31, 2018 is net of write back of tax provision amounting to Rs. 1,351 Million and Rs. 3,032 Million respectively of earlier periods, no longer required. (QE September 30, 2018: Rs. Nil); (QE December 31, 2017: Rs. 2,260 Million); (Nine months period ended December 31, 2017: Rs. 2,530 Million).

Tax expense for the year ended March 31, 2018 is net of write back of tax provision of Rs. 2,573 Million of earlier periods, no longer required.

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:

Non-compliances of laws and regulations by the erstwhile Satyam under the former Management (prior to Government nominated Board) identified by various agencies, which have been responded to in earlier years and no further communication has been received 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, has concluded that claims made by 37 companies in the City Civil Court for alleged advances amounting to Rs. 12,304 Million made by these companies to erstwhile Satyam and presented separately under 'Suspense account (net)', will not sustain on ultimate resolution by the Court.

(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 nine month period ended December 31, 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 results.

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 : February 05, 2019
Place : Mumbai

TECH MAHINDRA LIMITED

C.P. Gurnani
Managing Director & CEO