

## 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, 2019

	Particulars	Quarter ended			Nine months ended		Rs.in Million
		December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
1	Revenue from Operations	96,546	90,699	89,437	273,775	258,498	347,421
2	Other Income	3,496	2,163	806	9,072	3,671	5,342
3	Total Income (1 + 2)	100,042	92,862	90,243	282,847	262,169	352,763
4	EXPENSES						
	Employee Benefits Expense	47,905	47,057	45,182	139,971	132,008	175,079
	Subcontracting Expenses	15,766	13,687	10,900	41,650	31,758	43,497
	Finance Costs	550	383	358	1,387	1,051	1,332
	Depreciation and Amortisation Expense	3,848	3,415	2,836	10,476	8,588	11,292
	Other Expenses	17,242	14,946	16,129	48,371	47,750	65,476
	Total Expenses	85,311	79,488	75,405	241,855	221,155	296,676
5	Profit before share in profit/(loss) of associates and tax (3-4)	14,731	13,374	14,838	40,992	41,014	56,087
6	Share of Profit / (Loss) of Associates	5	3	(132)	(70)	(383)	(655)
7	Profit before Tax (5 + 6)	14,736	13,377	14,706	40,922	40,631	55,432
8	Tax Expense						
	Current Tax	3,737	2,064	2,135	9,435	9,517	13,786
	Deferred Tax	(108)	201	503	(223)	(508)	(1,242)
	Total Tax Expense	3,629	2,265	2,638	9,212	9,009	12,544
9	Profit after tax (7 - 8)	11,107	11,112	12,068	31,710	31,622	42,888
	Profit for the period attributable to:						
	Owners of the Company	11,459	11,239	12,029	32,291	31,651	42,976
	Non Controlling Interests	(352)	(127)	39	(581)	(29)	(88)
10	Other Comprehensive Income / (losses)						
	A. Items that will not be reclassified to Profit or Loss (net of taxes)	64	(74)	(108)	(88)	(91)	(136)
	B. Items that will be reclassified to Profit or Loss (net of taxes)	(415)	454	2,611	(297)	1,693	2,562
	Total Other Comprehensive Income (A+B)	(351)	380	2,503	(385)	1,602	2,426
11	Total Comprehensive Income (9 + 10)	10,756	11,492	14,571	31,325	33,224	45,314
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	11,044	11,643	14,578	31,848	33,137	45,376
	Non Controlling Interests	(288)	(151)	(7)	(523)	87	(62)
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,356	4,353	4,425	4,356	4,425	4,437
13	Total Reserves						198,407
14	Earnings Per Equity Share (Rs)						
	(EPS for the quarter and nine months period ended are not annualised)						
	Basic	13.13	12.88	13.55	36.99	35.65	48.47
	Diluted	13.03	12.78	13.45	36.73	35.39	47.72

## Standalone Information

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
Revenue from Operations	76,991	70,957	69,897	216,535	201,550	272,196
Profit before Tax	12,495	14,857	13,848	38,147	41,358	54,273
Profit after Tax	9,232	13,968	11,529	31,427	33,993	43,804

## Primary Segments

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

## Segment wise Revenue, Results and Capital Employed

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
<b>Segment Revenue</b>						
a) IT	87,067	82,245	81,895	247,883	238,158	319,235
b) BPO	9,479	8,454	7,542	25,892	20,340	28,186
<b>Total Sales / Income from operations</b>	<b>96,546</b>	<b>90,699</b>	<b>89,437</b>	<b>273,775</b>	<b>258,498</b>	<b>347,421</b>
<b>Segment Profit before tax, interest and depreciation</b>						
a) IT	14,052	13,984	15,800	40,048	42,841	58,138
b) BPO	1,581	1,025	1,426	3,735	4,142	5,231
<b>Total</b>	<b>15,633</b>	<b>15,009</b>	<b>17,226</b>	<b>43,783</b>	<b>46,983</b>	<b>63,369</b>
<b>Less:</b>						
(i) Finance costs	550	383	358	1,387	1,051	1,332
(ii) Other un-allocable expenditure, net off un-allocable income*	352	1,252	2,030	1,404	4,917	5,950
<b>Add:</b>						
(i) Share of Profit / (Loss) of Associates	5	3	(132)	(70)	(383)	(655)
<b>Profit before tax</b>	<b>14,736</b>	<b>13,377</b>	<b>14,706</b>	<b>40,922</b>	<b>40,631</b>	<b>55,432</b>

\*Pursuant to adoption of Ind AS-116, certain non-material allocable expenses in the previous year have been considered as unallocable in the current year.

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Statement of Segment Assets and Liabilities	December 31, 2019	September 30, 2019	December 31, 2018	March 31, 2019
<b>Segment Assets</b>				
Trade and Other Receivables				
IT	106,149	103,429	96,483	94,141
BPO	11,775	10,673	7,884	7,348
<b>Total Trade Receivables</b>	<b>117,924</b>	<b>114,102</b>	<b>104,367</b>	<b>101,489</b>
Goodwill				
IT	30,298	25,493	24,695	24,418
BPO	3,745	3,745	3,745	3,745
<b>Total Goodwill</b>	<b>34,043</b>	<b>29,238</b>	<b>28,440</b>	<b>28,163</b>
Unallocable Assets	204,528	194,638	193,372	204,817
<b>TOTAL ASSETS</b>	<b>356,495</b>	<b>337,978</b>	<b>326,179</b>	<b>334,469</b>
<b>Segment Liabilities</b>				
Unearned Revenue				
IT	2,475	2,086	2,972	2,453
BPO	21	1	34	39
<b>Total Unearned Revenue</b>	<b>2,496</b>	<b>2,087</b>	<b>3,006</b>	<b>2,492</b>
Advance from Customers				
IT	3,571	3,610	3,306	3,314
BPO	802	753	651	648
<b>Total Advance from Customers</b>	<b>4,373</b>	<b>4,363</b>	<b>3,957</b>	<b>3,962</b>
Unallocable Liabilities	124,513	117,617	106,156	120,394
<b>TOTAL LIABILITIES</b>	<b>131,382</b>	<b>124,067</b>	<b>113,119</b>	<b>126,848</b>
<b>Segmental Capital Employed</b>				
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.				

**Notes :**

1 The quarterly and nine 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 January 31, 2020.

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

**Proceedings in relation to 'Alleged Advances':**

Erstwhile Satyam had, in the past, 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 with legal notices claiming repayment for a sum of Rs. 12,304 million together with damages/compensation @ 18% per annum till the date of repayment. The erstwhile Satyam had not acknowledged any liability and replied to the legal notices stating that the claims are not legally tenable. Subsequently, the 37 companies filed petitions for recovery against the erstwhile Satyam before the City Civil Court, Secunderabad of which 1 petition was converted into a suit and the balance 36 petitions are at various stages of pauperism/suit admission.

The Hon'ble High Court in its Order approving the merger of the erstwhile Satyam with the Company, held that in the absence of Board resolutions and documents evidencing acceptance of unsecured loans, i.e. alleged advances, by the former Management of the erstwhile Satyam, the new Management of the erstwhile Satyam is justified in not crediting the amounts received in their names and not disclosing them as creditors and in disclosing such amounts as 'Amounts pending investigation suspense account (net)' in the financial statements. The Hon'ble High Court held, inter-alia, that the contention of the 37 companies that Satyam is retaining the money, i.e. the alleged advances, of the 'creditors' and not paying them does not appear to be valid and further held that any right of the objecting creditors can be considered only if the genuineness of the debt is proved.

Appeals were filed before the Division Bench of the Hon'ble High Court of Andhra Pradesh against the Order of the single judge 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 also filed an appeal 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. Subsequently, ED had attached Fixed Deposits for an aggregate value of Rs.8,220 million alleged to be the proceeds of crime. The Hon'ble High Court of Judicature at Hyderabad granted stay on December 11, 2012 and set aside the Provisional attachment order on December 31, 2018. Subsequently, ED filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court of India against the above order of the Hon'ble High Court of Telangana.

In view of these 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**

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, considering possible outflow that may arise in said matter and 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 modify the contingency provision made in FY 2011-2012. Further, since the matter is sub-judice, as a matter of abundant caution sales commission for subsequent periods has been disclosed as a contingent liability amounting to Rs. 2,065 Million as on December 31, 2019 (March 31, 2019: Rs. 1,784 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, July 23, 2018 and July 23, 2019 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, March 31, 2018 and March 31, 2019 respectively. In absence of unanimous consent of both the shareholders of SVES the said financials have not been approved by the shareholders.

The financial statements as at and for the period ended December 31, 2019 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 Tax expense for the nine months period ended December 31, 2019 is net of provision of Rs.2,133 Million of earlier periods, no longer required, written back. (Quarter ended "QE" December 31, 2019: Rs. 236 Million) (QE September 30, 2019: Rs. 1,848 Million) (QE December 31, 2018: Rs. 1,351 Million) (Nine months period ended December 31, 2018: Rs. 3,032 Million).

Tax expense for the year ended March 31, 2019 is net of provision of Rs. 3,032 Million of earlier periods, no longer required, written back.

5 Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives information have not been restated. The effect of adoption of this standard is not significant on the profit for the period and earnings per share.

6 The Company on July 30, 2019, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. acquired 65 % stake in Mad\*Pow Media Solutions LLC for a upfront consideration of USD 16.71 Million (Rs. 1,151 Million). Further the subsidiary of the Company has entered into a binding agreement to purchase the balance 35% stake over the period of three-year ending March 31, 2022 for which financial liability as at December 31, 2019 amount to USD 11.52 Million (Rs. 793 Million).

7 The Company, pursuant to a share purchase agreement acquired 100% stake in Born Commerce Private Limited on November 25, 2019 for a consideration of USD 12 million (Rs. 873 Million). Further the Company through its wholly owned subsidiary Tech Mahindra Singapore Pte. Limited, acquired 100% stake in Born Singapore Pte. Limited on November 26, 2019 for an upfront consideration of USD 59 Million (Rs. 4,224 Million) and contingent consideration linked to financial performance of calendar year 2019.

8 The Company, on October 4, 2019, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. acquired 100 % stake in Objectwise Consulting Group Inc. for an upfront consideration of CAD 2.25 Million (Rs. 121 Million).

**9 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 is discussed below:

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, 2019 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, 2019 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.

**10 Management response to Emphasis of Matters:**

With regard to the Emphasis of Matters stated in Note 9 above, there are no additional developments on Emphasis of Matters mentioned in Notes 2 and 3 above which require adjustments to the financial results.

11 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 at the web-link: (<https://www.techmahindra.com/investors/financials.aspx>).

Date : January 31, 2020

Place : Mumbai

C.P. Gurnani  
Managing Director & CEO