Tech Mahindra Limited

Stand Alone Audited Financial Results for the Quarter and nine months ended December 31, 2013

PART I | Rs. in Lakhs

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2013	September 30, 2013	December 31, 2012	December 31, 2013	December 31, 2012	March 31, 2013
	(Refer Note 6)	(Refer Note 6)	(Refer Note 6)	(Refer Note 6)	(Refer Note 6)	(Refer Note 6)
1 Income from Operations	421,578	415,624	150,252	1,192,489	450,539	600,189
2 Expenses						
a) Employee benefits expense	181,184	184,188	61,957	533,163	189,246	251,378
b) Travelling Expenses	17,490	15,048	4,996	46,100	13,849	19,555
c) Services rendered by Business Associates & Others	83,665	67,855	38,275	209,189	113,089	155,243
d) Depreciation and amortisation expense	11,432	9,490	3,661	31,094	11,501	15,701
e) Other expenses	42,696	50,585	15,356	133,878	44,085	56,176
Total Expenses	336,467	327,166	124,245	953,424	371,770	498,053
3 Profit from operations before other income and finance costs (1-2)	85,111	88,458	26,007	239,065	78,769	102,136
4 Other Income						
Miscellaneous income	10,618	6,318	1,650	23,929	2,633	3,395
Exchange gain / (loss)	(14,139)	(4,882)	(5)	(9,885)	(9,715)	(12,910)
Total	(3,521)	1,436	1,645	14,044	(7,082)	(9,515)
5 Profit before finance costs (3+4)	81,590	89,894	27,652	253,109	71,687	92,621
6 Finance costs						
Interest Cost on Borrowing	2,772	2,282	2,763	6,769	6,677	9,351
Currency Translation Loss / (Gain) on Foreign Currency Loan	-	65	226	975	1,016	1,548
Total	2,772	2,347	2,989	7,744	7,693	10,899
7 Profit after finance costs but before exceptional item and tax (5-6)	78,818	87,547	24,663	245,365	63,994	81,723
8 Exceptional item - Income	12,000	-	-	12,000	-	-
9 Profit before tax (7+8)	90,818	87,547	24,663	257,365	63,994	81,723
10 Tax expense						
a) Current Tax & Deferred Tax	21,013	23,683	5,754	63,812	12,322	16,470
b) Earlier years excess provision written back (refer note 3.4)	(22,660)	-	-	(22,660)	-	-
11 Net Profit for the period (9-10)	92,465	63,864	18,909	216,213	51,672	65,252
12 Paid-up Equity Share Capital (Face Value of Share Rs. 10)	23,315	23,239	12,783	23,315	12,783	12,812
13 Loan Funds - Listed Debentures	30,000	30,000	60,000	30,000	60,000	60,000
14 Reserves excluding revaluation reserve	-	-	-	-	-	376,921
15 Debenture Redemption Reserve	-	-	-	-	-	53,379
16 Earnings Per Equity Share (Rs) (Before exceptional item) (not annualised)						
- Basic	34.64	27.52	14.82	87.92	40.49	51.10
- Diluted	33.80	26.90	14.21	85.77	38.84	48.99
17 Earnings Per Equity Share (Rs) (After exceptional item) (not annualised)						
- Basic	39.81	27.52	14.82	93.08	40.49	51.10
- Diluted	38.84	26.90	14.21	90.81	38.84	48.99
18 Ratios						
- Debt Equity Ratio	-	-	-	0.04	0.39	0.37
- Debt Service Coverage Ratio (DSCR)	-	-	-	1.27	0.38	0.33
- Interest Service Coverage Ratio (ISCR)	-	-	-	30.87	10.24	9.37

Note: Suggested definition for Coverage Ratios:
ISCR = Earnings before Interest and Tax / Interest Expense.
DSCR = Earnings before Interest and Tax/ (Interest + Principal Repayment)
See accompanying note to the financial results

• The Board of erstwhile Satyam had proposed a dividend for the year ended March 31, 2013 of Rs. 0.60 per equity share amounting to Rs. 8264 Lakhs (including dividend tax thereon), which was provided for in its financial statements for the year ended March 31, 2013. Since the merger has become effective on June 24, 2013, the dividend could not be approved by the shareholders in the AGM which was scheduled to be held on 2nd August 2013. Erstwhile Satyam shareholders, who have been issued Tech Mahindra Limited (TechM) shares in the ratio of 2 shares in TechM for 17 shares in erstwhile Satyam, are entitled to dividend of Rs 5 per share . As shares of erstwhile Satyam held by Venturbay are cancelled on the merger, there is an excess provision of dividend of Rs 2172 Lakhs, relating to the said shares of Venturbay which have been cancelled, which has been reversed from the proposed dividend during the quarter ended June 30, 2013.

2.2 Other adjustments / matters arising out of amalgamation:

In terms of the Scheme, the appointed date of the amalgamation being April 1, 2011, net profit from the amalgamating companies during the financial years 2011-12 and 2012-13 aggregating Rs. 197355 Lakhs has been transferred, to the extent not accounted already, to the Surplus in Statement of Profit and Loss in the books of the Company upon amalgamation.

Pursuant to the Scheme, the title deeds for the immovable properties pertaining to the amalgamating companies are pending conveyance in the name of the Company. Further, the Company has initiated the name change formalities to transfer the title in respect of the other properties, contracts etc.

2.3 Appeals against the order sanctioning the Scheme

Appeals against the order by the single judge of the Honorable High Court of Andhra Pradesh approving the Scheme of merger have been filed by 37 comapnies before the Division Bench of the Honorable High Court of Andhra Pradesh. No interim orders have been passed and the appeals are pending hearing.

One of the said party/company has also appealed against the order of the single judge rejecting the Petition for winding up of erstwhile Satyam. The matter has been combined with the above appeals for hearing.

3. Matters pertaining to erstwhile Satyam Computer Services Limited (erstwhile Satyam):

3.1 Investigation by authorities in India

In the letter of Jan 7, 2009 (the "letter") of Mr. B. Ramalinga Raju, the then Chairman of erstwhile Satyam, admitted that the Balance Sheet of erstwhile Satyam as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position .

Consequently, various regulators/ investigating agencies such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO) / Registrar of Companies (ROC), Directorate of Enforcement (ED), etc., had initiated their investigation on various matters which are yet to be concluded.

As per the assessment of the Management, based on the forensic investigation and the information available up to this stage, all identified/required adjustments/disclosures arising from the identified financial irregularities, had been made in the financial statements of erstwhile Satyam as at March 31, 2009.

Considerable time has elapsed after the initiation of investigation by various agencies and erstwhile Satyam had not received any further information as a result of the various ongoing investigations against erstwhile Satyam which required adjustments to the financial statements.

Further, in the opinion of the management, no new claims have been made when the Andhra Pradesh High Court considered and approved the merger which need any further evaluation/adjustment/disclosure in the books, and all existing claims have been appropriately dealt with/recorded/disclosed in the books based on their current status.

Considering the above, notwithstanding the pendency of the various investigations/ proceedings, the Management is of the view that the above investigations/proceedings would not result in any additional material provisions/ write-offs/adjustments (other than those already provided for, written-off or disclosed) in the financial statements of the Company.

3.2 Forensic investigation and nature of financial irregularities

Consequent to the aforesaid letter, the Government nominated Board of Directors of erstwhile Satyam appointed an independent counsel ("Counsel") to conduct an investigation of the financial irregularities. The Counsel appointed forensic accountants to assist in the investigation (referred to as "forensic investigation") and preparation of the financial statements of erstwhile Satyam.

The forensic investigation conducted by the forensic accountants investigated accounting records to identify the extent of financial irregularities and mainly focused on the period from April 1, 2002 to September 30, 2008, being the last date up to which erstwhile Satyam published its financial results prior to the date of the letter. In certain instances, the forensic accountants conducted investigation procedures outside this period.

The forensic investigation had originally indicated possible diversion aggregating USD 41 Million from the proceeds of the American Depositary Shares (ADS) relating to erstwhile Satyam. The amount was revised to USD 19 Million based on the further details of utilisation of ADS proceeds obtained by erstwhile Satyam.

The overall impact of the fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined was accounted in the financial statements for the financial year ended March 31, 2009 of erstwhile Satyam.

Based on the forensic investigation, an aggregate amount of Rs. 113932 Lakhs (net debit) was identified in the financial statements of erstwhile Satyam as at March 31, 2009 under "Unexplained differences suspense account (net)" comprising (i) Rs. 1731 lakhs (net debit) where complete information was not available and (ii) Rs. 112201 lakhs(net debit) being fictitious assets and unrecorded loans in the opening balance as at April 2002. On grounds of prudence, these amounts had been provided for by erstwhile Satyam in the financial year ended March 31, 2009. As there is no further information available with the Management even after the lapse of three years, the said amount of Rs. 113932 lakhs has been written off in the financial statements of the Company for the nine months ended December 31, 2013.

The forensic investigation was unable to identify the nature of certain alleged transactions aggregating Rs. 123040 lakhs (net receipt) against which erstwhile Satyam had received legal notices from 37 companies claiming repayment of this amount which was allegedly given as temporary advances. Refer Note 3.3 below.

3.3 Alleged advances

Consequent to the letter of the erstwhile Chairman, on January 8, 2009, the erstwhile Satyam received letters from thirty seven companies requesting confirmation by way of acknowledgement for receipt of certain alleged amounts referred to as "alleged advances". These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of Rs. 123040 Lakhs allegedly given as temporary advances. The legal notices also claim damages/ compensation @18% per annum from date of advance till date of repayment. The erstwhile Satyam has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable.

The Directorate of Enforcement (ED) is investigating the matter under the Prevention of Money Laundering Act, 2002 ("PMLA") and directed the erstwhile Satyam to furnish details with regard to the alleged advances and has also directed it not to return the alleged advances until further instructions from the ED. In furtherance to the investigation by the ED, the erstwhile Satyam was served with a provisional attachment order dated October 18, 2012 issued by the Joint Director, Directorate of Enforcement, Hyderabad under Section 5(1) of the PMLA ("the Order"), attaching certain Fixed Deposit accounts of the Company aggregating Rs. 82200 Lakhs for a period of 150 days. This attachment was initiated consequent to the charge sheets filed by the CBI against the erstwhile promoters of erstwhile Satyam and others and investigation conducted by the ED under the PMLA. As stated in the Order, the investigations of the ED revealed that Rs. 82200 Lakhs constitutes "proceeds of crime" as defined in the PMLA. The erstwhile Satyam had challenged the Order in the Honorable High Court of Andhra Pradesh ("the Writ"). The Honorable High Court of Andhra Pradesh ("the High Court") has, pending further orders, granted stay of the said Order and all proceedings pursuant thereto vide its interim order dated December 11, 2012. The ED has challenged the interim order before the Division Bench of the Honorable High Court of Andhra Pradesh which is pending disposal. The ED has filed a petition before the Honorable High Court of Andhra Pradesh on June 3, 2013 to direct the banks with whom the aforementioned fixed deposits are held, not to allow the erstwhile Satyam to redeem/pre-close the Fixed Deposits pending disposal of the Writ. The petition is pending hearing.

Tech Mahindra Limited

Stand Alone Audited Financial Results for the Quarter and nine months ended December 31, 2013

PART II : Selected Information for the Quarter and nine months ended December 31, 2013

	Particulars	Quarter ended			Nine months ended		Year ended
		December 31, 2013	September 30, 2013	December 31, 2012	December 31, 2013	December 31, 2012	March 31, 2013
A	**PARTICULARS OF SHAREHOLDING**						
1	Public Shareholding						
	- Number of shares	148415182	147654059	67091187	148415182	67091187	67382045
	- Percentage of shareholding	63.66%	63.54%	52.49%	63.66%	52.49%	52.59%
2	Promoters and promoter group Shareholding						
	a) Pledged/encumbered						
	- Number of shares	-	-	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
	b) Non-encumbered						
	- Number of shares	84736978	84736978	60736978	84736978	60736978	60736978
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	- Percentage of shares (as a % of the total share capital of the company)	36.34%	36.46%	47.51%	36.34%	47.51%	47.41%

Particulars	3 months ended 31-December-2013
B. INVESTORS COMPLAINTS	
Pending at the beginning of the quarter	0
Received during the quarter	75
Disposed of during the quarter	75
Remaining unresolved at the end of the quarter	0

Notes :

1. The quarterly results have been reviewed by the Audit Committee and taken on records by the Board of Directors in its meeting held on 4th February 2014.

2. **Scheme of Amalgamation and Arrangement:**

Pursuant to the Scheme of Amalgamation and Arrangement (the "Scheme") sanctioned by the Honorable High Court of Andhra Pradesh vide its order dated June 11, 2013 and the Honorable High Court of Judicature at Bombay vide its order dated September 28, 2012, Venturbay Consultants Private Limited ("Venturbay"), CanvasM Technologies Limited ("CanvasM") and Mahindra Logisoft Business Solutions Limited ("Logisoft"), the wholly owned subsidiaries of the Company, and Satyam Computer Services Limited ("Satyam") an associate of the Company (through Venturbay) and C&S System Technologies Private Limited (C&S) a wholly owned subsidiary of erstwhile Satyam, merged with the Company with effect from April 1, 2011 (the "appointed date"). The Scheme came into effect on June 24, 2013, the day on which both the orders were delivered to the Registrar of the Companies, and pursuant thereto the entire business and all the assets and liabilities, duties and obligations of Satyam, Venturbay, CanvasM, Logisoft and C&S have been transferred to and vested in the Company with effect from April 1, 2011.

In accordance with the Scheme, the investments held in the respective subsidiaries and associate have been cancelled and the Company has issued 2 equity shares of Rs. 10 each fully paid up in respect of every 17 equity shares of Rs. 2 each in the equity share capital of Satyam, aggregating 1035 Lakhs equity shares.

The Company transferred, out of its total holding in Satyam as on April 1, 2011, 2040 Lakhs equity shares to a Trust, to hold the shares and any additions or accretions thereto exclusively for the benefit of the Company. The balance shares held by the Company in Satyam have been cancelled.

As the other amalgamating companies i.e. Venturbay, Logisoft, CanvasM and C&S were wholly owned subsidiaries of the Company / Satyam, as applicable, no equity shares were exchanged to effect the amalgamation in respect thereof.

These amalgamations with the Company are non-cash transactions.

2.1 Accounting treatment of the amalgamation

The amalgamation is accounted under the 'pooling of interest' method as per Accounting Standard 14 as notified under Section 211(3C) of the Companies Act, 1956 and as modified under the Scheme as under:

• All assets and liabilities (including contingent liabilities), reserves, benefits under income tax, benefits for under special economic zone registrations, duties and obligations of Satyam, Venturbay, CanvasM, Logisoft and C&S have been recorded in the books of account of the Company at their existing carrying amounts and in the same form.

•The amount of Share Capital of Venturbay, CanvasM, Logisoft, Satyam and C&S have been adjusted against the corresponding investment balances held by the Company in the amalgamating companies and the equity shares issued by the Company pursuant to the Scheme and the excess of investments (gross) over the Share Capital, as given below, have been adjusted to reserves ("Amalgamation Reserve").

• Accordingly, the amalgamation has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

Rs. in Lakhs

Particulars	Amount
Fixed Assets (net)	84,930
Capital Work in Progress	22,518
Non-Current Investments	325,250
Deferred Tax Asset	16,805
Current Investments	-
Trade Receivables	169,340
Cash and cash Equivalents	210,040
Other cash and bank balances	64,000
Loans and Advances (long term and short term)	209,190
Liabilities and provisions (long term and short term)	(370,250)
Long-Term and Short-Term Borrowings	(2,143)
Net Assets	**729,680**

Net difference between Investments and share capital of amalgamating companies	(13,570)
Add : Equity shares issued pursuant to the scheme of amalgamation	10,349
Debit balance in statement of profit and loss as of April 01, 2011	28,113
Debit balance in Amalgamation reserve	**24,892**

• Further, in accordance with the Scheme, the debit balance in the Amalgamation Reserve as of April 1, 2011, if any, pursuant to the amalgamation have been adjusted against the securities premium account. The application and reduction of the securities premium account is effected as an integral part of the sanctioned Scheme which is also deemed to be the order under Section 102 of the Companies Act, 1956 (the "Act") confirming the reduction. Accordingly, the aforesaid balance in Amalgamation Reserve aggregating Rs. 24892 Lakhs as of April 1, 2011 has been adjusted against the securities premium account.

The thirty seven companies had 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.

Some petitions (except in the case of one petition where court fees have been paid and the pauper petition converted into a suit which is pending disposal), are before the Court, at the stage of rejection / trial of pauperism.

The remaining petitions are at a preliminary stage before the Court, for considering condonation of delay in re-submission of pauper petitions. In one petition, the delay had been condoned by the Court and the Company has obtained an interim stay order from the Honorable High Court of Andhra Pradesh.

The erstwhile Satyam had received legal notices from nearly all of the above companies, calling for payment of the amounts allegedly advanced by them (including interest and damages), failing which they would be constrained to file a petition for winding up the affairs of Satyam. In pursuance thereof, one of the aforesaid companies filed a winding up petition that was dismissed by the High Court. Against the said order of dismissal, the aforementioned company has filed an appeal before the Division Bench of High Court of Andhra Pradesh which is pending hearing.

Furthermore, even in connection with the merger proceedings, the erstwhile Satyam had received letters from the aforesaid companies claiming themselves to be "creditors". They had pleaded inter-alia before the High Court (hearing the merger petition of the erstwhile Satyam with the Company) that the mandatory provisions governing the scheme under the Companies Act have not been complied with in so far as convening a meeting of the creditors is concerned. They contended that without convening a meeting of the creditors and hearing their objections, the merger scheme could not be proceeded with.

To address these and other related objections, the High Court directed the Official Liquidator, with the assistance of a firm of Chartered Accountants ("the firm"), to scrutinise the books of the erstwhile Satyam and submit a report on the allegations aforesaid including the accounting system adopted by it with respect to the alleged advances.

The firm, in their report, inter-alia, stated that the erstwhile Satyam under its new management, was justified in not treating these amounts as creditors and in classifying these alleged advances as "Amounts pending investigation suspense account (net)".

The High Court after considering the report of the firm and other contentions of the erstwhile Satyam, held inter-alia, in its order approving the merger of the erstwhile Satyam with the Company, that the contention of the 37 companies that Satyam is retaining the money 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 beyond doubt which is not so in this case.

The High Court in its order, further held that in the absence of Board resolutions and documents evidencing acceptance of unsecured loans 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 showing them as creditors and further reflecting such amounts as Amounts pending investigation suspense account (net).

In view of the aforesaid developments and also based on legal opinion, the erstwhile Satyam's management's view, which is also the Company's Management's view, that the claim regarding the repayment of "alleged advances" (including interest thereon) of the 37 companies are not legally tenable has been reinforced. Accordingly, the Company's Management believes that, even in the unlikely event that the principal amount of the claim of the 37 companies is held to be tenable and the Company is required to repay these amounts, such an eventuality will not have an adverse bearing on either the Company's profits or its reserves in that period, since the Company has been legally advised that no damages / compensation / interest would be payable even in such an unlikely event.

However, notwithstanding the above, pending the final outcome of the recovery suit filed by the 37 companies in the City Civil Court and the ED matter under the PMLA pending before the High Court, the Company, as a matter of prudence, at this point of time, is continuing to classify the amounts of the alleged advances as "Amounts pending investigation suspense account (net)", and the same would be appropriately dealt with/reclassified when the final outcome becomes clearer.

3.4. Provision for taxation

Erstwhile Satyam was carrying a total amount of Rs. 49892 Lakhs (net of taxes paid) as at March 31, 2013 (before giving effect to its amalgamation with the Company) towards provision for taxation, including for the prior years for which the assessments are under dispute.

Subsequent to the amalgamation, duly considering the professional advice obtained in the matter, the Management has re-evaluated the effects of the possible outcomes of the tax matters in dispute relating to erstwhile Satyam and the estimated excess tax provision amounting to Rs. 22660 Lakhs determined based on such evaluation in respect of the prior years has been written back during the current quarter. In the opinion of the Management the balance provision for taxation carried in the books with respect to the prior year disputes relating to erstwhile Satyam is adequate.

4. Exceptional item

The exceptional item (income) amounting to Rs. 12000 Lakhs represents write back during the current quarter of the estimated excess provision for contingencies provided in an earlier year by erstwhile Satyam, based on a re-evaluation of the same by the Management.

5. The Board of Directors of Tech Mahindra Limited (TechM) in their meeting held on November 29, 2013 have approved the scheme of amalgamation and arrangement (the "Scheme") which provides for the amalgamation of Mahindra Engineering Services Limited (MESL), under sections 391 to 394 read with sections 78, 100 to 104 and other applicable provisions of the Companies Act, 1956. The Scheme also provides for the consequent reorganization of the securities premium of TechM. The Appointed date of the Scheme is April 1, 2013.

The Board of Directors of TechM have recommended to issue 5 fully paid up Equity Shares of Rs 10 each of TechM for every 12 fully paid Equity Shares of Rs. 2 each of MESL

The Company has received approval from Competition Commission of India (CCI) on January 10, 2014. Approvals from Bombay Stock Exchange and the National Stock Exchange are awaited. After receipt of necessary approvals from Bombay Stock Exchange and National Stock Exchange Company will file the scheme with High Court of Bombay.

The merger is effective only once order received from Honorable High Court of Bombay and is filed with the Registrar of Companies ('ROC').

6. The results for the quarter and nine months ended 31st December 2013 include the results of merged entities giving effect to the scheme discussed in note 2 above, while the results of the corresponding periods in the previous years and the previous year ended March 31, 2013 does not include the results of the merged entities and hence the same are not comparable.

7. Current tax for the quarter and nine months ended December 31, 2013 includes provision of Rs. 298 lakhs and Rs. 2392 lakhs (nine months ended 31st December 2012 Rs. 2590 lakhs) of earlier years written back, no longer required as the company has received the refund on finalisation of assessment.

8. Previous period figures have been regrouped/rearranged wherever necessary.

9. The qualification in the Auditors' Report for the nine months ended December 31, 2013, is summarised below;

The Auditor has qualified their report on the following ground;

With respect to the matters described in Note 3.3 above, in the absence of complete / required information, and since the matter is sub-judice, their inability to comment on the accounting treatment/adjustments/disclosures relating to the aforesaid alleged advances amounting to Rs. 123040 Lakhs (net) and the related claims for damages/compensation/interest, which may become necessary as a result of the ongoing legal proceedings and the consequential impact, if any, on these financial results. However, in the eventuality of any payment upto Rs 123040 lakhs, against the aforesaid claims for the principal amounts of the alleged advances, there will be no impact on the profits/losses or reserves of the Company.

10. Response to Auditors' qualification

With regard to the auditors' qualification in note above, refer to the details in note 3.3.

Date : 4th February, 2014
Place : Chennai

Vineet Nayyar
Executive Vice Chairman