

PAT for the quarter at Rs.7,986 Mn, up 36% 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 ended June 30, 2017

Rs.in Lakhs

	Particulars	Quarter ended			Year ended
		June 30, 2017	March 31, 2017	June 30, 2016	March 31, 2017
1	Revenue from Operations	733,610	749,500	692,093	2,914,084
2	Other Income	41,067	23,789	24,580	77,756
3	Total Revenue (1 + 2)	774,677	773,289	716,673	2,991,840
4	EXPENSES				
	Employee Benefits Expense	406,079	399,235	362,740	1,545,394
	Subcontracting Expenses	90,894	97,025	87,192	361,117
	Finance Costs	3,695	3,179	2,740	12,859
	Depreciation and Amortisation Expense	24,684	28,346	20,188	97,806
	Other Expenses	143,168	163,373	139,246	589,130
	Total Expenses	668,520	691,158	612,106	2,606,306
5	Profit before share in profit/(loss) of associates and tax (3-4)	106,157	82,131	104,567	385,534
6	Share of Profit / (Loss) of Associates	2	0	(234)	(234)
7	Profit before Tax (5 + 6)	106,159	82,131	104,333	385,300
8	Tax Expense				
	Current Tax	28,279	18,088	28,813	96,981
	Deferred Tax	(1,299)	5,074	(4,134)	3,232
	Total Tax Expense	26,980	23,162	24,679	100,213
9	Profit after tax (7 - 8)	79,179	58,969	79,654	285,087
	Profit for the Quarter / Year attributable to:				
	Owners of the Company	79,860	58,798	74,930	281,287
	Non Controlling Interests	(681)	171	4,724	3,800
10	Other Comprehensive Income	(5,944)	1,704	6,280	8,334
11	Total Comprehensive Income (9 + 10)	73,235	60,673	85,934	293,421
12	Total Comprehensive Income for the year / quarter attributable to:				
	Owners of the Company	72,706	60,193	81,152	290,967
	Non Controlling Interests	529	480	4,782	2,454
13	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	43,948	43,877	43,726	43,877
14	Total Reserves				1,599,842
15	Earnings Per Equity Share (Rs) (not annualised)				
	Basic	9.10	6.72	8.59	32.14
	Diluted	8.98	6.61	8.44	31.64

Standalone Information (Audited)

Rs.in Lakhs

Particulars	Quarter ended			Year ended
	June 30, 2017	March 31, 2017	June 30, 2016	March 31, 2017
Revenue from Operations	575,354	592,358	564,676	2,316,539
Profit before tax	100,672	77,108	95,001	387,873
Profit after tax	79,538	58,574	73,748	304,733

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

Rs.in Lakhs

Particulars	Quarter ended			Year ended
	June 30, 2017	March 31, 2017	June 30, 2016	March 31, 2017
Segment Revenue				
a) IT	686,320	697,576	643,212	2,712,365
b) BPO	47,290	51,924	48,881	201,719
Total	733,610	749,500	692,093	2,914,084
Less: Inter Segment Revenue	-	-	-	-
Net Sales / Income from operations	733,610	749,500	692,093	2,914,084
Segment Profit before tax, interest and depreciation				
a) IT	125,967	116,161	130,338	526,962
b) BPO	11,654	16,654	14,380	60,014
Total	137,621	132,815	144,718	586,976
Less:				
(i) Finance costs	3,695	3,179	2,740	12,859
(ii) Other un-allocable expenditure Net off un-allocable income	27,767	47,505	37,645	188,583
Profit before tax	106,159	82,131	104,333	385,534

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Rs.in Lakhs

Statement of segment Assets and Liabilities	June 30, 2017	June 30, 2016	March 31, 2017
Segment Assets			
Trade and Other Receivables			
IT	784,613	779,026	708,335
BPO	45,602	43,634	42,956
Total Trade Receivables	830,215	822,660	751,291
Goodwill			
IT	265,110	140,310	225,342
BPO	37,445	37,445	37,445
Total Goodwill	302,555	177,755	262,787
Unallocable Assets	1,678,211	1,434,733	1,592,576
TOTAL ASSETS	2,810,981	2,435,148	2,606,654
Segment Liabilities			
Unearned Revenue			
IT	29,144	18,370	30,125
BPO	331	2,509	1,309
Total Unearned Revenue	29,475	20,879	31,434
Advance from Customers			
IT	22,524	11,334	25,287
BPO	-	-	-
Total Advance from Customers	22,524	11,334	25,287
Unallocable Liabilities	976,754	811,349	859,802
TOTAL LIABILITIES	1,028,753	843,562	916,523

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 results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on July 31, 2017.

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 wrt 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 various 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 Honorable High Court of Andhra Pradesh (the Court) had, pending further Orders, 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 Honorable 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, which occurred and crystallized during the previous year and also 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, at this point of time, 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.

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 was 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.

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Taking into accounts 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 provision for contingency in the current quarter ended June 30, 2017 towards sales commission but instead disclosed an amount of Rs. 12040 Lakhs (March 31, 2017 : Rs 11220 Lakhs) as contingent liability to cover any possible charge that may arise in respect of the above said matter, in the financial statements for the quarter ended June 30, 2017 and by way of abundant caution 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 and July 29, 2016 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 and March 31, 2016 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 quarter ended June 30, 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 completed the acquisition of The CJS Solutions Group, LLC (CJS). In accordance with the agreement, Tech Mahindra (Americas) Inc. paid the initial consideration of Rs. 67800 Lakhs (USD 105 Million) to acquire 84.74 % stake in CJS and agreed to purchase the remaining 15.26 % stake through call and put option over three years ending December 31, 2019 for additional consideration upto USD 116 Million.
- 5 Current tax expense for the quarter ended June 30, 2017 is net of excess provision of Rs. 1873 Lakhs (quarter ended June 30, 2016: Rs. 588 Lakhs) of previous periods written back, no longer required.
- 6 Total revenue of Rs. 79681 lakhs (10% of revenues) for the quarter ended June 30, 2017 and total net profit after tax of Rs. 134 lakhs (0.2% of profit after tax) and Total Comprehensive income of Rs. 1590 lakhs (2% of Total Comprehensive income) for the quarter ended June 30, 2017, as considered in the consolidated financial results have not been audited.
- 7 Previous period figures have been regrouped/rearranged wherever necessary.

8 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 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. 123040 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 as explained in the note.

(ii) Note 3 in respect of one of the subsidiary of the Company whose interim financial statements/financial information reflect total revenues of Rs. 8971 lakhs, profit after tax of Rs 748 lakhs and Total comprehensive income of Rs. 728 lakhs for the quarter ended on that date, as considered in the consolidated financial results, the other auditors have drawn attention to the 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 March 31, 2016, March 31, 2015, March 31, 2014, March 31, 2013 and March 31, 2012 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 ended June 30, 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.

9 Management response to Emphasis of Matters:

With regard to the emphasis of matters stated in Note 8 above, there are no additional developments on Emphasis of Matters mentioned in Note 2 and 3 above which require adjustments to the financial statements.

- 10 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 : July 31, 2017

Place : Mumbai

C. P. Gurnani
Managing Director & CEO