# Revenue for the quarter at Rs.47,715 Mn, up 16% sequentially

# Profit from operations for the quarter at Rs. 9,889 Mn, up 32% sequentially

## Tech Mahindra Limited

## Consolidated Audited Financial Results for the Quarter and half year ended September 30th, 2013

PART I

Rs. in Lakhs

| Particulars | Quarter ended | | | Half year ended | | Year ended |
|---|---|---|---|---|---|---|
| | September 30, 2013 | June 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | March 31, 2013 |
| | (Refer Note 5) | (Refer Note 5) | (Refer Note 5) | (Refer Note 5) | (Refer Note 5) | (Refer Note 5) |
| 1 Income from Operations | 477,149 | 410,323 | 163,140 | 887,472 | 317,482 | 687,308 |
| 2 Expenses | | | | | | |
| a) Employee benefits expense | 243,736 | 220,535 | 89,561 | 464,271 | 171,148 | 367,200 |
| b) Travelling Expenses | 19,433 | 18,089 | 5,543 | 37,522 | 11,561 | 27,274 |
| c) Services rendered by Business Associates & Others | 37,802 | 30,976 | 15,521 | 68,778 | 31,134 | 66,145 |
| d) Depreciation and amortisation expense | 12,219 | 11,743 | 4,806 | 23,962 | 9,019 | 19,996 |
| e) Other expenses | 65,069 | 54,275 | 18,745 | 119,344 | 36,846 | 84,265 |
| Total Expenses | 378,259 | 335,618 | 134,176 | 713,877 | 259,708 | 564,880 |
| 3 Profit from operations before other income and finance costs (1-2) | 98,890 | 74,705 | 28,964 | 173,595 | 57,774 | 122,428 |
| 4 Other Income | | | | | | |
| Miscellaneous income | 6,414 | 7,351 | 555 | 13,765 | 1,241 | 4,424 |
| Exchange gain / (loss) | (2,606) | 13,379 | (6,953) | 10,773 | (9,374) | (11,894) |
| Total | 3,808 | 20,730 | (6,398) | 24,538 | (8,133) | (7,470) |
| 5 Profit before finance costs (3+4) | 102,698 | 95,435 | 22,566 | 198,133 | 49,641 | 114,958 |
| 6 Finance costs | | | | | | |
| Interest Cost on Borrowing | 2,349 | 1,320 | 1,943 | 3,669 | 3,893 | 8,730 |
| Currency Translation Loss / (Gain) on Foreign Currency Loan | 66 | 910 | 337 | 976 | 790 | 1,574 |
| Total | 2,415 | 2,230 | 2,280 | 4,645 | 4,683 | 10,304 |
| 7 Profit before tax (5-6) | 100,283 | 93,205 | 20,286 | 193,488 | 44,958 | 104,654 |
| 8 Tax expense | 28,401 | 23,278 | 2,511 | 51,679 | 8,358 | 23,554 |
| 9 Profit after tax but before share of profit / (loss) in Associate and minority interest (7-8) | 71,882 | 69,927 | 17,775 | 141,809 | 36,600 | 81,100 |
| 10 Share of profit/(loss) in Associate | | | | | | |
| - Profit after Tax and minority Interest (excluding exceptional items ) | - | - | 11,851 | - | 26,874 | 56,469 |
| - Exceptional items | - | - | - | - | - | (6,826) |
| 11 Profit after tax and share of profit/(loss) in Associate but before minority interest (9+10) | 71,882 | 69,927 | 29,626 | 141,809 | 63,474 | 130,743 |
| 12 Minority Interest | (39) | (1,296) | - | (1,335) | - | (1,962) |
| 13 Net Profit for the period (11+12) | 71,843 | 68,631 | 29,626 | 140,474 | 63,474 | 128,781 |
| 14 Paid-up Equity Share Capital (Face Value of Share Rs. 10) | 23,239 | 12,877 | 12,764 | 23,239 | 12,764 | 12,812 |
| 15 Consideration on amalgamation pending allotment (Face Value of Share Rs. 10) | - | 10,349 | - | - | - | - |
| 16 Loan Funds - Listed Debentures | 30,000 | 30,000 | 60,000 | 30,000 | 60,000 | 60,000 |
| 17 Reserves excluding revaluation reserve | | - | - | - | - | 500,161 |
| 18 Debenture Redemption Reserve | | - | - | - | - | 53,379 |
| 19 Earnings Per Share (Rs.):(Not Annualized) This has been computed after taking into account the Equity Shares relating to the consideration on amalgamation pending allotment. | | | | | | |
| - Basic | 30.96 | 29.60 | 23.23 | 60.53 | 49.76 | 100.85 |
| - Diluted | 30.27 | 29.00 | 22.31 | 59.18 | 47.79 | 96.68 |
| 20 Ratios | | | | | | |
| - Debt Equity Ratio | - | - | - | 0.04 | 0.28 | 0.27 |
| - Debt Service Coverage Ratio (DSCR) | - | - | - | 1.01 | 0.41 | 0.41 |
| - Interest Service Coverage Ratio (ISCR) | - | - | - | 37.37 | 12.34 | 11.88 |

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

PART II : Selected Information for the Quarter ended September 30, 2013

| Particulars | Quarter ended | | | Half year ended | | Year ended |
|---|---|---|---|---|---|---|
| | September 30, 2013 | June 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | March 31, 2013 |
| A PARTICULARS OF SHAREHOLDING (Without considering the consideration on amalgamation pending allotment at June 30, 2013 - Refer Note 4) | | | | | | |
| 1 Public Shareholding | | | | | | |
| - Number of shares | 147,654,059 | 68,033,486 | 55,292,764 | 147,654,059 | 55,292,764 | 67,382,045 |
| - Percentage of shareholding | 63.54% | 52.83% | 43.32% | 63.54% | 43.32% | 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 | 84,736,978 | 60,736,978 | 72,348,417 | 84,736,978 | 72,348,417 | 60,736,978 |
| - 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) | 36.46% | 47.17% | 56.68% | 36.46% | 56.68% | 47.41% |

• 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 (TML) shares in the ratio of 2 shares in TML 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.

**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 Appeal 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 two parties 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 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 appeal 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, 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 half year ended September 30, 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.

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).