

Tech Mahindra Limited

Registered Office : Gateway Building, Apollo Bunder, Mumbai 400 001.

Website : www.techmahindra.com. Email : investor.relations@techmahindra.com. CIN : L64200MH1986PLC041370

Standalone Audited Financial Results for the quarter ended June 30, 2015

PART I				Rs. in Lakhs	
Particulars	Quarter ended			Year ended	
	June 30, 2015	March 31, 2015 (refer Note 9)	June 30, 2014	March 31, 2015	
1 Income from Operations	495,033	470,715	451,241	1,916,265	
2 Expenses					
a) Employee benefits expense	180,214	181,469	169,444	720,122	
b) Travelling Expenses	11,053	11,367	15,188	51,579	
c) Services rendered by Business Associates and Others	188,886	167,699	147,401	641,821	
d) Depreciation and amortisation expense	12,210	12,455	12,129	47,329	
e) Other expenses	44,704	47,846	43,987	180,087	
Total Expenses	437,067	420,836	388,149	1,640,938	
3 Profit from operations before other income, finance costs and exceptional item (1-2)	57,966	49,879	63,092	275,327	
4 Other Income					
Exchange gain / (loss) (net)	8,533	(12,120)	660	(20,014)	
Other income	27,903	7,871	7,152	32,462	
Total	36,436	(4,249)	7,812	12,448	
5 Profit before finance costs and exceptional item (3+4)	94,402	45,630	70,904	287,775	
6 Finance costs	436	144	292	856	
7 Profit after finance costs but before exceptional item and tax (5-6)	93,966	45,486	70,612	286,919	
8 Exceptional item - Income (Refer Note 4(a) & (b))	3,536	6,127	-	6,127	
9 Profit before tax (7+8)	97,502	51,613	70,612	293,046	
10 Tax expense - Current and Deferred Tax	15,818	8,713	17,911	67,423	
11 Profit after tax (9-10)	81,684	42,900	52,701	225,623	
12 Paid-up Equity Share Capital (Face Value of Share Rs. 5) (refer note no.8)	48,077	48,039	23,439	48,039	
13 Reserves excluding revaluation reserves as per Balance Sheet of previous accounting year				1,069,747	
14 Earnings Per Equity Share (Rs) (Before exceptional item) (not annualised) (Refer Note No.8)					
- Basic	8.13	3.84	5.64	22.94	
- Diluted	7.94	3.74	5.46	22.33	
15 Earnings Per Equity Share (Rs) (After exceptional item) (not annualised) (Refer Note No.8)					
- Basic	8.50	4.48	5.64	23.58	
- Diluted	8.30	4.36	5.46	22.96	
PART II : Select Information for the quarter ended June 30, 2015					
Particulars	Quarter ended			Year ended	
	June 30, 2015	March 31, 2015	June 30, 2014	March 31, 2015	
A PARTICULARS OF SHAREHOLDING					
1 Public Shareholding					
- Number of shares	608849788	608095400	149651436	608095400	
- Percentage of shareholding	63.32%	63.29%	63.85%	63.29%	
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	352693512	352693512	84736978	352693512	
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	100.00%	100.00%	
- Percentage of shares (as a % of the total share capital of the company)	36.68%	36.71%	36.15%	36.71%	
Particulars		3 months ended June 30, 2015			
B. INVESTORS COMPLAINTS					
Pending at the beginning of the quarter		0			
Received during the quarter		14			
Disposed of during the quarter		14			
Remaining unresolved at the end of the quarter		0			

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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 27, 2015.

2. Appeals against the merger order of Satyam Computer Services Limited

Pursuant to the Scheme of Amalgamation and Arrangement (the Scheme) sanctioned by the Honorable High Court of Andhra Pradesh and the Honorable High Court of Judicature at Bombay vide their respective Orders, Satyam Computer Services Limited (Satyam) was merged with the Company w.e.f. April 1, 2011. The Scheme came into effect on June 24, 2013.

Appeals against the said Order have been filed by 37 companies before the Division Bench of the Honorable High Court of Andhra Pradesh, 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. The matter has been combined with the above appeals for hearing. Also refer notes 3.2 and 3.3 below.

3. Matters pertaining to erstwhile Satyam:

3.1 Investigation by authorities in India

In the letter dated January 7, 2009 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 and conducted inspections and issued notices calling for information including from certain subsidiaries which have been responded to.

On May 22, 2013, the ED has issued a show-cause notice to erstwhile Satyam for contravention of provisions of the Foreign Exchange Management Act, 1999 (FEMA) for alleged non-repatriation of ADS proceeds aggregating USD 39.2 Million. The Company has responded to the show-cause notice.

Further, no new claims have been received which need any further evaluation/adjustment/disclosure in the books of account, 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.

The CBI completed their investigation and filed their charge sheet naming 10 accused. On April 9, 2015, the Special Session Court in its Order in the matter, has convicted all the 10 accused for offence punishable under various sections of Indian Penal Code. Erstwhile Satyam (since merged with the Company) was not an accused party and there were no proceedings initiated against it by CBI on completion of their investigation.

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 (forensic investigation) and preparation of the financial statements of erstwhile Satyam.

The forensic investigation covered accounting records for 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 said letter. In certain instances, the forensic accountants also 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 were accounted in the financial statements of erstwhile Satyam for the financial year ended March 31, 2009, on grounds of prudence. Since there was no further information available with the Management even, after the lapse of more than four years, the said amount was written off in the books of account of the Company during the year ended March 31, 2014.

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. Also refer note 2 above and 3.3 below.

3.3 Alleged Advances

Consequent to the aforesaid letter, the erstwhile Satyam received letters from 37 companies requesting confirmation by way of acknowledgement for receipt of certain alleged amounts by the erstwhile Satyam (referred to as alleged advances). These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of the alleged advances aggregating Rs. 123040 Lakhs stated to be given as temporary advances. The legal notices also claimed damages/compensation @18% per annum from the date of advance till 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.

One petition where court fees have been paid, the pauper petition was converted into a suit which is pending disposal. The petitions filed by remaining 36 companies are before the Court, at various stages of rejection of pauperism/trial of pauperism/ inquiry to condone the delay in applications. In one petition, the delay in submission of the petition has been condoned by the Court and the Company has obtained an interim stay order from the Honorable High Court of Andhra Pradesh, which has remanded the matter to the lower Court directing to consider the application afresh.

Further in the course of the merger petition of erstwhile Satyam with the company, the Honorable High Court based on the report of an independent firm of Chartered Accountants appointed by the Honorable High Court and the 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, 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 beyond doubt which is not so in this case.

The Honorable High Court in its Order, further 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.

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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), provisionally attaching certain Fixed Deposit accounts of the Company then aggregating to Rs. 82200 Lakhs for a period of 150 days. 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 by filing a Writ Petition (the Writ). The Honorable 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 had challenged the interim order before the Division Bench of the Honorable High Court, which was dismissed vide Order dated December 31, 2014 and the Honorable High Court continued the stay granted.

A criminal case was filed by the ED before the Honorable XXI Additional Chief Metropolitan Magistrate, Hyderabad cum Special Sessions Court (Trial court) under the Prevention of Money Laundering Act, 2002 against erstwhile Satyam along with 212 accused persons. In the complaint, the ED has alleged that the Company has been involved in the offence of money laundering by possessing the proceeds of crime and projecting them as untainted. The Company had challenged the above complaint before the Honorable High Court of Andhra Pradesh which quashed the criminal complaint against the Company vide its order dated December 22, 2014. On appeal, the Divisional Bench of the High Court, however passed an interim order allowing the hearing for framing 'Charges'. A Special Leave Petition was filed by the Company before the Honorable Supreme Court of the India, which directed the Honorable High Court of Andhra Pradesh to dispose of the Writ petition within a period of four months and further directed the Trial court to defer the trial till the said Writ was disposed off.

In view of the aforesaid developments and also based on legal opinion, the Management is of the view that the claim by the 37 companies for repayment of the alleged advances, including interest thereon is not legally tenable and the same has been reinforced.

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 Honorable 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)', which would be accordingly dealt with/reclassified as and when appropriate.

3.4. Provision for taxation

The erstwhile Satyam had accounted for provision for taxation for several prior years aggregating Rs. 49892 Lakhs (net of taxes paid) as at March 31, 2013 (before giving effect to its amalgamation with the Company), for which the assessments are under dispute.

Subsequent to the amalgamation of erstwhile Satyam with the Company, 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 aggregating Rs. 22660 Lakhs, which has been written back during the year ended March 31, 2014. In the opinion of the Management the balance provision for taxation carried in the books is adequate.

4. Exceptional item

a) Based on the Management's assessment and improved financial performance of Tech Mahindra GmbH, the Company as at June 30, 2015, has reversed the provision for diminution in value of its investment in Tech Mahindra GmbH, which was provided for in an earlier year, amounting to Rs. 3536 Lakhs.

b) During the quarter ended March 31, 2015, based on the Management's assessment and improved financial performance of Citisoft Plc, the Company had reversed the provision for diminution in value of its investment in Citisoft Plc, which was provided in earlier years, amounting to Rs. 6127 Lakhs.

5. Scheme of Amalgamation and Arrangement of Mahindra Engineering Services Limited (MESL):

Pursuant to the Scheme of Amalgamation and Arrangement (the Scheme) sanctioned by the Honorable High Court of Judicature at Bombay vide its Order dated October 31, 2014, MESL, merged with the Company with effect from the appointed date of April 1, 2013. The Scheme came into effect on December 8, 2014, the day on which the order was delivered to the Registrar of the Companies, and pursuant thereto the entire business and all the assets and liabilities, duties, taxes and obligations of MESL have been transferred to and vested in the Company with effect from April 1, 2013.

In accordance with the Scheme, the Company had, in December 2014, issued 5 Equity shares of Rs. 10 each fully paid-up in respect of every 12 Equity shares of Rs. 10 each of MESL, aggregating to 4259011 Equity shares as purchase consideration to the existing shareholders of MESL. The Company has initiated the formalities to transfer the title in respect of the contracts, agreements, etc. of MESL in its name.

6. Scheme of Amalgamation and Arrangement of Tech Mahindra BPO Limited and New vC Services Private Limited:

The Board of Directors of the Company in their meeting held on May 26, 2015 has approved the Scheme of Amalgamation and Arrangement under applicable provisions of the Companies Act, 2013 of Tech Mahindra BPO Limited and New vC Services Private Limited, both of which are wholly owned subsidiaries of the Company, with the Company. The Appointed date of the Scheme is April 1, 2015.

7. Current tax expense for the quarter ended June 30, 2015 is net of excess provision of Rs. 1243 Lakhs (net) (quarter ended June 30, 2014: Rs.45 Lakhs) pertaining to earlier periods written back as the same is no longer required.

8. Pursuant to issuance of bonus shares and split of Equity shares during the quarter ended March 31, 2015, Basic and Diluted earnings per share for the previous periods have been presented to reflect the adjustment for bonus share and split in accordance with Accounting Standard 20 on 'Earnings Per Share'

9. Figures of the quarter ended March 31, 2015 are the balancing figures between audited figures in respect of the full financial year and published year to date figures up to the third quarter of the respective financial year.

10. The results for the quarter ended June 30, 2015 include the results of MESL after giving effect to the Scheme (refer note 5 above) and hence the same are not strictly comparable with those of the previous/corresponding quarter/s.

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

12. The qualification in the Auditors' Report for the quarter ended June 30, 2015 and Management response thereon;

The qualification in the Auditors' report pertains to the following:

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 up to 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.

Date : July 27, 2015

Place : Mumbai

Vineet Nayyar
Executive Vice Chairman