

## 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 and nine months ended December 31, 2015

PART I	Rs. in Lakhs						
	Particulars	Quarter ended			Nine months ended		Year
		December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	December 31, 2014	March 31, 2015
1 Income from Operations	515265	518149	503481	1528447	1445550	1916265	
2 Expenses							
a) Employee benefits expense	180230	179490	183104	539934	538653	720122	
b) Travelling Expenses	9989	9244	12165	30285	40212	51579	
c) Services rendered by Business Associates and Others	200813	194062	167031	583762	474122	641821	
d) Depreciation and amortisation expense	11738	14082	11156	38029	34874	47329	
e) Other expenses	40324	49777	45080	133900	129134	176162	
Total Expenses	443094	446655	418536	1325910	1216995	1637013	
3 Profit from operations before other income, finance costs and exceptional item (1-2)	72171	71494	84945	202537	228555	279252	
4 Other Income							
Exchange gain / (loss) (net)	1214	(255)	(3030)	9494	(7894)	(20014)	
Other income (Refer Note 4)	6660	47926	6910	82490	24591	32462	
Total	7874	47671	3880	91984	16697	12448	
5 Profit before finance costs and exceptional item (3+4)	80045	119165	88825	294521	245252	291700	
6 Finance costs	1620	1060	1158	4019	3819	4781	
7 Profit after finance costs but before exceptional item and tax (5-6)	78425	118105	87667	290502	241433	286919	
8 Exceptional item - Income (Refer Note 3(a) and (b))	-	-	-	3536	-	6127	
9 Profit before tax (7+8)	78425	118105	87667	294038	241433	293046	
10 Tax expense - Current and Deferred Tax	16796	22378	19132	54997	58710	67423	
11 Profit after tax (9-10)	61629	95727	68535	239041	182723	225623	
12 <b>Special Adjustments (Refer Note 5.1)</b>							
Profit earned by MESL from April 1, 2014 to September 30, 2014	-	-	2542	-	-	-	
13 Net Profit After Special Adjustments (11+12)	61629	95727	71077	239041	182723	225623	
14 Paid-up Equity Share Capital (Face Value of Share Rs. 5) (refer note no.11)	48342	48117	23998	48342	23998	48039	
15 Reserves excluding revaluation reserves as per Balance Sheet of previous accounting year						1069747	
16 Earnings Per Equity Share (Rs) (Before exceptional item) (not annualised) (Refer Note No.11)							
- Basic	6.40	9.96	7.44	24.46	19.12	22.94	
- Diluted	6.26	9.73	7.23	23.93	18.59	22.33	
17 Earnings Per Equity Share (Rs) (After exceptional item) (not annualised) (Refer Note No.11)							
- Basic	6.40	9.96	7.44	24.83	19.12	23.58	
- Diluted	6.26	9.73	7.23	24.29	18.59	22.96	

### Notes :

1. The quarterly and nine monthly results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on February 1, 2016.

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

#### 2.1 Investigations at erstwhile Satyam:

In the letter dated January 7, 2009 Mr. B. Ramalinga Raju, the then Chairman of erstwhile Satyam, admitted that the Balance Sheet of erstwhile Satyam as at September 30, 2008 carried 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 Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), Directorate of Enforcement (ED), Central Bureau of Investigation (CBI), etc., had initiated investigations on various matters and conducted inspections and issued notices calling for information including from certain subsidiaries which have been responded to.

On April 13, 2009, SFIO filed seven cases out of which erstwhile Satyam was made accused in two cases for Companies Act violations. The Company Law Board vide its Order dated October 16, 2012 has compounded the said violations by levying a compounding fee of Rs. 11 Lakhs, which has already been paid by the Company in October 2012. There are no other proceedings initiated by SFIO against the Company and the Management does not expect any further proceedings or penal action against the Company.

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On May 22, 2013, the ED has issued a show-cause notice to the erstwhile Satyam for contravention of provisions of the Foreign Exchange Management Act, 1999 (FEMA) for alleged non-repatriation of American Depository Receipts (ADR) proceeds aggregating USD 39.2 Million. The internal forensic investigation by the Management of erstwhile Satyam had also indicated possible diversion aggregating USD 41 Million from the proceeds of the ADR relating to erstwhile Satyam which was revised to USD 19 Million based on further details of utilization obtained. The Company has responded to the ED's show-cause notice on March 28, 2014 and has not received any further communication in this regard.

The ED had also issued a show-cause notice to the erstwhile Satyam on April 28, 2011 for contravention of the provisions of FEMA and the Foreign Exchange Management (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000, in respect of the realisation and repatriation of export proceeds to the extent of foreign exchange equivalent to Rs. 5060 Lakhs for invoices raised during the period July 1997 to December 31, 2002. The erstwhile Satyam has responded to the show-cause notice and has not received any further communication in this regard.

The CBI has also completed the investigation and filed their charge sheet naming 10 accused. The Special Session Court vide its Order dated April 9, 2015 in the matter, has convicted all the 10 accused for offences punishable under various sections of Indian Penal Code. The erstwhile Satyam (since merged with the Company) was not an accused party and there were no proceedings initiated against it by the CBI on completion of their investigation. Thus, in the opinion of the Management, the matter is closed so far as the Company is concerned and no further proceedings against the Company is envisaged.

As per the assessment of the Management, based on the forensic investigation and the information available, 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 regulators / agencies and no new information has come to the Management's notice which requires adjustments to the financial statements. Further, no new claims have been received which need any further evaluation/adjustment/ disclosure in the books of account. However, further adjustments, if any, would be made as and when the aforesaid matters progress are concluded.

**2.2 Various investigation agencies had identified certain non-compliances / breaches of various laws and regulations by erstwhile Satyam under the former Management (prior to Government nominated Board) including but not limited to the following - payment of remuneration /commission to whole-time directors/non-executive directors in excess of the limits prescribed under the Act, unauthorised borrowings, excess contributions to Satyam Foundation, loan to ASOP Trust (Satyam Associates Trust) without prior Board approval under the Act, delay in deposit of dividend in the bank, dividend paid without profits, non-transfer of profits to general reserve relating to interim dividend declared, utilisation of the Securities Premium account, declaration of bonus shares and violation of SEBI ESOP Guidelines. In respect of some of these matters, erstwhile Satyam (under the Management post Government nominated Board) has applied to the Honorable Company Law Board for condonation and the matters in respect of two cases were compounded as discussed in Note 2.1 above.**

In respect of foreign currency receivables for the period's upto March 31, 2009, the required permission under the provisions of FEMA for extension of time had not been obtained from the appropriate authorities. Erstwhile Satyam under the Management post Government nominated Board has fully provided for these receivables.

In the opinion of the Management, considering that the other investigations namely CBI/SFIO having completed and the above matters not being pursued therein, the Management does not expect any further proceedings or penal action against the Company in these matter. However, further adjustments, if any, would be made as and when the aforesaid matters progress are concluded.

### 2.3 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. Further, the internal forensic investigation was also unable to identify 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.

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. Lower Court upon hearing the application has condoned the delay in re-submission of pauper petition. Company is taking necessary step to challenge the said Order.

Further in the course of the merger petition of erstwhile Satyam with the Company, the Honorable High Court 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.

The said 37 companies 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 Satyam Computer Services Limited (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.

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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 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 having alleged to be 'proceeds of crime' were provisionally attached vide Order dated October 18, 2012 by the Directorate of Enforcement (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 the interim Order passed by the Single Judge before the Division Bench of the Court. During the quarter ended December 31, 2014, the Honorable High Court upon hearing the matter, has dismissed the Appeal filed by ED and continued the Stay granted by the Single Judge vide its Order dated December 31, 2014. Fixed Deposits initially attached aggregated to Rs 82200 Lakhs, of which Rs. 35700 Lakhs have been redeemed pursuant to the Order passed on December 31, 2014. Certain banks have not released the attached deposits and matter is being pursued legally.

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 (PMLA), 2002 against erstwhile Satyam along with 212 accused persons. 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 requested the Honorable High Court of Andhra Pradesh to dispose of the Writ Appeal within a period of four months and further directed the Trial Court to defer the trial till the said Writ Appeal is 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.

#### 2.4. 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, has been written back during the previous year ended March 31, 2014. In the opinion of the Management the balance provision for taxation carried in the books is adequate.

#### 3. Exceptional items

a) Based on the Management's assessment and improved financial performance of Tech Mahindra GmbH, the Company as at December 31, 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 previous year 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.

4. Other income includes Rs. 3185 Lakhs write back during the quarter ended September 30, 2015 of an estimated excess provision for contingencies provided in an earlier year by erstwhile Satyam, based on actual receipt of VAT refund from the Joint Commissioner of Commercial Tax, Bangalore for Karnataka Value Added Tax and Central Sales Tax.

#### 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.

5.1 As the Scheme has become effective from December 8, 2014 the figures for the quarter ended December 31, 2014, includes the operations of MESL for the half year ended September 30, 2014, which is disclosed as special adjustment below the line 'Profit after Tax' and operations of MESL for the period April 01, 2014 till the effective date (December 08, 2014) are included in the profits of the Company for the nine months ended December 31, 2014.

#### 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 had 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 wholly owned subsidiaries of the Company, with the Company. The Appointed date of the Scheme is April 1, 2015. Further, both the Transferor companies have filed the same before the Honorable High Court of Bombay on September 21, 2015, and the same was admitted on October 30, 2015. The approval of the Honorable High Court is awaited.

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7. The Company has received an 'In-principle' approval to set up a 'Payments bank' from Reserve Bank of India (RBI) on September 07, 2015. The proposed Payments bank will be an independent Company licensed under Section 22 of the Banking Regulation Act, 1949 with equal equity contribution from the Company and Mahindra and Mahindra Financial Services Limited (MMFSL). The Payments bank would be established within 18 month from the date of the 'In-principle'. The Company is yet to incorporate the new entity.

8. On December 14, 2015, the Company jointly with Mahindra & Mahindra entered into an agreement with Pincar S.r.l., to purchase a controlling stake in Pininfarina S.p.A., an iconic Italian brand in automotive and industrial design. As per the agreement, the Company and Mahindra and Mahindra would purchase 76.06 % stake in Pininfarina at a price of Euro 1.1 per share, subject to regulatory approvals. The total cost of acquisition for the Company would be EUR 15.18 Million (Rs. 10940 Lakhs). The said acquisition is expected to be concluded by June 2016. This acquisition would be through a joint venture where the Company and Mahindra and Mahindra Limited would hold in the ratio of 60:40.

9. During the nine months ended December 31, 2015 Mahindra Engineering GmbH was merged with Tech Mahindra GmbH w.e.f. April 1, 2015 as per the notarized merger order. Tech Mahindra Limited and Mahindra Engineering Services (Europe) Limited are shareholders of Mahindra Engineering GmbH holding 84% and 16% respectively.

As per the merger order, all assets and liabilities with duties and obligations are transferred to Tech Mahindra GmbH and the shareholders of Mahindra Engineering GmbH to waive off their rights. The company has already provided for its investment in Mahindra Engineering GmbH during the previous years. The company is in process of applying to RBI for the approval of write off for the said investment in the books of accounts.

10. Current tax expense for the quarter and nine months ended December 31, 2015 is net of excess provision of Rs. 1553 Lakhs and Rs. 3585 lakhs respectively (quarter and nine months ended December 31, 2014: Rs. 1302 lakhs and Rs. 1347 lakhs respectively) of earlier periods written back, no longer required.

11. For the quarter and nine months ended December 31, 2014, the equity shares and Basic and Diluted earnings per share has been presented to reflect the adjustment for bonus share and split in accordance with Accounting Standard 20 'Earnings Per Share'.

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

### 13. The qualification in the Auditors' Report for the quarter and nine months ended December 31, 2015:

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

With respect to the matters described in Note 2.3 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.

### 14. Emphasis of Matters

The Emphasis of Matters in the Auditor's Report pertain to the following:

- a) Note 2.1 in respect of the financial irregularities in the erstwhile Satyam relating to prior years identified consequent to the letter dated January 7, 2009 of the then Chairman of erstwhile Satyam, various regulators/investigating agencies initiated their investigations and legal proceedings, which are ongoing.
- b) Note 2.2 in respect of the non-compliances/breaches in the erstwhile Satyam relating to certain provisions of the Companies Act, 1956, certain employee stock option guidelines issued by the Securities Exchange Board of India and certain matters under the provisions of FEMA, observed in the prior years under its erstwhile Management (prior to the appointment of Government nominated Board).
- c) Note 2.3 in respect of appeals against the Order of the Honorable High Court of Andhra Pradesh approving the Scheme of merger filed by 37 companies before the Division Bench of the Honorable High Court of Andhra Pradesh. No interim orders have been passed and the appeals are yet to be heard.
- d) Note 2.4 in respect of provision for taxation for several prior years accounted by the erstwhile Satyam 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, considering the professional advice obtained in the matter, the Company's 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 has been written back during the year ended March 31, 2014. The Company's Management is of the view that the balance provision for taxation carried in the books in respect of the above is adequate.

### 15. Management response to qualification and Emphasis of Matters:

With regard to the Auditors qualification in Note 13 above, refer to the details in Note 2.3.

There are no further developments on Emphasis of Matters (a) to (d) mentioned in Note 14 above which require adjustments to the financial statements.

Date : February 1, 2016

Place : Mumbai

C. P. Gurnani  
Managing Director & CEO