

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 year ended March 31, 2016

Particulars	Rs. in Lakhs				
	Quarter ended			Year Ended	
	March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	March 31, 2015
	Refer Note 13)		Refer Note 13)		
1 Income from Operations	546685	515265	470715	2096981	1916265
2 Expenses					
a) Employee benefits expense	189039	180230	181469	741008	720122
b) Travelling Expenses	10349	9989	11367	40824	51579
c) Services rendered by Business Associates and Others	200719	200813	167699	780284	641821
d) Depreciation and amortisation expense	15877	11738	12455	54548	47329
e) Other expenses	53894	40324	47028	193498	176162
Total Expenses	469878	443094	420018	1810162	1637013
3 Profit from operations before other income, finance costs and exceptional item (1-2)	76807	72171	50697	286819	279252
4 Other Income					
Exchange gain / (loss) (net)	3677	1214	(12120)	13394	(20014)
Other income	10101	6660	7871	97449	32462
Total	13778	7874	(4249)	110843	12448
5 Profit before finance costs and exceptional item (3+4)	90585	80045	46448	397662	291700
6 Finance costs	1295	1620	962	5332	4781
7 Profit after finance costs but before exceptional item and tax (5-6)	89290	78425	45486	392330	286919
8 Exceptional item - Income (Refer Note 4)	-	-	6127	-	6127
9 Profit before tax (7+8)	89290	78425	51613	392330	293046
10 Tax expense - Current and Deferred Tax	12026	16796	8713	70330	67423
11 Profit after tax (9-10)	77264	61629	42900	322000	225623
12 Special Adjustments (Refer Note 5)					
Profit earned by TMBPO & New vC from April 1, 2015 to December 31, 2015)	5690	-	-	-	-
13 Net Profit After Special Adjustments (11+12)	82954	61629	42900	322000	225623
14 Paid-up Equity Share Capital (Face Value of Share Rs. 5)	48391	48342	48039	48391	48039
15 Reserves excluding revaluation reserves as per Balance Sheet of previous accounting year				1286410	1069747
16 Earnings Per Equity Share (Rs) (Before exceptional item) (not annualised)					
- Basic	8.60	6.40	3.84	33.40	22.94
- Diluted	8.43	6.26	3.74	32.71	22.33
17 Earnings Per Equity Share (Rs) (After exceptional item) (not annualised)					
- Basic	8.60	6.40	4.48	33.40	23.58
- Diluted	8.43	6.26	4.36	32.71	22.96

Notes :

1. The quarterly and yearly results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on May 24, 2016.

2. The Board of Directors has recommended a dividend of Rs.12/- per share (final dividend of Rs. 6/- per share and special dividend of Rs.6/- per share) on par value of Rs.5/- (240%).

3. Certain matters relating to erstwhile Satyam Computer Services Limited (erstwhile Satyam):

In the letter dated January 7, 2009 Mr. B. Ramalinga Raju, the then Chairman of erstwhile Satyam, stated 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) had initiated investigations on various matters and conducted inspections and issued notices calling for information including from certain subsidiaries which have been responded to.

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In 2009, SFIO initiated two proceedings against erstwhile Satyam for Companies Act violations which have since been compounded. On December 24, 2009, SFIO filed its report under Section 235 of the Companies Act before the Company Law Board (CLB) which stated that 'all these offences and violations relating to fraud have already been covered by CBI in its charge-sheet and a prosecution has been launched by CBI under various sections of Indian Penal Code in none of which erstwhile Satyam was made a party. Consequently, the CLB vide its further Order dated March 1, 2016 struck off the name of the Company from the array of respondent in the Company Petition filed by the Ministry of Company Affairs (MCA). There are no other proceedings initiated by SFIO/CLB against the Company and the Management does not expect any further proceedings or penal action in this regard.

On a FIR filed by one of the investors, the Andhra Pradesh Crime Branch, Crime Investigation Department (AP CB CID), Hyderabad started an investigation into the fraud in 2009, which was subsequently transferred to CBI, Hyderabad. In all, there were 3 separate complaints instituted by the CBI before the XIV Additional Chief Metropolitan Magistrate cum Special Sessions Court, Hyderabad (Special Court). By a common judgment dated April 9, 2015, the Special Court found the accused persons guilty and convicted them. The Company was not named as an accused in the proceedings and in the said judgment. 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 are envisaged in this regard.

Further, 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 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, 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.

On May 22, 2013, the ED had 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 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 non-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.

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, as per above, the investigations have been completed and no new claims have been received which need any further evaluation/adjustment/disclosure in the books of account.

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 these companies dated August 4/5, 2009, 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. This is also borne out in the internal forensic investigation. 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. The Company has challenged the said order in Revision before the High Court of Andhra Pradesh, which is pending hearing. In another development, Company has also filed a Revision against the orders of the Lower Court in the application filed by the Company to recall the Order in numbering the pauper petition as Original Petition. Honorable High Court has been pleased to stay the proceedings until further orders.

The Honorable High Court in its Order approving the merger of the erstwhile Satyam with the Company, 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 Honorable High Court held, inter-alia, 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.

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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.

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 deposit 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.

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 PMLA against erstwhile Satyam along with 212 accused persons. The Company had challenged the above prosecution before the Honorable High Court of Andhra Pradesh which quashed the criminal complaint against the Company vide its Order dated December 22, 2014. On an appeal preferred by the ED, 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, vide its Order dated May 11, 2015, directed the Honorable High Court of Andhra Pradesh to dispose off the Writ Appeal on its merits and preferably within a period of four months and further stayed the proceeding before the Trial Court. The said Appeal has not been heard till date.

In view of the aforesaid developments, which occurred and crystallised during the 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.

4. Exceptional item

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.

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

Pursuant to the Scheme of Amalgamation (the 'Scheme') sanctioned by the Honorable High Court of Judicature at Bombay vide its order dated March 04, 2016, Tech Mahindra BPO Limited ('TMBPO'), and New vC Services Private Limited ('New vC') have been merged with the Company with effect from April 1, 2015 (the 'appointed date'). The Scheme came into effect on March 29, 2016, 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 TMBPO and New vC have been transferred to and vested in the Company with effect from April 1, 2015.

TMBPO was engaged in business processes management, transitioning services and customer contract services.

New vC was engaged in the business of rendering Information Technology enabled and data processing services.

As the amalgamating companies i.e. TMBPO and New vC are both wholly owned subsidiaries of the Company, no consideration is payable on amalgamation with the Company.

The amalgamation is accounted under the 'pooling of interest' method as per Accounting Standard 14 on 'Accounting for Amalgamations' and as modified under the Scheme as under:

- All assets and liabilities and reserves of TMBPO and New vC have been recorded in the books of account of the Company at their respective carrying amounts and in the same form.
- Amount of Share capital of the transferor companies and gross value recorded as investments is adjusted and the difference is debited to The 'General Reserves' in accordance with the Scheme.
- Accordingly, the assets and liabilities of TMBPO and New vC are accounted at the following summarized values:

Particulars	Rs.In lakhs		
	TMBPO	New vC	Total
Fixed Assets (net) (Including Capital Work-in-Progress)	1430	270	1700
Non-Current Investments	-	620	620
Deferred Tax Asset	670	20	690
Trade Receivables	6270	520	6790
Cash and Bank Balances	480	540	1020
Loans and Advances and other assets (long-term and short-term)	4730	120	4850
Liabilities and provisions (long-term and short-term)	10560	250	10810
Share Capital	3310	900	4210
Gross value recorded as investments	27350	960	28310
Debited to General Reserves	24040	60	24100

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As the Scheme has become effective from March 29, 2016 the figures for the current quarter includes the operations of TMBPO and New vC for the nine months ended December 31, 2015, which is disclosed as special adjustment below the line 'Profit after Tax'. and operations of TMBPO and New vC for the period April 01, 2015 till the effective date (March 29, 2016) are included in the profits of the Company for the year ended March 31, 2016.

Accordingly, the figures for the quarter and year ended March 31, 2016 are after giving effect to the above mentioned merger, while the comparative figures are before giving effect to the merger and hence are not comparable.

The Company has initiated the name change formalities to transfer the title in respect of the contracts, agreements, etc. of TMBPO and New vC.

6. The Company had 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 was intended to be set up as 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 Board has now decided not to pursue this opportunity.

7. 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 which the Company and Mahindra and Mahindra Limited would hold in the ratio of 60:40.

8. On January 22, 2016, Comviva Technologies B.V.(a wholly owned subsidiary of the Comviva) entered into an agreement to acquire 100% equity control in ATS Advanced Technologies Solutions SA ("ATS – AR") and ATS Advanced Technology Solutions do Brasil, Industria, Comercio, Importacao y Exportacao LTDA("ATS – BR") in Argentina and Brazil respectively for a consideration of USD 4.65 million (Rs.3140 Lakhs) subject to agreed terms and conditions. On fulfillment of agreed terms and conditions, 'ATS – AR' & 'ATS – BR' became wholly owned subsidiaries of Comviva Technologies B.V w.e.f February 1, 2016.

As per the agreement, the initial purchase consideration of USD 1.05 million (Rs.700 Lakhs) has been paid and balance is payable through the Escrow Account in tranches of USD 0.90 million in each successive years commencing from December 31, 2016 till December 31, 2019.

9. Current tax expense for the quarter and year ended March 31, 2016 is net of excess provision of Rs. 1721 Lakhs and Rs. 5306 lakhs respectively (Year ended March 31, 2015: Rs. 640 lakhs) of earlier periods written back, no longer required.

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

11. Emphasis of Matter

The Emphasis of Matter in the Auditor's Report pertains to the following:

Note 3 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:

During the year the Additional Chief Metropolitan Magistrate cum Special Sessions Court, Hyderabad vide common judgement on April 9, 2015 convicted the accused persons in 3 separate complaints instituted by the Central Bureau of Investigation (CBI), which also covered the matters investigated by the Serious Fraud Investigation Office (SFIO). The Company was not named as an accused in the proceedings and in the said judgment. The Management does not believe there will be any further proceedings against the Company in this respect. The Company Law Board vide its further Order dated March 1, 2016 has also struck off the name of the Company from the array of respondent in the petition filed by the Ministry of Company Affairs (MCA).

Further, as explained in note 3, 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 3, 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.

12. Management response to Emphasis of Matter:

With regard to the emphasis of matter stated in Note 11 above, There are no additional developments on Emphasis of Matter mentioned in Note 3 above which require adjustments to the financial statements.

13. Figures of the quarter ended March 31, 2016 and 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 and includes an adjustment arising out of amalgamation discussed in Note 5 above accounted on the effective date of the Scheme.

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Statement of Assets and Liabilities (Stand Alone - Audited)

Rs. in Lakhs

Particulars	As at March 31, 2016	As at March 31, 2015
A. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	48391	48039
(b) Reserves and Surplus	1306826	1077536
2. Share application money pending for allotment	136	34
3. Non Current Liabilities		
(a) Long-Term Borrowings	17085	-
(b) Long-Term Provisions	34663	32929
4. Current Liabilities		
(a) Trade Payables	218374	183307
(b) Other Current Liabilities	101534	89033
(c) Short-Term Provisions	214943	147728
5. Suspense Account (Net)	123040	123040
TOTAL - EQUITY AND LIABILITIES	2064992	1701646
B. ASSETS		
1. Non-Current Assets		
(a) Fixed Assets	290723	253210
(b) Non-Current Investments	379626	363091
(c) Deferred Tax Asset	38573	28802
(d) Long-Term Loans and Advances	126057	107649
(e) Other Non-Current Assets	2647	7
2. Current Assets		
(a) Current Investments	104903	45675
(b) Trade Receivables	515443	424084
(c) Cash and Cash Equivalents	328484	181947
(d) Short-Term Loans and Advances	155628	174519
(e) Other Current Assets	122908	122662
TOTAL - ASSETS	2064992	1701646

Date : May 24, 2016

Place : Mumbai

C. P. Gurnani

Managing Director & CEO