Profit after tax for the quarter at Rs. 13,098 Million up 23% 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

Audited Consolidated Interim Financial Results for the quarter and nine months period ended December 31, 2020

Rs. in Million except Earnings per share

	Particulars	**Quarter ended**			**Nine months period ended**		**Year ended**
		December 31, 2020	**September 30, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**	**March 31, 2020**
1	Revenue from Operations	96,471	93,718	96,546	281,252	273,775	368,677
2	Other Income	2,209	1,175	3,496	7,545	9,072	11,924
3	Total Income (1 + 2)	98,680	94,893	100,042	288,797	282,847	380,601
4	EXPENSES						
	Employee Benefits Expenses	49,688	48,279	47,905	146,018	139,971	188,100
	Subcontracting Expenses	11,997	12,218	15,766	37,376	41,650	54,408
	Finance Costs	421	399	550	1,323	1,387	1,919
	Depreciation and Amortisation Expense	3,584	3,717	3,848	11,133	10,476	14,458
	Other Expenses	15,831	16,191	17,242	48,868	48,371	68,908
	Impairment of Goodwill and non current assets	-	-	-	-	-	2,175
	Total Expenses	81,521	80,804	85,311	244,718	241,855	329,968
5	Profit before share in profit/(loss) of associates and tax (3-4)	17,159	14,089	14,731	44,079	40,992	50,633
6	Share of Profit / (Loss) of Associates	5	4	5	10	(70)	(55)
7	Profit before Tax (5 + 6)	17,164	14,093	14,736	44,089	40,922	50,578
8	Tax Expense						
	Current Tax	4,746	4,150	3,737	12,999	9,435	12,378
	Deferred Tax	(483)	(688)	(108)	(1,998)	(223)	(774)
	Total Tax Expense	4,263	3,462	3,629	11,001	9,212	11,604
9	Profit after tax (7 - 8)	12,901	10,631	11,107	33,088	31,710	38,974
	Profit for the period attributable to:						
	Owners of the Company	13,098	10,646	11,459	33,467	32,291	40,330
	Non Controlling Interests	(197)	(15)	(352)	(379)	(581)	(1,356)
10	Other Comprehensive Income / (Loss)						
	A. Items that will not be reclassified to Profit or (Loss) (net of taxes)	(67)	1,646	64	1,610	(88)	(150)
	B. Items that will be reclassified to Profit or (Loss) (net of taxes)	(449)	1,081	(415)	1,004	(297)	(907)
	Total Other Comprehensive Income / (Loss) (A+B)	(516)	2,727	(351)	2,614	(385)	(1,057)
11	Total Comprehensive Income (9 + 10)	12,385	13,358	10,756	35,702	31,325	37,917
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	12,546	13,318	11,044	36,040	31,848	39,156
	Non Controlling Interests	(161)	40	(288)	(338)	(523)	(1,239)
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,366	4,362	4,356	4,366	4,356	4,359
13	Total Reserves						213,772
14	Earnings Per Equity Share (Rs)						
	(EPS for the quarter and nine months ended periods is not annualised)						
	Basic	14.98	12.18	13.13	38.29	36.99	46.21
	Diluted	14.87	12.11	13.03	37.99	36.73	45.85

Standalone Information

Particulars	**Quarter ended**			**Nine months period ended**		**Year ended**
	December 31, 2020	**September 30, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**	**March 31, 2020**
Revenue from Operations	75,650	74,044	77,001	221,341	216,595	292,254
Profit before Tax	16,398	12,576	12,490	39,993	38,137	53,322
Profit after Tax	12,556	9,615	9,227	30,713	31,417	45,345

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Audited Consolidated Interim Financial Results for the quarter and nine months period ended December 31, 2020

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

Particulars	Quarter ended			Nine months period ended		Year ended
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	March 31, 2020
Segment Revenue						
a) IT	85,905	84,193	87,067	253,766	247,883	334,564
b) BPO	10,566	9,525	9,479	27,486	25,892	34,113
Total Sales / Income from operations	**96,471**	**93,718**	**96,546**	**281,252**	**273,775**	**368,677**
Segment Profit before tax, interest and depreciation						
a) IT	16,447	14,947	14,052	43,898	40,048	52,303
b) BPO	2,508	2,083	1,581	5,092	3,735	4,958
Total	**18,955**	**17,030**	**15,633**	**48,990**	**43,783**	**57,261**
Less:						
(i) Finance costs	421	399	550	1,323	1,387	1,919
(ii) Other un-allocable expenditure,net off un-allocable income	1,375	2,542	352	3,588	1,404	4,709
Add:						
Share of Profit / (Loss) of Associates	5	4	5	10	(70)	(55)
Profit before tax	**17,164**	**14,093**	**14,736**	**44,089**	**40,922**	**50,578**

Statement of Segment Assets and Liabilities	December 31, 2020	September 30, 2020	December 31, 2019	March 31, 2020
Segment Assets				
Trade and Other Receivables				
IT	90,863	90,624	106,149	106,941
BPO	10,294	9,127	11,775	9,665
Total Trade and Other Receivables	**101,157**	**99,751**	**117,924**	**116,606**
Goodwill				
IT	34,581	32,870	30,298	30,132
BPO	3,745	3,745	3,745	3,745
Total Goodwill	**38,326**	**36,615**	**34,043**	**33,877**
Unallocable Assets	250,378	246,130	204,528	223,052
TOTAL ASSETS	**389,861**	**382,496**	**356,495**	**373,535**
Segment Liabilities				
Unearned Revenue				
IT	7,939	6,161	6,046	5,492
BPO	77	1,127	823	1,001
Total Unearned Revenue	**8,016**	**7,288**	**6,869**	**6,493**
Unallocable Liabilities	141,114	134,155	124,513	144,978
TOTAL LIABILITIES	**149,130**	**141,443**	**131,382**	**151,471**

Segmental Capital Employed

Segregation of assets into primary segments has been done to the extent applicable. Segregation of balance assets and liabilities into various primary segments has not been done as these are used interchangeably between segments. Accordingly no disclosure relating to such has been made.

Audited Consolidated Interim Financial Results for the quarter and nine months period ended December 31, 2020

Notes :

1 The quarterly and nine months period ended results have been reviewed by the Audit Committee and have been approved and taken on record by the Board of Directors in its meeting held on January 29, 2021.

2 The Board of Directors at its meeting held on October 23, 2020, had declared a special dividend of Rs. 15 per equity share on face value of Rs. 5/- (300%) which was subsequently paid during the quarter ended December 31, 2020. The amount was recognised as distribution to equity shareholders.

3 The Company has considered the possible effects that may result from COVID-19, a global pandemic, including but not limited to its assessment of liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenues and on cost budgets in respect of fixed price contracts, impact on leases and impact on effectiveness of its hedging relationships. In developing the assumptions relating to the possible future uncertainties in global economic conditions because of this pandemic, the Company, as at the date of approval of the consolidated interim financial results has used internal and external source of information including economic forecasts. The Company based on current estimates expects that the carrying amount of the assets will be recovered, net of provisions established. The impact of COVID-19 on the consolidated interim financial results may differ from that estimated as at the date of approval of these consolidated interim financial results.

4 **Certain matters relating to erstwhile Satyam Computer Services Limited (erstwhile Satyam):**

Proceedings in relation to 'Alleged Advances':

Erstwhile Satyam had, in the past, 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 with legal notices claiming repayment for a sum of Rs. 12,304 Million together with damages/compensation @ 18% per annum till the date of repayment. The erstwhile Satyam had not acknowledged any liability and replied to the legal notices stating that the claims are not legally tenable. Subsequently, the 37 companies filed petitions for recovery against the erstwhile Satyam before the City Civil Court, Secunderabad of which 1 petition was converted into a suit and the balance 36 petitions are at various stages of pauperism/suit admission.

The Hon'ble High Court in its Order approving the merger of the erstwhile Satyam with the Company, 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 Hon'ble 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.

Appeals were filed before the Division Bench of the Hon'ble High Court of Andhra Pradesh against the Order of the single judge of the Hon'ble High Court of Andhra Pradesh and the Hon'ble High Court of 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 also filed an appeal 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. Subsequently, ED had attached Fixed Deposits for an aggregate value of Rs.8,220 Million alleged to be the proceeds of crime. The Hon'ble High Court of Judicature at Hyderabad granted stay on December 11, 2012 and set aside the Provisional attachment order on December 31, 2018. Subsequently, ED filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court of India against the above order of the Hon'ble High Court of Telangana.

In view of the aforesaid and 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, the Company has accounted and disclosed the amount of Rs. 12,304 Million as 'Suspense Account (net)'.

5 **Satyam Venture Engineering Services Private Limited (SVES)**

Accounting for sales commission

During the financial year 2011-2012, the Board of SVES reassessed the need to accrue sales commission considering that no services were rendered by Venture Global LLC during the period from FY 2005-2006 to FY 2011-2012. Accordingly, the Board of SVES decided to write back sales commission amounting to Rs. 359 Million pertaining to the years from FY 2005-2006 to FY 2010-2011 and to not accrue for sales commission for FY 2011-2012 amounting to Rs. 170 Million. However, pending the final disposal of legal proceedings in relation to disputes between Tech Mahindra Ltd and Venture Global LLC, the Board of SVES decided to account for a contingency provision for the sales commission amounting to Rs. 529 Million covering the period from FY 2005-2006 to FY 2011-2012. Considering the Order of the Honorable High Court of Andhra Pradesh dated August 23, 2013 directing all parties to maintain status quo, the Board of SVES based on a legal opinion decided not to reverse the contingency provision made in FY 2011-2012. Further, since the matter is subjudice, sales commission for subsequent periods has been disclosed as a contingent liability amounting to Rs. 2,420 Million as on December 31, 2020 (March 31, 2020: Rs. 2,146 Million).

Adoption 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, July 29, 2016, July 19, 2017, July 23, 2018, July 23, 2019 and July 17, 2020 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, March 31, 2016, March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020 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 of SVES as at and for the quarter and nine months ended December 31, 2020 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.

6 The Company, pursuant to a share purchase agreement acquired 51% stake in Cerium Systems Private Limited ("Cerium") on April 9, 2020 for a total consideration of Rs. 1,454 Million, out of which Rs. 916 Million was paid upfront. Further, the Company has entered into an agreement to purchase the balance 49% stake over a period of three years, ending March 31, 2023.During the period ended December 31, 2020, the Company has acquired 6% stake at Rs. 164 Million.Further, the Company has made earnout payment for first tranche amounting to Rs. 412 Million. As at December 31, 2020, contractual obligation towards the acquisition amounts to Rs. 1,420 Million.

7 The Company, pursuant to a share purchase agreement acquired 100% stake in Zen3 Infosolutions Private Limited on April 9, 2020 for a consideration of Rs. 141 Million. Further, the Company through its wholly owned subsidiary, Tech Mahindra (Americas) Inc., acquired 100% stake in Zen3 Infosolutions (America) Inc. for a consideration of USD 51.34 Million (Rs. 3,882 Million) out of which USD 34.57 million (Rs. 2,614 Million) was paid upfront. The agreement also provides for guaranteed payment of USD 3.85 million (Rs 292 Million) and contingent consideration linked to financial performance of financial year ending 2021 to 2023. As at December 31, 2020, contractual obligation towards the said acquisition amounts to USD 19.5 million (Rs. 1,425 Million).

8 The Company, pursuant to a share purchase agreement acquired 100% stake in Tenzing Limited and Tenzing Australia Limited (together known as Tenzing Group) through its wholly owned subsidiary Tech Mahindra Singapore Pte. Limited on December 1, 2020 for a consideration of NZD 39.57 Million (Rs. 2,083 Million) out of which NZD 30.05 Million (Rs. 1,581 Million) was paid upfront. The Company has performed preliminary purchase price allocation. As at December 31, 2020, contractual obligation towards the said acquisition amounts to NZD 9.52 million (Rs. 502 Million).

9 Tax expense for the nine months period ended December 31, 2020 is net of provision of Rs. Nil of earlier periods, no longer required, written back. (Quarter ended "QE" December 31, 2020: Rs. Nil) (QE September 30, 2020: Rs. Nil) (QE December 31, 2019: Rs. 236 Million) (Nine months period ended December 31, 2019: Rs. 2,133 Million). Tax expense for the year ended March 31, 2020 is net of provision of Rs. 2,755 Million of earlier periods, no longer required, written back.

10 The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post – employment benefits has received the Presidential assent in September 2020. The Ministry of Labour and Employment had released draft rules for the Code on November 13, 2020, and had invited suggestions from stakeholders which are under active consideration by the Ministry. However, the effective date from which the changes are applicable is yet to be notified. The Company and its Indian subsidiaries will evaluate and will give appropriate impact in the financial statements in the period in which the Code becomes effective and the related rules are published.

11 Emphasis of Matters

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

(i) With relation to Note 4 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 is discussed below:

The Company's Management, on the basis of current legal status and external legal opinion, has concluded that claims made by 37 companies in the City Civil Court for alleged advances amounting to Rs. 12,304 Million made by these companies to erstwhile Satyam and presented separately under 'Suspense account (net)', will not sustain on ultimate resolution by the Court.

(ii) With relation to Note 5 in case of one of the subsidiaries of the Group, the other auditors in their auditor's report have drawn attention to a 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 from March 31, 2012 to March 31, 2020 have not yet been adopted by the members of that subsidiary in their respective annual general meetings in the absence of unanimous consent of both the shareholders. The condensed consolidated interim financial statements as at and for the quarter and nine months period ended December 31, 2020 have been drawn up by 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 once the abovementioned financial statements are adopted.

12 Management response to Emphasis of Matters:

With regard to the Emphasis of Matters stated in Note 11 above, there are no additional developments on Emphasis of Matters mentioned in Notes 4 and 5 above which require adjustments to the consolidated audited interim financial results.

13 The 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 at the web-link: https://www.techmahindra.com/en-in/investors/.

Date : January 29, 2021
Place : Mumbai

C. P. Gurnani
Managing Director & CEO