PAT at Rs. 9,593 Mn, up by 6.8% over previous period

Tech Mahindra Limited

Registered Office : Gateway Building, Apollo Bunder, Mumbai 400 001. Website : www.techmahindra.com.
Email : investor.relations@techmahindra.com. CIN : L64200MH1986PLC041370

Consolidated Audited Financial Results for the quarter ended June 30, 2019

Rs.in Million

	Particulars	Quarter ended			Year ended
		June 30, 2019	March 31, 2019	June 30, 2018	March 31, 2019
1	Revenue from Operations	86,530	88,923	82,763	347,421
2	Other Income	3,413	1,671	1,114	5,342
3	Total Income (1 + 2)	89,943	90,594	83,877	352,763
4	EXPENSES				
	Employee Benefits Expense	45,009	43,071	43,795	175,079
	Subcontracting Expenses	12,197	11,739	9,704	43,497
	Finance Costs	454	281	305	1,332
	Depreciation and Amortisation Expense	3,213	2,704	2,808	11,292
	Other Expenses	16,183	17,726	15,695	65,476
	Total Expenses	77,056	75,521	72,307	296,676
5	Profit before share in profit/(loss) of associates and tax (3-4)	12,887	15,073	11,570	56,087
6	Share of Profit / (Loss) of Associates	(78)	(272)	(118)	(655)
7	Profit before Tax (5 + 6)	12,809	14,801	11,452	55,432
8	Tax Expense				
	Current Tax	3,634	4,270	2,824	13,786
	Deferred Tax	(316)	(735)	(367)	(1,242)
	Total Tax Expense	3,318	3,535	2,457	12,544
9	Profit after tax (7 - 8)	9,491	11,266	8,995	42,888
	Profit for the period attributable to:				
	Owners of the Company	9,593	11,325	8,979	42,976
	Non Controlling Interests	(102)	(59)	16	(88)
10	Other Comprehensive Income	(414)	824	(171)	2,426
11	Total Comprehensive Income (9 + 10)	9,077	12,090	8,824	45,314
	Total Comprehensive Income for the period attributable to:				
	Owners of the Company	9,161	12,239	8,794	45,376
	Non Controlling Interests	(84)	(149)	30	(62)
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,350	4,437	4,420	4,437
13	Total Reserves				198,407
14	Earnings Per Equity Share (Rs)				
	(EPS for the quarter ended periods is not annualised)				
	Basic	10.98	12.77	10.12	48.47
	Diluted	10.89	12.58	10.07	47.72

Standalone Information

Particulars	Quarter ended			Year ended
	June 30, 2019	March 31, 2019	June 30, 2018	March 31, 2019
Revenue from Operations	68,587	70,646	62,899	272,196
Profit before Tax	10,795	12,915	11,055	54,273
Profit after Tax	8,227	9,811	9,109	43,804

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			Year ended
	June 30, 2019	March 31, 2019	June 30, 2018	March 31, 2019
Segment Revenue				
a) IT	78,572	81,077	76,615	319,235
b) BPO	7,958	7,846	6,148	28,186
Total Sales / Income from operations	**86,530**	**88,923**	**82,763**	**347,421**
Segment Profit before tax, interest and depreciation				
a) IT	12,012	15,295	12,305	58,138
b) BPO	1,129	1,091	1,264	5,231
Total	**13,141**	**16,386**	**13,569**	**63,369**
Less:				
(i) Finance costs	454	281	305	1,332
(ii) Other un-allocable expenditure,net off un-allocable income	(200)	1,032	1,694	5,950
(iii) Share of Profit / (Loss) of Associates	(78)	(272)	(118)	(655)
Profit before tax	**12,809**	**14,801**	**11,452**	**55,432**

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Statement of Segment Assets and Liabilities	June 30, 2019	June 30, 2018	March 31, 2019
Segment Assets			
Trade and Other Receivables			
IT	97,005	91,431	94,141
BPO	8,795	5,727	7,348
Total Trade Receivables	**105,800**	**97,158**	**101,489**
Goodwill			
IT	24,394	24,514	24,418
BPO	3,745	3,745	3,745
Total Goodwill	**28,139**	**28,259**	**28,163**
Unallocable Assets	202,585	190,839	204,817
TOTAL ASSETS	**336,524**	**316,255**	**334,469**
Segment Liabilities			
Unearned Revenue			
IT	2,280	2,467	2,453
BPO	2	18	39
Total Unearned Revenue	**2,282**	**2,485**	**2,492**
Advance from Customers			
IT	3,263	3,043	3,314
BPO	702	482	648
Total Advance from Customers	**3,965**	**3,525**	**3,962**
Unallocable Liabilities	113,657	107,458	120,394
TOTAL LIABILITIES	**119,904**	**113,468**	**126,848**

i) 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.

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 30, 2019.

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

Proceedings in relation to 'Alleged Advances':

Erstwhile Satyam with respect to fraud, 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 them, claiming repayment of the alleged advances aggregating to Rs. 12,304 Million stated to be given as temporary advances but without any evidence in support of 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 not legally tenable.

The 37 companies have filed petitions/suits for recovery against the erstwhile Satyam before the City Civil Court, Secunderabad (Court), of which 1 petition has been converted into a suit and the balance 36 petitions are at various stages of pauperism/suit admission. Further, they have filed appeals before the Division Bench of the Hon'ble High Court of Andhra Pradesh, against the Orders 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 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. 8,220 Million 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 Hon'ble High Court of Judicature at Hyderabad ('the Court') granted stay of the said Order and all proceedings thereto vide its order dated December 11, 2012. Thereafter, the Court, vide its Order dated December 31, 2018 set aside the provisional attachment Order of ED dated October 18, 2012 and directed the banks to release the fixed deposits of the Company. Accordingly, these fixed deposits have been released by the banks.

Management on its assessment and based on an external legal opinion, 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)'.

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

Accounting for sales commission

The Company carries a contingency provision in the books representing provision with respect to sales commission, if any, payable to Venture Global LLC for the period from financial year 2005-2006 to 2011-2012 amounting to Rs. 529 Million.

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 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 Hon'ble High Court of Andhra Pradesh dated August 23, 2013 directing all parties to maintain status quo, the Board 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. 1,867 Million as on June 30, 2019 (March 31, 2019: Rs. 1,784 Million).

Preparation of financial statements

At the Annual General Meetings of SVES held on October 29, 2012, September 10, 2013, September 22, 2014, September 07, 2015 , July 29, 2016 , July 19, 2017, July 23, 2018 and July 23, 2019 one of the shareholders abstained from voting on the resolution for adoption of audited financial statements as at and for the years ended March 31, 2012, March 31, 2013, March 31, 2014, March 31, 2015, March 31, 2016 , March 31, 2017, March 31, 2018 and March 31, 2019 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 as at and for the period ended June 30, 2019 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.

4 Tax expense for the Quarter Ended ("QE") June 30, 2019 is net of excess provision of Rs. 49 Million of earlier periods, no longer required, written back (QE March 31, 2019: Rs. Nil ; QE June 30, 2018: Rs. 903 Million).
Tax expense for the year ended March 31, 2019 is net of excess provision of Rs. 3,032 Million of earlier periods, no longer required, written back.

5 The figures for the quarter ended March 31, 2019 as reported in these consolidated financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year.

6 Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives information have not been restated. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of Rs. 9,375 Million and a lease liability of Rs. 8,936 Million The cumulative effect on transition in retained earnings is Rs. 420 Million (net of taxes), The effect of adoption of this standard is not significant on the profit for the period and earnings per share.

7 The Board of Directors of the Company at its meeting held on February 21, 2019 approved a proposal to buyback upto 20,585,000 equity shares of the Company for an aggregate amount not exceeding Rs. 19,556 Million being 2.09% of the total paid up equity share capital at Rs. 950 per equity share. Letter of Offer was issued to all eligible shareholders holding shares as on March 6, 2019. The period for tendering of shares for buyback was from March 25, 2019 to April 5, 2019. The Company bought back 20,585,000 equity shares for an aggregate amount of Rs 19,556 Million including 1,764,371 number of shares tendered by TML Benefit Trust. The equity shares bought back were extinguished on April 17, 2019. Capital redemption reserve was created to the extent of equity share capital extinguished of Rs 103 Million. Transaction costs Rs 132 Million for buy-back have been adjusted to retained earnings.

8 The Company, pursuant to a share purchase agreement dated January 31, 2019 had acquired 100% stake in Dynacommerce Holdings B.V on May 9, 2019 for a consideration upto EUR 2.16 Million (Rs. 168 Million), out of which EUR 0.48 Million (Rs. 38 Million) was paid upfront and the balance amount of EUR 1.68 Million (Rs. 130 Million) is payable on achieving performance based milestones during the calendar years 2019 to 2023.

9 Emphasis of Matters

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

(i) With relation to Note 2 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 3 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, 2019 have not been adopted by the members of that subsidiary in their respective annual general meetings in the absence of unanimous consent of both the shareholders in terms of the Articles of Association of the subsidiary company. The financial statements as at and for the quarter ended June 30, 2019 have been drawn up 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 in the financial statements as and when determined.

10 Management response to Emphasis of Matters:
With regard to the Emphasis of Matters stated in Note 9 above, there are no additional developments on Emphasis of Matters mentioned in Notes 2 and 3 above which require adjustments to the financial results.

11 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 (www.techmahindra.com).

Date : July 30, 2019	**C.P. Gurnani**
Place : Mumbai	**Managing Director & CEO**