

PAT at Rs. 11,239 Mn, up by 17.2% 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

Consolidated Audited Financial Results for the quarter and six months period ended September 30, 2019

		Quarter ended			Six months period ended		Rs.in Million
Particulars		September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	Year ended March 31, 2019
1	Revenue from Operations	90,699	86,530	86,298	177,229	169,061	347,421
2	Other Income	2,163	3,413	1,751	5,576	2,865	5,342
3	Total Income (1 + 2)	92,862	89,943	88,049	182,805	171,926	352,763
4	EXPENSES						
	Employee Benefits Expense	47,057	45,009	43,031	92,066	86,826	175,079
	Subcontracting Expenses	13,687	12,197	11,154	25,884	20,858	43,497
	Finance Costs	383	454	388	837	693	1,332
	Depreciation and Amortisation Expense	3,415	3,213	2,944	6,628	5,752	11,292
	Other Expenses	14,946	16,183	15,926	31,129	31,621	65,476
	Total Expenses	79,488	77,056	73,443	156,544	145,750	296,676
5	Profit before share in profit/(loss) of associates and tax (3-4)	13,374	12,887	14,606	26,261	26,176	56,087
6	Share of Profit / (Loss) of Associates	3	(78)	(133)	(75)	(251)	(655)
7	Profit before Tax (5 + 6)	13,377	12,809	14,473	26,186	25,925	55,432
8	Tax Expense						
	Current Tax	2,064	3,634	4,558	5,698	7,382	13,786
	Deferred Tax	201	(316)	(644)	(115)	(1,011)	(1,242)
	Total Tax Expense	2,265	3,318	3,914	5,583	6,371	12,544
9	Profit after tax (7 - 8)	11,112	9,491	10,559	20,603	19,554	42,888
	Profit for the period attributable to:						
	Owners of the Company	11,239	9,593	10,643	20,832	19,622	42,976
	Non Controlling Interests	(127)	(102)	(84)	(229)	(68)	(88)
10	Other Comprehensive Income	380	(414)	(730)	(34)	(901)	2,426
11	Total Comprehensive Income (9 + 10)	11,492	9,077	9,829	20,569	18,653	45,314
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	11,643	9,161	9,765	20,804	18,559	45,376
	Non Controlling Interests	(151)	(84)	64	(235)	94	(62)
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,353	4,350	4,422	4,353	4,422	4,437
13	Total Reserves						198,407
14	Earnings Per Equity Share (Rs)						
	(EPS for the quarter and six months period ended are not annualised)						
	Basic	12.88	10.98	11.99	23.87	22.11	48.47
	Diluted	12.78	10.89	11.93	23.69	21.99	47.72

Standalone Information

Particulars	Quarter ended			Six months period ended		Year ended
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	March 31, 2019
Revenue from Operations	70,957	68,587	68,754	139,544	131,653	272,196
Profit before Tax	14,857	10,795	16,455	25,652	27,510	54,273
Profit after Tax	13,968	8,227	13,356	22,195	22,465	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			Six months period ended		Year ended
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	March 31, 2019
Segment Revenue						
a) IT	82,245	78,572	79,648	160,817	156,263	319,235
b) BPO	8,454	7,958	6,650	16,412	12,798	28,186
Total Sales / Income from operations	90,699	86,530	86,298	177,229	169,061	347,421
Segment Profit before tax, interest and depreciation						
a) IT	13,984	12,012	14,734	25,996	27,039	58,138
b) BPO	1,025	1,129	1,453	2,154	2,717	5,231
Total	15,009	13,141	16,187	28,150	29,756	63,369
Less:						
(i) Finance costs	383	454	388	837	693	1,332
(ii) Other un-allocable expenditure, net off un-allocable income	1,252	(200)	1,193	1,052	2,887	5,950
(iii) Share of Profit / (Loss) of Associates	3	(78)	(133)	(75)	(251)	(655)
Profit before tax	13,377	12,809	14,473	26,186	25,925	55,432

Unallocable expenses for current periods include impact of Ind AS 116 adoption.



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Statement of Segment Assets and Liabilities	September 30, 2019	June 30, 2019	September 30, 2018	March 31, 2019
Segment Assets				
Trade and Other Receivables				
IT	103,429	97,005	98,881	94,141
BPO	10,673	8,795	6,294	7,348
Total Trade Receivables	114,102	105,800	105,175	101,489
Goodwill				
IT	25,493	24,394	26,083	24,418
BPO	3,745	3,745	3,745	3,745
Total Goodwill	29,238	28,139	29,828	28,163
Unallocable Assets	194,638	202,585	186,980	204,817
TOTAL ASSETS	337,978	336,524	321,983	334,469
Segment Liabilities				
Unearned Revenue				
IT	2,086	2,280	2,892	2,453
BPO	1	2	16	39
Total Unearned Revenue	2,087	2,282	2,908	2,492
Advance from Customers				
IT	3,610	3,263	3,705	3,314
BPO	753	702	638	648
Total Advance from Customers	4,363	3,965	4,343	3,962
Unallocable Liabilities	117,617	113,657	116,514	120,394
TOTAL LIABILITIES	124,067	119,904	123,765	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.

Balance Sheet as at September 30, 2019 (Consolidated - Audited)		Rs.in Million	
Particulars	As at September 30, 2019	As at March 31, 2019	
ASSETS			
Non-Current Assets			
(a) Property, Plant and Equipment	26,872	26,229	
(b) Capital Work-in-Progress	1,379	2,763	
(c) Right-of-Use Asset	9,951	-	
(d) Investment Property	1,620	1,708	
(e) Goodwill	29,238	28,163	
(f) Intangible Assets	14,261	14,512	
(g) Investment accounted using Equity method	175	361	
(h) Financial Assets			
(i) Investments	1,361	7,159	
(ii) Trade Receivables	62	63	
(iii) Loans	42	43	
(iv) Other Financial Assets	4,060	4,785	
(i) Income Tax Assets (Net)	22,459	21,397	
(j) Deferred Tax Assets (Net)	6,285	6,091	
(k) Other Non-Current Assets	6,547	5,537	
Total Non - Current Assets	124,312	118,811	
Current Assets			
(a) Inventories	383	752	
(b) Financial Assets			
(i) Investments	57,676	65,899	
(ii) Trade Receivables	73,259	69,586	
(iii) Cash and Cash Equivalents	16,310	20,427	
(iv) Other Balances with Banks	1,047	3,160	
(v) Other Financial Assets	36,722	29,064	
(c) Other Current Assets	28,269	26,770	
Total Current Assets	213,666	215,658	
Total Assets	337,978	334,469	
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	4,353	4,437	
(b) Other Equity	204,366	198,407	
Equity Attributable to Owners of the Company	208,719	202,844	
Non controlling Interest	5,190	4,777	
Total Equity	213,909	207,621	
Liabilities			
Non-current liabilities			
(a) Financial Liabilities			
(i) Borrowings and Lease obligations	8,444	2,086	
(ii) Other Financial Liabilities	3,357	3,009	
(b) Provisions	6,365	5,801	
(c) Deferred tax liabilities (Net)	42	11	
(d) Other Non-Current Liabilities	277	325	
Total Non - Current Liabilities	18,485	11,232	
Current liabilities			
(a) Financial Liabilities			
(i) Borrowings and Lease obligations	23,142	17,869	
(ii) Trade Payables	26,747	24,893	
(iii) Other Financial Liabilities	11,702	28,818	
(b) Other Current Liabilities	17,191	17,605	
(c) Provisions	4,091	3,952	
(d) Income Tax Liabilities (Net)	10,407	10,175	
Total Current Liabilities	93,280	103,312	
Suspense Account (Net)	12,304	12,304	
Total Equity and Liabilities and Suspense Account	337,978	334,469	



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Cash Flow Statement (Consolidated-Audited)

	Rs.in Million	
	Six months period ended	
	September 30, 2019	September 30, 2018
A Cash Flow from Operating Activities		
Profit Before Tax	26,186	25,925
Adjustments for :		
Depreciation and Amortisation Expense	6,628	5,752
(Reversal)/Allowances for Doubtful Receivables / Advances and Deposits and Bad Debts written off (net)	(720)	2,026
Share of (Profit) / Loss of Associates	75	251
Net (gain) / loss on disposal of Property, Plant and Equipment and Intangible Assets	11	(36)
Finance Costs	837	693
Unrealised Exchange (Gain) / Loss (net)	3,085	2,347
Share Based Payments to Employees	717	685
Interest Income	(1,175)	(741)
Rental Income	(193)	(143)
Dividend Income on Investments	(141)	(125)
Gain on Investments carried at fair value through profit and loss (net)	(1,133)	(1,012)
Gain on sale of subsidiary and dilution of associate	(787)	-
	33,390	35,622
Changes in working capital		
Trade Receivables and Other Assets	(15,274)	(13,893)
Trade Payables, Other Liabilities and Provisions	2,963	3,781
	(12,311)	(10,112)
Cash generated from operating activities before taxes	21,079	25,510
Income taxes paid, net	(6,528)	(8,163)
Net cash generated from operating activities (A)	14,551	17,347
B Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment, Intangible Assets and Investment property	(4,173)	(3,144)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	1	86
Purchase of Mutual Funds, Debentures and Other Investments	(178,694)	(129,839)
Proceeds from sale / redemption of Mutual Funds, Debentures and Other Investments	195,004	127,308
Proceeds from sale of subsidiary	142	-
Payment for acquisition of business / associates, net of cash acquired	(1,244)	(90)
Rental Income	194	166
Fixed Deposit/ Margin Money Placed	(531)	(39,549)
Fixed Deposit/ Margin Money Realized	2,653	42,109
Interest Income Received	1,382	850
Net cash generated from / (used in) investing activities (B)	14,734	(2,103)
C Cash Flow from Financing Activities		
Proceeds from Issuance of Equity Shares from exercise of stock options	234	202
Payment of dividend (including dividend distribution tax thereon)	(14,684)	(14,907)
Buyback of equity shares	(17,879)	-
Proceeds from Long-Term Borrowings	580	552
Repayment of Long-Term Borrowings	(8,157)	(1,768)
Movement in Short-Term Borrowings (net)	8,983	375
Finance Costs paid	(837)	(676)
Repayment of lease liabilities	(1,471)	-
Net cash (used in) financing activities (C)	(33,231)	(16,222)
Net (Decrease) in cash and cash equivalents during the period (D=A+B+C)	(3,946)	(978)
Effect of exchange rate changes on cash and cash equivalents (E)	(171)	1,104
Cash and Cash Equivalents at the beginning of the period (F)	20,427	19,661
Cash and Cash Equivalents at the end of the period (G=D+E+F)	16,310	19,787



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Notes :

- 1 The quarterly and six months period ended results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on November 05, 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. In a recent development, ED has 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.

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. 1,961 Million as on September 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 September 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 six months period ended September 30, 2019 is net of provision of Rs. 1,897 Million of earlier periods, no longer required, written back, (Quarter ended "QE" September 30, 2019: Rs. 1,848 Million) and (QE June 30, 2019: Rs. 49 Million) (QE September 30, 2018: Rs. Nil) (Six months period ended September 30, 2018: Rs. 903 Million).
Tax expense for the year ended March 31, 2019 is net of provision of Rs. 3,032 Million of earlier periods, no longer required, written back.
- 5 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. Right-of-use asset includes an amount of Rs. 960 Million which pertains to reclassification from non-current/current prepaid operating lease rentals. 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.
- 6 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.
- 7 The Company on July 30, 2019, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. acquired 65 % stake in Mad*Pow Media Solutions LLC for a upfront consideration of USD 16.71 Million (Rs. 1,151 Million). Further the subsidiary of the Company has entered into a binding agreement to purchase the balance 35% stake over the period of three-year ending March 31, 2022 for which financial liability of USD 11.52 Million (Rs. 793 Million) as at September 30, 2019 has been recognised.



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- 8 The Company has sold its entire stake in Fixstream Networks Inc. as on September 30, 2019 for an amount of USD 2 Million (Rs. 142 Million)
- 9 The shareholders at the Annual General Meeting held on July 30, 2019 approved dividend of Rs. 14 per equity share for year ended March 31, 2019 which was subsequently paid during the quarter ended September 30, 2019. The amount was recognized as distributions to equity shareholders, the total appropriation was Rs. 14,684 Million including corporate dividend tax of Rs. 2,647 Million.

10 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.

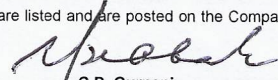
(ii) With relation to Note 3 in case of one of the subsidiaries of the Group, the other auditors in their auditor's report have drawn attention to a possible charge, that may arise in respect of the on-going dispute which is currently sub-judice between the promoters of the subsidiary on various issues 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 period ended September 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.

11 Management response to Emphasis of Matters:

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

- 12 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/investors/financials.aspx>).

Date : November 05, 2019
Place : Mumbai


C.P. Gurnani
Managing Director & CEO

