

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 six months period ended September 30, 2019

	Particulars	Quarter ended			Six months period ended		Rs. in Million
		September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	Year ended March 31, 2019
1	Revenue from Operations	70,957	68,587	68,754	139,544	131,653	272,196
2	Other Income	5,801	2,388	4,082	8,189	5,864	9,601
3	Total Income (1 + 2)	76,758	70,975	72,836	147,733	137,517	281,797
4	EXPENSES						
	Employee Benefit Expenses	23,510	22,402	20,715	45,912	40,864	84,440
	Subcontracting Expenses	27,880	26,703	25,721	54,583	49,389	101,207
	Finance Costs	120	121	119	241	199	431
	Depreciation and Amortisation Expense	1,704	1,581	1,759	3,285	3,450	6,587
	Other Expenses	8,687	9,373	8,067	18,060	16,105	34,859
	Total Expenses	61,901	60,180	56,381	122,081	110,007	227,524
5	Profit before Tax (3 - 4)	14,857	10,795	16,455	25,652	27,510	54,273
6	Tax Expense						
	Current Tax	787	2,964	3,404	3,751	5,665	10,652
	Deferred Tax	102	(396)	(305)	(294)	(620)	(183)
	Total Tax Expense	889	2,568	3,099	3,457	5,045	10,469
7	Profit after tax (5 - 6)	13,968	8,227	13,356	22,195	22,465	43,804
8	Other Comprehensive Income	(83)	145	(2,631)	62	(3,490)	1,670
9	Total Comprehensive Income (7 + 8)	13,885	8,372	10,725	22,257	18,975	45,474
10	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,824	4,822	4,902	4,824	4,902	4,917
11	Total Reserves						201,557
12	Earnings Per Equity Share (Rs)						
	(EPS for the quarter and six months ended periods is not annualised)						
	- Basic	14.44	8.50	13.58	22.95	22.84	44.58
	- Diluted	14.35	8.43	13.51	22.79	22.73	43.93

Balance Sheet as at September 30, 2019 (Standalone - Audited)

Particulars	Rs. in Million	
	As at September 30, 2019	As at March 31, 2019
ASSETS		
Non-Current Assets		
(a) Property, Plant and Equipment	20,096	19,019
(b) Capital Work-in-Progress	1,175	2,713
(c) Right-of-Use Asset	3,966	-
(d) Investment Property	1,071	1,141
(e) Intangible Assets	7,234	7,695
(f) Financial Assets		
(i) Investments	58,919	66,287
(ii) Trade Receivables	-	-
(iii) Other Financial Assets	3,903	4,559
(g) Income Tax Assets (Net)	18,045	17,093
(h) Deferred Tax Assets (Net)	2,455	2,182
(i) Other Non-Current Assets	2,467	3,538
Total Non - Current Assets	119,331	124,227
Current Assets		
(a) Financial Assets		
(i) Investments	54,861	63,320
(ii) Trade Receivables	59,581	59,633
(iii) Cash and Cash Equivalents	7,317	9,581
(iv) Other Balances with Banks	430	2,504
(v) Loans	71	68
(vi) Other Financial Assets	30,696	25,056
(b) Other Current Assets	18,960	19,007
Total Current Assets	171,916	179,169
Total Assets	291,247	303,396
EQUITY AND LIABILITIES		
Equity		
(a) Equity Share Capital	4,824	4,917
(b) Other Equity	208,493	201,557
Total Equity	213,317	206,474
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Lease Obligations	2,160	43
(ii) Other Financial Liabilities	1,444	2,032
(b) Provisions	4,410	4,100
Total Non - Current Liabilities	8,014	6,175
Current liabilities		
(a) Financial Liabilities		
(i) Lease Obligations	1,204	83
(ii) Trade Payables		
(1) Dues of micro enterprises and small enterprises	6	18
(2) Dues of creditors other than micro enterprises and small enterprises	26,737	28,862
(iii) Other Financial Liabilities	7,842	27,072
(b) Other Current Liabilities	11,627	12,110
(c) Provisions	1,755	1,997
(d) Income Tax Liabilities (Net)	8,441	8,301
Total Current Liabilities	57,612	78,443
Suspense Account (Net)	12,304	12,304
Total Equity and Liabilities and Suspense Account	291,247	303,396



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Cash Flow Statement (Standalone-Audited)

Rs. in Million

	Six months period ended	
	September 30, 2019	September 30, 2018
A) Cash Flow from Operating Activities		
Profit before Tax	25,652	27,510
Adjustments for :		
Depreciation and Amortization Expense	3,285	3,450
(Reversal) / Allowances for Doubtful Receivables / Advances and Deposits and Bad Debts written off (net)	(303)	1,079
Net loss/(gain) on disposal of Property, Plant and Equipment and Intangible Assets	3	(21)
Finance Costs	241	199
Unrealized Exchange Loss (net)	2,671	554
Share Based Payments to Employees	573	599
Loss on sale of investment in subsidiaries (net)	443	-
Interest Income	(1,106)	(698)
Rental Income	(159)	(149)
Dividend Income on Investments / Distributions from benefit trust	(3,696)	(1,227)
Net gain on Investments	(1,028)	(972)
	26,576	30,324
Changes in working capital :		
Trade Receivables and Other Assets	(5,672)	(14,079)
Trade Payables, Other Liabilities and Provisions	(3,358)	6,285
	(9,030)	(7,794)
Cash generated from operating activities before taxes	17,546	22,530
Income taxes paid, net	(4,562)	(6,025)
Net cash generated from operating activities (A)	12,984	16,505
B) Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Intangible Assets	(2,779)	(1,907)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	3	25
Purchase of Mutual Funds, Debentures and Other Investments	(173,642)	(125,154)
Proceeds from sale of Mutual Funds, Debentures and Other Investments	190,168	123,012
Repayment of Loan by Subsidiaries	-	1,556
Dividend Income / Distributions from benefit trust	3,782	1,103
Investment in Associate and Subsidiaries	(163)	(1,257)
Proceeds from sale of Subsidiary	224	6
Rental Income	158	149
Fixed Deposit / Margin Money Placed	(219)	(39,337)
Fixed Deposit / Margin Money Realized	2,321	41,912
Interest income received	1,323	865
Net cash generated from investing activities (B)	21,176	973
C) Cash Flow from Financing Activities		
Proceeds from Issuance of Equity Shares from exercise of stock options	234	203
Buyback of equity shares	(19,556)	-
Payment of dividend (including Dividend Distribution Tax thereon)	(16,152)	(16,410)
Repayment of lease liabilities	(536)	(667)
Finance costs paid	(241)	(196)
Net cash (used in) financing activities (C)	(36,251)	(17,070)
Net (decrease)/ increase in cash and cash equivalents during the period (D) = (A+B+C)	(2,091)	407
Effect of exchange rate changes on cash and cash equivalents (E)	(173)	732
Cash and Cash Equivalents at the beginning of the year (F)	9,581	8,892
Cash and Cash Equivalents at the end of the period (G) = (D+E+F)	7,317	10,031



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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 Tax expense for the six months period ended September 30, 2019 is net of provision of Rs. 1,829 Million of earlier periods, no longer required, written back. (Quarter ended "QE" September 30, 2019: Rs. 1,829 Million) (QE June 30, 2019: Rs. Nil) (QE September 30, 2018: Rs. Nil) (Six months period ended September 30, 2018: Rs. 889 Million).
Tax expense for the year ended March 31, 2019 is net of provision of Rs. 3,018 Million of earlier periods, no longer required, written back.
4 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. 3,482 Million and a lease liability of Rs. 2,765 Million. Right-of-use asset includes an amount of Rs. 834 Million which pertains to reclassification from non-current/current prepaid operating lease rentals. The cumulative effect on transition in retained earnings is Rs. 78 Million (net of taxes). The effect of adoption of this standard is not significant on the profit for the period and earnings per share.
5 The Company, pursuant to the 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.
6 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).
7 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. 16,152 Million including corporate dividend tax of Rs. 2,647 Million.
8 **Emphasis of Matter**
The Emphasis of Matter in the Auditors' Report pertains to the following:
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.
9 **Management response to Emphasis of Matter:**
With regard to the Emphasis of Matter stated in Note 8 above, there are no additional developments on Emphasis of Matter mentioned in Note 2 above which require adjustments to the financial results.
10 Previous period's figures have been regrouped wherever necessary.
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 at the web-link: (<https://www.techmahindra.com/investors/financials.aspx>).

Date : November 05, 2019
Place : Mumbai

C. P. Gurnani
Managing Director & CEO

