

Profit after tax for the quarter at Rs. 8,362 Mn, up 29.7 % over previous year

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 half year ended September 30, 2017

	Particulars	Quarter ended			Half Year ended		Rs.in Lakhs
		September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	Year ended March 31, 2017
		1	Revenue from Operations	760,638	733,610	716,741	1,494,248
2	Other Income	32,224	41,067	13,869	73,291	38,449	77,756
3	Total Revenue (1 + 2)	792,862	774,677	730,610	1,567,539	1,447,283	2,991,840
4	EXPENSES						
	Employee Benefits Expense	420,500	406,079	390,217	826,579	752,957	1,545,394
	Subcontracting Expenses	93,718	90,894	87,436	184,612	174,628	361,117
	Finance Costs	3,864	3,695	3,452	7,559	6,192	12,859
	Depreciation and Amortisation Expense	26,530	24,684	24,475	51,214	44,663	97,806
	Other Expenses	135,848	143,168	132,074	279,016	271,320	589,130
	Total Expenses	680,460	668,520	637,654	1,348,980	1,249,760	2,606,306
5	Profit before share in profit/(loss) of associates and tax (3-4)	112,402	106,157	92,956	218,559	197,523	385,534
6	Share of Profit / (Loss) of Associates	(2)	2	(15)	-	(249)	(234)
7	Profit before Tax (5 + 6)	112,400	106,159	92,941	218,559	197,274	385,300
8	Tax Expense						
	Current Tax	35,250	28,279	27,150	63,529	55,962	96,981
	Deferred Tax	(6,776)	(1,299)	1,451	(8,075)	(2,682)	3,232
	Total Tax Expense	28,474	26,980	28,601	55,454	53,280	100,213
9	Profit after tax (7 - 8)	83,926	79,179	64,340	163,105	143,994	285,087
	Profit for the Quarter / Year attributable to:						
	Owners of the Company	83,615	79,860	64,473	163,475	139,484	281,287
	Non Controlling Interests	311	(681)	(133)	(370)	4,510	3,800
10	Other Comprehensive Income	(10,850)	(5,944)	(1,234)	(16,794)	5,046	8,334
11	Total Comprehensive Income (9 + 10)	73,076	73,235	63,106	146,311	149,040	293,421
12	Total Comprehensive Income for the year / quarter attributable to:						
	Owners of the Company	71,804	72,706	63,830	144,510	145,072	290,967
	Non Controlling Interests	1,272	529	(724)	1,801	3,968	2,454
13	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	43,995	43,948	43,768	43,995	43,768	43,877
14	Total Reserves						1,599,842
15	Earnings Per Equity Share (Rs) (not annualised)						
	Basic	9.52	9.10	7.38	18.61	15.96	32.14
	Diluted	9.40	8.98	7.25	18.38	15.69	31.64

Standalone Information (Audited)

Particulars	Quarter ended			Half Year ended		Rs.in Lakhs
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	Year ended March 31, 2017
	Revenue from Operations	591,937	575,354	568,219	1,167,291	1,132,895
Profit before tax	161,128	100,672	113,265	261,800	208,266	387,873
Profit after tax	137,841	79,538	87,221	217,379	160,969	304,733

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			Half Year ended		Rs.in Lakhs
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	Year ended March 31, 2017
	Segment Revenue					
a) IT	708,752	686,320	668,461	1,395,072	1,311,674	2,712,365
b) BPO	51,886	47,290	48,280	99,176	97,160	201,719
Total	760,638	733,610	716,741	1,494,248	1,408,834	2,914,084
Less: Inter Segment Revenue	-	-	-	-	-	-
Net Sales / Income from operations	760,638	733,610	716,741	1,494,248	1,408,834	2,914,084
Segment Profit before tax, interest and depreciation						
a) IT	134,932	125,967	135,533	260,899	265,871	526,962
b) BPO	13,662	11,654	13,338	25,316	27,718	60,014
Total	148,594	137,621	148,871	286,215	293,589	586,976
Less:						
(i) Finance costs	3,864	3,695	3,452	7,559	6,192	12,859
(ii) Other un-allocable expenditure Net off un-allocable income	32,328	27,769	52,463	60,097	89,874	188,583
Profit before share in profit/(loss) of associates and tax	112,402	106,157	92,956	218,559	197,523	385,534

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	Rs.in Lakhs			
Statement of segment Assets and Liabilities	September 30, 2017	June 30, 2017	September 30, 2016	March 31, 2017
Segment Assets				
Trade and Other Receivables				
IT	809,990	784,613	838,691	708,335
BPO	54,079	45,602	58,017	42,956
Total Trade Receivables	864,069	830,215	896,708	751,291
Goodwill				
IT	240,478	265,110	212,484	225,342
BPO	37,445	37,445	37,445	37,445
Total Goodwill	277,923	302,555	249,929	262,787
Unallocable Assets	1,628,082	1,678,211	1,260,275	1,592,576
TOTAL ASSETS	2,770,074	2,810,981	2,406,912	2,606,654
Segment Liabilities				
Unearned Revenue				
IT	24,789	29,144	18,507	30,125
BPO	331	331	1,692	1,309
Total Unearned Revenue	25,120	29,475	20,199	31,434
Advance from Customers				
IT	24,625	22,524	15,098	25,287
BPO	-	-	-	-
Total Advance from Customers	24,625	22,524	15,098	25,287
Unallocable Liabilities	956,032	976,754	834,504	859,802
TOTAL LIABILITIES	1,005,777	1,028,753	869,801	916,523

Segmental Capital Employed

Segregation of assets into primary segments has been done to the extent applicable. Segregation of balance assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the related assets are used interchangeably between segments. Accordingly no disclosure relating to such has been made.

Notes :

1 The quarterly and half yearly results have been reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on November 01, 2017.

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

Subsequent to the letter dated January 7, 2009, the then Chairman of erstwhile Satyam's confession wrt fraud, 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 / issued notices calling for information which have been responded to. 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 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.

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 them, 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. 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. Further, they 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 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. 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 deposits 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.

In view of the aforesaid developments and also 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.

3 Satyam Venture Engineering Services Private Limited (SVES)

Accounting for sales commission

During the financial year 2011-12, the Board of SVES re-assessed the need to accrue sales commission in its books and based on such re-assessment took the view, when the financial statements of SVES for the year ended March 31, 2012 was tabled for approval, that the accrual of sales commission from FY 05-06 to FY 10-11 of Rs. 3590 Lakhs be written back as other income in the Statement of Profit and Loss and the sales commission for the period from April 2011- December 2011 be reversed.

However, as a prudent measure, the Board directed that SVES to provide an amount of Rs. 5290 Lakhs as a provision for contingency, covering the period from FY 05-06 to FY 11-12 which in its opinion would be adequate to cover any possible outflow that may arise in respect of the above aforesaid matter and adjustments to the financial statements if any, arising out of dispute between joint venture partners to be made on final disposal of legal proceedings.

Taking into account subsequent legal developments and an order of the Honorable High Court of Andhra Pradesh dated August 23, 2013 in the matter directing all parties to maintain status quo, the Board of SVES did not make any provision from FY 12-13 towards sales commission but instead disclosed an amount of Rs. 12822 Lakhs (March 31, 2017 : Rs 11220 Lakhs) as contingent liability to cover any possible charge that may arise in respect of the above said matter, in the financial statements for the period ended September 30, 2017 and by way of abundant caution considering the issues before judicial authorities, notwithstanding the Board's view that there is no need to accrue sales commission.

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Preparation 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 and July 19, 2017 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 and March 31, 2017 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 quarter and half year ended September 30, 2017 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 The Company on May 4, 2017, through its wholly owned subsidiary Tech Mahindra (Americas) Inc acquired 84.7 % stake in CJS Solutions Group, LLC (CJS) with initial consideration paid of Rs. 67210 Lakhs (USD 104.76 Million). Further the subsidiary of the Company has acquired call and a written put options on the 15.3% Non-Controlling Interest to be exercised over three year ended December 31, 2019, based on variable pricing formula determined in the share purchase agreement with a cap of USD 116 Million.
- 5 Current tax expense for the quarter and half year ended September 30, 2017 is net of excess provision of Rs. 1575 Lakhs and Rs. 2695 Lakhs respectively (quarter and half year ended September 30, 2016: Rs. 1382 Lakhs and Rs. 1971 Lakhs) of earlier periods written back, no longer required. Current tax is net of tax on dividend received from a foreign subsidiary, to the extent of credit availed on dividend distribution tax on dividend distributed to shareholders of the Company, as per the provisions of section 115-O of the Income Tax Act.

Balance Sheet as at September 30, 2017 (Consolidated - Audited)

Particulars	Rs.in Lakhs	
	As at September 30, 2017	As at March 31, 2017
ASSETS		
Non-Current Assets		
(a) Property, Plant and Equipment	302,072	307,174
(b) Capital Work-in-Progress	37,602	37,286
(c) Investment Property	19,826	10,107
(d) Goodwill	277,922	262,791
(e) Other Intangible Assets	86,944	65,941
(f) Financial Assets		
(i) Investments	20,711	23,081
(ii) Trade Receivables	1,680	1,556
(iii) Loans	102	91
(iv) Other Financial Assets	30,256	43,291
(g) Advance Income Taxes (Net of provisions)	140,845	131,353
(h) Deferred Tax Assets (Net)	50,470	26,744
(i) Other Non-Current Assets	84,864	64,585
Total Non - Current Assets	1,053,294	974,000
Current Assets		
(a) Inventories	6,243	6,106
(b) Financial Assets		
(i) Investments	246,418	216,470
(ii) Trade Receivables	616,500	533,772
(iii) Cash and Cash Equivalents	231,491	200,127
(iv) Other Balances with Banks	118,220	121,733
(v) Loans	22,500	42,860
(vi) Other Financial Assets	300,741	293,220
(c) Other Current Assets	173,277	215,714
Total Current Assets	1,715,390	1,630,002
Assets held-for-sale	1,390	2,652
Total Current Assets	1,716,780	1,632,654
Total Assets	2,770,074	2,606,654
EQUITY AND LIABILITIES		
Equity		
(a) Equity Share Capital	43,998	43,877
(b) Other Equity	1,655,039	1,599,842
Equity Attributable to Owners of the Company	1,699,037	1,643,719
Non controlling Interest	65,260	46,412
Total Equity	1,764,297	1,690,131
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	41,847	38,527
(ii) Other Financial Liabilities	38,742	49,650
(b) Provisions	66,874	62,010
(c) Deferred tax liabilities (Net)	1,538	954
(d) Other Non-Current Liabilities	3,382	3,051
Total Non - Current Liabilities	152,383	154,192
Current liabilities		
(a) Financial Liabilities		
(i) Borrowings	101,659	83,420
(ii) Trade Payables	238,482	231,170
(iii) Other Financial Liabilities	96,506	42,297
(b) Other Current Liabilities	151,702	161,244
(c) Provisions	43,373	38,704
(d) Current Tax Liabilities (Net of advance income taxes)	98,632	82,456
Total Current Liabilities	730,354	639,291
Suspense Account (Net)	123,040	123,040
Total Equity and Liabilities	2,770,074	2,606,654

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- 6 The financial performance included in the consolidated financial results for the quarter ended 30 June 2017 was audited by another firm of Chartered Accountants and whose audit report dated 31 July 2017 has been furnished and relied for the purpose of audit of the consolidated financial results for the six months period ended 30 September 2017. The consolidated financial results of the Company for the quarter and six months period ended 30 September 2016, year ended 31 March 2017 and quarter ended 30 June 2017 were audited by another firm of Chartered Accountants. Their reports dated 27 October 2016 and 26 May 2017 on the quarter and six months period ended 30 September 2016 financial results and the year ended 31 March 2017 financial results respectively expressed an unmodified opinion. Their report dated 31 July 2017 for the quarter ended 30 June 2017 was modified due to unaudited interim financial information of certain subsidiaries included in the financial results for the quarter ended 30 June 2017.
- 7 Previous period figures have been regrouped/rearranged wherever necessary.
- 8 **Emphasis of Matters**
The Emphasis of Matters in the Auditor's Report pertains to the following:
(i) 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 are discussed below:
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 external legal opinion, as more fully described in note 2, 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 should be 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.
(ii) Note 3 in respect of one of the subsidiary of the Group whose financial statements / financial information reflect total assets of Rs. 26157 Lakhs as at September 30, 2017 and total revenues of Rs. 17502 Lakhs and cash inflows amounting to Rs. 2105 Lakhs for the half year ended on that date as considered in the consolidated interim Ind AS financial statements, the other auditors in their auditor's report for the half year ended September 30, 2017, had drawn attention to 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. There has been no movement in this matter as at September 30, 2017.
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, 2017 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 and half year ended September 30, 2017 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.
- 9 **Management response to Emphasis of Matters:**
With regard to the emphasis of matters stated in Note 8 above, there are no additional developments on Emphasis of Matters mentioned in Note 2 and 3 above which require adjustments to the financial statements.
- 10 The standalone 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 : November 1, 2017
Place : Mumbai

C. P. Gurnani
Managing Director & CEO