

Tech Mahindra Limited
Stand Alone Audited Financial Results for the Quarter ended June 30, 2014

PART I	Particulars	Rs. in Lakhs			
		June 30, 2014	Quarter ended March 31, 2014 (Refer Note 9)	June 30, 2013	Year ended March 31, 2014
1	Income from Operations	4,51,241	4,37,024	3,55,288	16,29,513
2	Expenses				
a)	Employee benefits expense	1,69,444	1,63,982	1,67,792	6,97,145
b)	Traveling Expenses	15,188	15,498	15,563	61,598
c)	Services rendered by Business Associates & Others	1,47,401	1,30,935	57,663	3,40,124
d)	Depreciation and amortisation expense	12,129	11,604	10,172	42,688
e)	Other expenses	43,987	40,633	40,589	1,74,511
	Total Expenses	3,88,149	3,62,652	2,89,789	13,16,076
3	Profit from operations before other income and finance costs (1-2)	63,092	74,372	65,499	3,13,437
4	Other Income				
	Miscellaneous income	7,152	7,374	6,993	31,303
	Exchange gain / (loss) (net)	660	(14,388)	9,136	(24,273)
	Total	7,812	(7,014)	16,129	7,030
5	Profit after finance costs (3+4)	70,904	67,358	81,628	3,20,467
6	Finance costs				
	Interest Cost on Borrowing	292	939	1,715	7,708
	Currency Translation Loss / (Gain) on Foreign Currency Loan	-	-	910	975
	Total	292	939	2,625	8,683
7	Profit after finance costs but before exceptional item and tax (5-6)	70,612	66,419	79,003	3,11,784
8	Exceptional item - Income	-	-	-	12,000
9	Profit before tax (7+8)	70,612	66,419	79,003	3,23,784
10	Tax expense				
a)	Current Tax & Deferred Tax	17,911	14,085	19,116	77,897
b)	Earlier years excess provision written back (refer note 3.4)	-	-	-	(22,660)
	Total	17,911	14,085	19,116	55,237
11	Net Profit for the period (9-10)	52,701	52,334	59,887	2,68,547
12	Paid-up Equity Share Capital (Face Value of Share Rs. 10)	23,439	23,347	12,877	23,347
13	Consideration on amalgamation pending allotment (Face Value of Share Rs. 10)	-	-	10,349	-
14	Loan Funds - Listed Debentures	-	30,000	30,000	30,000
15	Reserves excluding revaluation reserve	-	-	-	8,61,688
16	Debt Redemption Reserve	-	-	-	29,721
17	Earnings Per Equity Share (Rs) (Before exceptional item) (not annualised)				
- Basic		22.55	22.51	25.83	110.33
- Diluted		21.85	21.91	25.30	107.39
18	Earnings Per Equity Share (Rs) (After exceptional item) (not annualised)				
- Basic		22.55	22.51	25.83	115.49
- Diluted		21.85	21.91	25.30	112.41
19	Ratios				
- Debt Equity Ratio		-	-	-	0.04
- Debt Service Coverage Ratio (DSCR)		-	-	-	1.64
- Interest Service Coverage Ratio (ISCR)		-	-	-	36.10

Note: Suggested definition for Coverage Ratios:
ISCR = Earnings before Interest and Tax / Interest Expense.
DSCR = Earnings before Interest and Tax / (Interest + Principal Repayment)
See accompanying note to the financial results

Considerable time has elapsed after the initiation of investigation by various agencies and erstwhile Satyam had not received any further information as a result of the various ongoing investigations against erstwhile Satyam which required adjustments to the financial statements. Further, in the opinion of the management, no new claims have been made when the Andhra Pradesh High Court considered and approved the merger, which need any further evaluation/adjustment/disclosure in the books, and all existing claims have been appropriately dealt with/recovered/disclosed in the books based on their current status.

Considering the above, notwithstanding the pendency of the various investigations/proceedings, the Management is of the view that the above investigations/proceedings would not result in any additional material provisions/ write-offs/adjustments (other than those already provided for, written-off or disclosed) in the financial statements of the Company.

3.2 Forensic investigation and nature of financial irregularities
Consequent to the aforesaid letter, the Government nominated Board of Directors of erstwhile Satyam appointed an independent counsel ("Counsel") to conduct an investigation of the financial irregularities. The Counsel appointed forensic accountants to assist in the investigation (referred to as "forensic investigation") and preparation of the financial statements of erstwhile Satyam.

The forensic investigation conducted by the forensic accountants investigated accounting records to identify the extent of financial irregularities and mainly focused on the period from April 1, 2002 to September 30, 2008, being the last date up to which erstwhile Satyam published its financial results prior to the date of the letter. In certain instances, the forensic accountants conducted investigation procedures outside this period.

The forensic investigation had originally indicated possible diversion aggregating USD 41 Million from the proceeds of the American Depository Shares (ADS) relating to erstwhile Satyam. The amount was revised to USD 19 Million based on the further details of utilisation of ADS proceeds obtained by erstwhile Satyam.

The overall impact of the fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined was accounted in the financial statements for the financial year ended March 31, 2009 of erstwhile Satyam.
Based on the forensic investigation, an aggregate amount of Rs. 113932 Lakhs (net debt) was identified in the financial statements of erstwhile Satyam as at March 31, 2009 under "Unexplained differences suspense account (net)" comprising of fictitious assets, unrecorded loans or where complete information is not available. On grounds of prudence, these amounts had been provided for by erstwhile Satyam in the financial year ended March 31, 2009 and since there is no further information available with the Management even after the lapse of more than four years, the said amount has been completely written off in the books of account of the Company during the year ended March 31, 2014.

The forensic investigation was unable to identify the nature of certain alleged transactions aggregating Rs. 123040 lakhs (net receipt) against which erstwhile Satyam had received legal notices from 37 companies claiming repayment of this amount which was allegedly given as temporary advances. Refer Note 3.3 below.

3.3 Alleged Advances

Consequent to the letter of the erstwhile Chairman, on January 8, 2009, the erstwhile Satyam received letters from thirty seven companies requesting confirmation by way of acknowledgement for receipt of certain alleged amounts referred to as "alleged advances". These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of Rs. 123040 Lakhs allegedly given as temporary advances. The legal notices also claim damages/compensation @10% per annum from date of advance till date of repayment. The erstwhile Satyam has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable.

The 37 companies had 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.

One petition where court fees have been paid and the pauper petition converted into a suit which is pending disposal and petitions filed by remaining 36 companies are before the Court, at various stages of rejection of pauperism/ trial of pauperism/ inquiry in condone delay applications.

The remaining petitions are at a preliminary stage before the Court, for considering condonation of delay in re-submission of pauper petitions. In one petition, the delay had been condoned by the Court and the Company has obtained an interim stay order from the Honorable High Court of Andhra Pradesh.

The erstwhile Satyam had received legal notices from nearly all of the above companies, calling for payment of the amounts allegedly advanced by them (including interest and damages), failing which they would be constrained to file a petition for winding up the affairs of Satyam. In pursuance thereof, one of the aforesaid companies filed a winding up petition that was dismissed by the High Court. Against the said order of dismissal, the aforementioned company has filed an appeal before the Division Bench of High Court of Andhra Pradesh which is pending hearing.

Furthermore, even in connection with the merger proceedings, the erstwhile Satyam had received letters from the aforesaid companies claiming themselves to be "creditors". They had pleaded inter-alia before the High Court (hearing the merger petition of the erstwhile Satyam with the Company) that the mandatory provisions governing the scheme under the Companies Act, 1956 have not been complied with in so far as convening a meeting of the creditors is concerned. They contended that without convening a meeting of the creditors and hearing their objections, the merger scheme could not be proceeded with.

To address these and other related objections, the High Court directed the Official Liquidator, with the assistance of a firm of Chartered Accountants ("the firm"), to scrutinise the books of the erstwhile Satyam and submit a report on the allegations aforesaid including the accounting system adopted by it with respect to the alleged advances. The firm, in their report, inter-alia, stated that the erstwhile Satyam under its new management, was justified in not treating these amounts as creditors and in classifying these alleged advances as "Amounts pending investigation suspense account (net)".

The High Court after considering the report of the firm and other contentions of the erstwhile Satyam, held inter-alia, in its order approving the merger of the erstwhile Satyam with the Company, that the contention of the 37 companies that Satyam is retaining the money 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 beyond doubt which is not so in this case.

The High Court in its order, further held that in the absence of Board resolutions and documents evidencing acceptance of unsecured claims of the former management of the erstwhile Satyam, the new management of the erstwhile Satyam is justified in not crediting the unsecured claims in their names and not showing them as creditors and further reflecting such amounts as Amounts pending investigation suspense account (net).

The Directorate of Enforcement (ED) is investigating the matter under the Prevention of Money Laundering Act, 2002 (PMLA). The ED directed the erstwhile Satyam to furnish details with regard to the alleged advances and has also directed it not to return the alleged advances until further instructions from the ED. In furtherance to the investigation, by the ED, the erstwhile Satyam was served with a provisional attachment order dated October 18, 2012 issued by the Joint Director, Directorate of Enforcement, Hyderabad under Section 5(1) of the PMLA ("the Order"), attaching certain Fixed Deposit accounts of the Company aggregating Rs. 82200 Lakhs for a period of 150 days. This attachment was followed consequent to the charge sheets filed by the CBI against the erstwhile promoters of erstwhile Satyam and others.

