Profit after tax for the quarter at Rs. 9,723 Million, up 21% 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

Audited Consolidated Interim Financial Results for the quarter ended June 30, 2020

Rs. in Million except Earnings per share

	Particulars	Quarter ended			Year ended
		June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
1	Revenue from Operations	91,063	94,902	86,530	368,677
2	Other Income	4,161	2,852	3,413	11,924
3	Total Income (1 + 2)	95,224	97,754	89,943	380,601
4	EXPENSES				
	Employee Benefits Expense	48,051	48,129	45,009	188,100
	Subcontracting Expenses	13,161	12,758	12,197	54,408
	Finance Costs	503	532	454	1,919
	Depreciation and Amortisation Expense	3,832	3,982	3,213	14,458
	Other Expenses	16,846	20,537	16,183	68,908
	Impairment of Goodwill and non current assets	-	2,175	-	2,175
	Total Expenses	82,393	88,113	77,056	329,968
5	Profit before share in profit/(loss) of associates and tax (3-4)	12,831	9,641	12,887	50,633
6	Share of Profit / (Loss) of Associates	1	15	(78)	(55)
7	Profit before Tax (5 + 6)	12,832	9,656	12,809	50,578
8	Tax Expense				
	Current Tax	4,103	2,943	3,634	12,378
	Deferred Tax	(827)	(551)	(316)	(774)
	Total Tax Expense	3,276	2,392	3,318	11,604
9	Profit after tax (7 - 8)	9,556	7,264	9,491	38,974
	Profit for the period attributable to:				
	Owners of the Company	9,723	8,039	9,593	40,330
	Non Controlling Interests	(167)	(775)	(102)	(1,356)
10	Other Comprehensive Income / (losses)				
	A. Items that will not be reclassified to Profit or Loss (net of taxes)	31	(62)	(78)	(150)
	B. Items that will be reclassified to Profit or Loss (net of taxes)	372	(610)	(336)	(907)
	Total Other Comprehensive Income (A+B)	403	(672)	(414)	(1,057)
11	Total Comprehensive Income (9 + 10)	9,959	6,592	9,077	37,917
	Total Comprehensive Income for the period attributable to:				
	Owners of the Company	10,176	7,308	9,161	39,156
	Non Controlling Interests	(217)	(716)	(84)	(1,239)
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,360	4,359	4,350	4,359
13	Total Reserves				213,772
14	Earnings Per Equity Share (Rs) *(EPS for the quarter periods ended are not annualised)*				
	Basic	11.13	9.21	10.98	46.21
	Diluted	11.07	9.14	10.89	45.85

Standalone Information

Particulars	Quarter ended			Year ended
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
Revenue from Operations	71,647	75,719	68,624	292,254
Profit before Tax	11,019	15,175	10,795	53,322
Profit after Tax	8,542	13,918	8,227	45,345

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, 2020	March 31, 2020	June 30, 2019	March 31, 2020
Segment Revenue				
a) IT	83,667	86,681	78,572	334,564
b) BPO	7,396	8,221	7,958	34,113
Total Sales / Income from operations	**91,063**	**94,902**	**86,530**	**368,677**
Segment Profit before tax, interest and depreciation				
a) IT	12,504	12,255	12,012	52,303
b) BPO	501	1,223	1,129	4,958
Total	**13,005**	**13,478**	**13,141**	**57,261**
Less:				
(i) Finance costs	503	532	454	1,919
(ii) Other un-allocable expenditure,net off un-allocable income	(329)	3,305	(200)	4,709
Add:				
Share of Profit / (Loss) of Associates	1	15	(78)	(55)
Profit before tax	**12,832**	**9,656**	**12,809**	**50,578**

Statement of Segment Assets and Liabilities	June 30, 2020	June 30, 2019	March 31, 2020
Segment Assets			
Trade and Other Receivables			
IT	100,633	97,005	106,941
BPO	8,085	8,795	9,665
Total Trade Receivables	**108,718**	**105,800**	**116,606**
Goodwill			
IT	32,517	24,394	30,132
BPO	3,745	3,745	3,745
Total Goodwill	**36,262**	**28,139**	**33,877**
Unallocable Assets	238,202	202,585	223,052
TOTAL ASSETS	**383,182**	**336,524**	**373,535**
Segment Liabilities			
Unearned Revenue			
IT	2,861	2,280	2,466
BPO	54	2	25
Total Unearned Revenue	**2,915**	**2,282**	**2,491**
Advance from Customers			
IT	4,477	3,263	3,026
BPO	956	702	976
Total Advance from Customers	**5,433**	**3,965**	**4,002**
Unallocable Liabilities	143,245	113,657	144,978
TOTAL LIABILITIES	**151,593**	**119,904**	**151,471**

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 financial results have been reviewed by the Audit Committee and have been approved and taken on record by the Board of Directors in its meeting held on July 27, 2020.

2 The Company has considered the possible effects that may result from COVID-19, a global pandemic, including but not limited to its assessment of liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenues and on cost budgets in respect of fixed price contracts, impact on leases and impact on effectiveness of its hedging relationships. In developing the assumptions relating to the possible future uncertainties in global economic conditions because of this pandemic, the Company, as at the date of approval of the consolidated interim financial results has used internal and external source of information including economic forecasts. The Company based on current estimates expects that the carrying amount of the assets will be recovered, net of provisions established. The impact of COVID-19 on the consolidated interim financial results may differ from that estimated as at the date of approval of these consolidated interim financial results.

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

Proceedings in relation to 'Alleged Advances':

Erstwhile Satyam had, in the past, 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 with legal notices claiming repayment for a sum of Rs. 12,304 Million together with damages/compensation @ 18% per annum till the date of repayment. The erstwhile Satyam had not acknowledged any liability and replied to the legal notices stating that the claims are not legally tenable. Subsequently, the 37 companies filed petitions for recovery against the erstwhile Satyam before the City Civil Court, Secunderabad of which 1 petition was converted into a suit and the balance 36 petitions are at various stages of pauperism/suit admission.

The Hon'ble High Court in its Order approving the merger of the erstwhile Satyam with the Company, held that in the absence of Board resolutions and documents evidencing acceptance of unsecured loans, i.e. alleged advances, by the former Management of the erstwhile Satyam, the new Management of the erstwhile Satyam is justified in not crediting the amounts received in their names and not disclosing them as creditors and in disclosing such amounts as 'Amounts pending investigation suspense account (net)' in the financial statements. The Hon'ble High Court held, inter-alia, that the contention of the 37 companies that Satyam is retaining the money, i.e. the alleged advances, 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.

Appeals were filed before the Division Bench of the Hon'ble High Court of Andhra Pradesh against the Order of the single judge 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 also filed an appeal 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. Subsequently, ED had attached Fixed Deposits for an aggregate value of Rs.8,220 Million alleged to be the proceeds of crime. The Hon'ble High Court of Judicature at Hyderabad granted stay on December 11, 2012 and set aside the Provisional attachment order on December 31, 2018. Subsequently, ED 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.

In view of these and based 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, the Company has accounted and disclosed the amount of Rs. 12,304 Million as 'Suspense Account (net)'.

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

Accounting for sales commission

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 of SVES 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 Honorable High Court of Andhra Pradesh dated August 23, 2013 directing all parties to maintain status quo, the Board of SVES 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. 2,249 Million as on June 30, 2020 (March 31, 2020: Rs. 2,146 Million).

Adoption 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, July 19, 2017, July 23, 2018, July 23, 2019 and July 17 , 2020 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, March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020 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 of SVES as at and for the quarter ended June 30, 2020 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.

5 The Company, pursuant to a share purchase agreement acquired 51% stake in Cerium Systems Private Limited ("Cerium") on April 9, 2020 for a consideration of Rs. 1,453 Million, out of which Rs. 904 Million was paid upfront. Further, the Company has entered into an agreement to purchase the balance 49% stake over a period of three-years, ending March 31, 2023.

As at June 30, 2020, contractual obligation towards the acquisition amounts to Rs. 1,801 Million. The initial accounting for the business combination has been determined provisionally.

6 The Company, pursuant to a share purchase agreement acquired 100% stake in Zen3 Infosolutions Private Limited on April 9, 2020 for a consideration of Rs. 141 Million. Further, the Company through its wholly owned subsidiary, Tech Mahindra (Americas) Inc., acquired 100% stake in Zen3 Infosolutions (America) Inc. on April 9, 2020 for a consideration of USD 38.43 Million (Rs. 2,906 Million) out of which USD 34.57 Million (Rs. 2,614 million) was paid upfront. The agreement also provides for contingent consideration linked to financial performance of financial year ending 2021 to 2023.

As at June 30, 2020, contractual obligation towards the acquisition amounts to USD 8.7 Million (Rs. 658 Million). The initial accounting for the business combination has been determined provisionally.

7 Tax expense for the Quarter Ended ("QE") June 30, 2020 is net of excess provision of Rs.Nil of earlier periods, no longer required, written back (QE March 31, 2020: Rs. 622 Million ; QE June 30, 2019: Rs. 49 Million).

Tax expense for the year ended March 31, 2020 is net of excess provision of Rs. 2,755 Million of earlier periods, no longer required, written back.

8 Previous period's figures have been regrouped wherever necessary.

9 **Emphasis of Matters**

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

(i) With relation to Note 3 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 4 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, 2020 have not yet been adopted by the members of that subsidiary in their respective annual general meetings in the absence of unanimous consent of both the shareholders. The condensed consolidated interim financial statements as at and for the quarter ended June 30, 2020 have been drawn up by 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 once the abovementioned financial statements are adopted.

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 3 and 4 above which require adjustments to the consolidated audited interim 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 at the web-link: https://www.techmahindra.com/en-in/investors/.

Date : July 27, 2020
Place : Mumbai

C. P. Gurnani
Managing Director & CEO