

Tech Mahindra Limited

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

	Particulars	Rs. in Million except Earnings per share			
		Quarter ended		Year ended	
		June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2020
1	Revenue from Operations	71,647	75,719	68,624	292,254
2	Other Income	2,715	12,577	2,388	23,662
3	Total Income (1 + 2)	74,362	88,296	71,012	315,916
4	EXPENSES				
	Employee Benefit Expenses	22,548	23,336	22,417	92,827
	Subcontracting Expenses	29,615	30,399	26,708	116,074
	Finance Costs	183	269	121	667
	Depreciation and Amortisation Expense	1,686	1,720	1,583	6,674
	Other Expenses	9,311	11,843	9,388	40,798
	Impairment of Non current investments	-	5,554	-	5,554
	Total Expenses	63,343	73,121	60,217	262,594
5	Profit before Tax (3 - 4)	11,019	15,175	10,795	53,322
6	Tax Expense				
	Current Tax	3,252	1,614	2,964	8,813
	Deferred Tax	(775)	(357)	(396)	(836)
	Total Tax Expense	2,477	1,257	2,568	7,977
7	Profit after tax (5 - 6)	8,542	13,918	8,227	45,345
8	Other Comprehensive Income / (losses)				
	A. Items that will not be reclassified to Profit or Loss (net of taxes)	26	(34)	(71)	(98)
	B. Items that will be reclassified to Profit or Loss (net of taxes)	476	(1,672)	215	(3,136)
	Total Other Comprehensive Income (A+B)	502	(1,706)	144	(3,234)
9	Total Comprehensive Income (7 + 8)	9,044	12,212	8,371	42,111
10	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,831	4,829	4,822	4,829
11	Total Reserves				217,905
12	Earnings Per Equity Share in Rs. (EPS for the quarter ended periods is not annualised)				
	- Basic	8.83	14.39	8.50	46.89
	- Diluted	8.78	14.29	8.43	46.56

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 standalone 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 standalone interim financial results may differ from that estimated as at the date of approval of these standalone 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 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.
- 5 The Company, pursuant to the 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.
- 6 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: Nil).
Tax expense for the year ended March 31, 2020 is net of excess provision of Rs. 2,451 Million of earlier periods, no longer required, written back.
- 7 Previous period's figures have been regrouped wherever necessary.
- 8 **Emphasis of Matter**
The Emphasis of Matter in the Auditors' Report pertains to the following:
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.
- 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 3 above which require adjustments to the standalone audited interim financial results.
- 10 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