

Tech Mahindra Limited

Registered Office : Gateway Building, Apollo Bunder, Mumbai 400 001. Website : www.techmahindra.com.

Email : investor.relations@techmahindra.com. CIN : L64200MH1986PLC041370

Audited Standalone Interim Financial Results for the quarter and six months period ended September 30, 2020

	Particulars	Rs. in Million except Earnings per share					
		Quarter ended			Six months period ended		Year ended
		September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
1	Revenue from Operations	74,044	71,647	70,970	145,691	139,594	292,254
2	Other Income	1,570	2,715	5,801	4,285	8,189	23,662
3	Total Income (1 + 2)	75,614	74,362	76,771	149,976	147,783	315,916
4	EXPENSES						
	Employee Benefit Expenses	23,090	22,548	23,517	45,638	45,934	92,827
	Subcontracting Expenses	29,266	29,615	27,884	58,881	54,592	116,074
	Finance Costs	154	183	120	337	241	667
	Depreciation and Amortisation Expense	1,701	1,686	1,704	3,387	3,287	6,674
	Other Expenses	8,827	9,311	8,694	18,138	18,082	40,798
	Impairment of Non current investments	-	-	-	-	-	5,554
	Total Expenses	63,038	63,343	61,919	126,381	122,136	262,594
5	Profit before Tax (3 - 4)	12,576	11,019	14,852	23,595	25,647	53,322
6	Tax Expense						
	Current Tax	3,265	3,252	787	6,517	3,751	8,813
	Deferred Tax	(304)	(775)	102	(1,079)	(294)	(836)
	Total Tax Expense	2,961	2,477	889	5,438	3,457	7,977
7	Profit after tax (5 - 6)	9,615	8,542	13,963	18,157	22,190	45,345
8	Other Comprehensive Income / (Loss)						
	A. Items that will not be reclassified to Profit or (Loss) (net of taxes)	40	26	(48)	66	(119)	(98)
	B. Items that will be reclassified to Profit or (Loss) (net of taxes)	1,351	476	(34)	1,826	181	(3,136)
	Total Other Comprehensive Income / (Loss) (A+B)	1,391	502	(82)	1,892	62	(3,234)
9	Total Comprehensive Income (7 + 8)	11,006	9,044	13,881	20,049	22,252	42,111
10	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,833	4,831	4,824	4,833	4,824	4,829
11	Total Reserves						217,905
12	Earnings Per Equity Share in Rs. (EPS for the quarter and six months ended periods is not annualised)						
	- Basic	9.93	8.83	14.44	18.76	22.94	46.89
	- Diluted	9.88	8.78	14.34	18.66	22.79	46.56

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Balance Sheet as at September 30, 2020 (Standalone - Audited)

Rs. in Million

Particulars	As at September 30, 2020	As at March 31, 2020
ASSETS		
Non-Current Assets		
(a) Property, Plant and Equipment	19,169	20,069
(b) Capital Work-in-Progress	555	352
(c) Right-of-Use Asset	4,913	5,383
(d) Investment Property	939	997
(e) Intangible Assets	6,394	6,908
(f) Intangible Assets under development	284	-
(g) Financial Assets		
(i) Investments	66,323	58,883
(ii) Trade Receivables	-	-
(iii) Other Financial Assets	4,399	4,249
(h) Income Tax Assets (Net)	17,208	18,880
(i) Deferred Tax Assets (Net)	4,600	4,364
(j) Other Non-Current Assets	3,695	2,704
Total Non - Current Assets	128,479	122,789
Current Assets		
(a) Financial Assets		
(i) Investments	65,815	47,603
(ii) Trade Receivables	53,990	62,120
(iii) Cash and Cash Equivalents	14,505	18,038
(iv) Other Balances with Banks	12,102	542
(v) Loans	74	76
(vi) Other Financial Assets	26,277	32,844
(b) Other Current Assets	16,892	19,208
Total Current Assets	189,655	180,431
Total Assets	318,134	303,220
EQUITY AND LIABILITIES		
Equity		
(a) Equity Share Capital	4,833	4,829
(b) Other Equity	234,031	217,905
Total Equity	238,864	222,734
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Lease Obligations	3,610	3,424
(ii) Other Financial Liabilities	1,854	3,026
(b) Provisions	4,820	4,594
(c) Other Non-Current Liabilities	935	-
Total Non - Current Liabilities	11,219	11,044
Current liabilities		
(a) Financial Liabilities		
(i) Lease Obligations	1,495	1,385
(ii) Trade Payables		
(1) Dues of micro enterprises and small enterprises	27	42
(2) Dues of creditors other than micro enterprises and small enterprises	23,801	25,214
(iii) Other Financial Liabilities	6,629	8,230
(b) Provisions	2,568	1,859
(c) Income Tax Liabilities (Net)	8,842	7,877
(d) Other Current Liabilities	12,385	12,531
Total Current Liabilities	55,747	57,138
Suspense Account (Net)	12,304	12,304
Total Equity and Liabilities and Suspense Account	318,134	303,220

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Cash Flow Statement (Standalone-Audited)

Rs. in Million

	Six months period ended	
	September 30, 2020	September 30, 2019
A) Cash Flow from Operating Activities		
Profit before Tax	23,595	25,647
Adjustments for :		
Depreciation and Amortization Expense	3,387	3,287
Bad debts and advance written off, allowance/(reversal) of doubtful receivables and advances (net)	1,651	(303)
Net (gain)/loss on disposal of Property, Plant and Equipment and Intangible Assets	(7)	3
Finance Costs	337	241
Unrealized Exchange Loss (net)	1,918	2,672
Share Based Payments to Employees	551	573
Loss on sale of investment (net)	-	443
Interest Income	(1,298)	(1,106)
Rental Income	(154)	(159)
Dividend Income on Investments / Distributions from benefit trust	(448)	(3,696)
Gain on investments carried at fair value through profit and loss (net)	(465)	(1,028)
	29,067	26,574
Changes in working capital :		
Trade Receivables and Other Assets	10,573	(5,638)
Trade Payables, Other Liabilities and Provisions	1,462	(3,414)
	12,035	(9,052)
Cash generated from operating activities before taxes	41,102	17,522
Income taxes paid, net	(3,879)	(4,564)
Net cash generated from Operating activities (A)	37,223	12,958
B) Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Intangible Assets	(2,611)	(2,781)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	15	3
Purchase of Mutual Funds, Debentures and Other Investments	(126,611)	(173,642)
Proceeds from sale of Mutual Funds, Debentures and Other Investments	108,121	190,393
Dividend Income / Distributions from benefit trust	448	3,782
Investment in Associate and Subsidiaries	(5,167)	(162)
Rental Income	73	158
Fixed Deposit / Margin Money Placed	(15,537)	(219)
Fixed Deposit / Margin Money Realized	4,379	2,321
Interest income received	1,701	1,324
Net cash generated from/(used in) Investing activities (B)	(35,189)	21,177
C) Cash Flow from Financing Activities		
Proceeds from Issuance of Equity Shares from exercise of stock options	185	234
Buyback of equity shares	-	(19,556)
Payment of dividend (including Tax on dividend in previous period)	(4,833)	(16,126)
Repayment of lease liabilities	(707)	(536)
Finance costs paid	(337)	(241)
Net cash (used in) financing activities (C)	(5,692)	(36,225)
Net (decrease) in cash and cash equivalents during the period (D) = (A+B+C)	(3,658)	(2,090)
Effect of exchange rate changes on cash and cash equivalents (E)	125	(171)
Cash and Cash Equivalents at the beginning of the period (F)	18,038	9,599
Cash and Cash Equivalents at the end of the period (G) = (D+E+F)	14,505	7,338

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Audited Standalone Interim Financial Results for the quarter and six months period ended September 30, 2020

Notes :

- 1 The quarterly and six months period ended 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 October 23, 2020.
- 2 The Board of Directors at its meeting held on October 23, 2020, has declared a special dividend of Rs. 15 per equity share on face value of Rs. 5/- (300%).
- 3 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.
- 4 **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)'.
5 The Company, pursuant to a share purchase agreement acquired 51% stake in Cerium Systems Private Limited ("Cerium") on April 9, 2020 for a total consideration of Rs. 1,454 Million, out of which Rs. 916 Million was paid upfront. Further, the Company has entered into an agreement to purchase the balance 49% stake over a period of three-year, ending March 31, 2023. During the period ended September 30, 2020, the Company has acquired 6% stake at Rs. 164 Million. Further, the Company has made earnout payment for first tranche amounting to Rs. 412 Million. As at September 30, 2020, contractual obligation towards the acquisition amounts to Rs. 1,225 Million.
6 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.
7 The shareholders at the Annual General Meeting held on July 28, 2020 approved final dividend of Rs. 5 per equity share (total of Rs.4,831 Million) for the year ended March 31, 2020 which was subsequently paid during the quarter ended September 30, 2020. The amount was recognised as distributions to equity shareholders.
8 Tax expense for the six months period ended September 30, 2020 is net of provision of Rs. Nil of earlier periods, no longer required, written back. (Quarter ended "QE" September 30, 2020: Rs. Nil) (QE June 30, 2020: Rs. Nil) (QE September 30, 2019: Rs. 1,829 Million) (Six months period ended September 30, 2019: Rs. 1,829 Million).
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.
9 The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post – employment benefits has received the Presidential assent in September 2020. However, the effective date from which the changes are applicable is yet to be notified and the rules are yet to be issued. The Company will evaluate and will give appropriate impact in the financial statements in the period in which the Code becomes effective and the related rules are published.
10 Previous period's figures have been regrouped wherever necessary.
11 **Emphasis of Matter**
The Emphasis of Matter in the Auditors' Report pertains to the following:
With relation to Note 4 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.
12 **Management response to Emphasis of Matter:**
With regard to the Emphasis of Matter stated in Note 11 above, there are no additional developments on Emphasis of Matter mentioned in Note 4 above which require adjustments to the standalone audited interim financial results.
13 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 : October 23, 2020
Place : Mumbai

C. P. Gurnani
Managing Director & CEO