

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 nine months period ended December 31, 2020

	Particulars	Rs. in Million except Earnings per share					
		Quarter ended			Nine months period ended		Year ended
		December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	March 31, 2020
1	Revenue from Operations	75,650	74,044	77,001	221,341	216,595	292,254
2	Other Income	2,863	1,570	2,896	7,148	11,085	23,662
3	Total Income (1 + 2)	78,513	75,614	79,897	228,489	227,680	315,916
4	EXPENSES						
	Employee Benefit Expenses	24,009	23,090	23,584	69,647	69,518	92,827
	Subcontracting Expenses	27,410	29,266	31,097	86,291	85,689	116,074
	Finance Costs	148	154	157	485	398	667
	Depreciation and Amortisation Expense	1,659	1,701	1,670	5,046	4,957	6,674
	Other Expenses	8,889	8,827	10,899	27,027	28,981	40,798
	Impairment of Non current investments	-	-	-	-	-	5,554
	Total Expenses	62,115	63,038	67,407	188,496	189,543	262,594
5	Profit before Tax (3 - 4)	16,398	12,576	12,490	39,993	38,137	53,322
6	Tax Expense						
	Current Tax	4,022	3,265	3,448	10,539	7,199	8,813
	Deferred Tax	(180)	(304)	(185)	(1,259)	(479)	(836)
	Total Tax Expense	3,842	2,961	3,263	9,280	6,720	7,977
7	Profit after tax (5 - 6)	12,556	9,615	9,227	30,713	31,417	45,345
8	Other Comprehensive Income / (Loss)						
	A. Items that will not be reclassified to Profit or (Loss) (net of taxes)	(45)	40	55	21	(64)	(98)
	B. Items that will be reclassified to Profit or (Loss) (net of taxes)	(526)	1,351	(1,645)	1,301	(1,464)	(3,136)
	Total Other Comprehensive Income / (Loss) (A+B)	(571)	1,391	(1,590)	1,322	(1,528)	(3,234)
9	Total Comprehensive Income (7 + 8)	11,985	11,006	7,637	32,035	29,889	42,111
10	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,837	4,833	4,827	4,837	4,827	4,829
11	Total Reserves						217,905
12	Earnings Per Equity Share in Rs.						
	(EPS for the quarter and nine months ended periods is not annualised)						
	- Basic	12.97	9.93	9.54	31.72	32.49	46.89
	- Diluted	12.88	9.88	9.48	31.49	32.27	46.56

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Notes :

- 1 The quarterly and nine 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 January 29, 2021.
- 2 The Board of Directors at its meeting held on October 23, 2020, had declared a special dividend of Rs. 15 per equity share on face value of Rs. 5/- (300 %) which was subsequently paid during the quarter ended December 31, 2020. The amount was recognised as distribution to equity shareholders.
- 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 the aforesaid 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 years, ending March 31, 2023. During the period ended December 31, 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 December 31, 2020, contractual obligation towards the acquisition amounts to Rs. 1,420 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 Tax expense for the nine months period ended December 31, 2020 is net of provision of Rs. Nil of earlier periods, no longer required, written back. (Quarter ended "QE" December 31, 2020: Rs. Nil) (QE September 30, 2020: Rs. Nil) (Quarter ended "QE" December 31, 2019: Rs. Nil) (Nine months period ended December 31, 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.
- 8 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. The Ministry of Labour and Employment had released draft rules for the Code on November 13, 2020, and had invited suggestions from stakeholders which are under active consideration by the Ministry. However, the effective date from which the changes are applicable is yet to be notified. 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.
- 9 Previous period's figures have been regrouped wherever necessary.
- 10 **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.
- 11 **Management response to Emphasis of Matter:**

With regard to the Emphasis of Matter stated in Note 10 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.
- 12 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 : January 29, 2021
Place : Mumbai

C. P. Gurnani
Managing Director & CEO