

Tech Mahindra Limited

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Consolidated Audited Interim Financial Results for the quarter and nine months period ended December 31, 2022

		Rs. in Million except Earnings per share					
	Particulars	Quarter ended			Nine months period ended		Year ended
		December 31, 2022 (Audited)	September 30, 2022 (Audited)	December 31, 2021 (Unaudited)	December 31, 2022 (Audited)	December 31, 2021 (Unaudited)	March 31, 2022 (Audited)
1	Revenue from Operations	137,346	131,295	114,508	395,720	325,297	446,460
2	Other Income	2,472	2,902	2,231	6,595	7,925	11,123
3	Total Income (1 + 2)	139,818	134,197	116,739	402,315	333,222	457,583
4	Expenses						
	Employee Benefits Expense	70,546	68,951	56,602	205,000	162,383	222,859
	Subcontracting Expense	19,741	20,246	18,742	60,644	50,506	69,571
	Finance Costs	1,129	790	339	2,322	1,074	1,626
	Depreciation and Amortisation Expense	4,981	4,917	3,621	14,665	10,362	15,204
	Other Expenses	25,619	22,257	18,564	69,994	53,092	73,830
	Impairment of Goodwill and non-current assets (Refer note 5)	-	244	-	244	-	-
	Total Expenses	122,016	117,405	97,868	352,869	277,417	383,090
5	Profit before share in profit/(loss) of associates/joint ventures and tax (3-4)	17,802	16,792	18,871	49,446	55,805	74,493
6	Share in Profit / (Loss) of Associates / Joint Venture	(90)	(153)	(7)	(240)	(17)	28
7	Profit before Tax (5 + 6)	17,712	16,639	18,864	49,206	55,788	74,521
8	Tax Expense (Refer note 6)						
	Current Tax	4,493	4,982	5,597	13,734	16,055	17,421
	Deferred Tax	366	(1,335)	(515)	(1,848)	(1,115)	799
	Total Tax Expense	4,859	3,647	5,082	11,886	14,940	18,220
9	Profit after tax (7 - 8)	12,853	12,992	13,782	37,320	40,848	56,301
	Profit for the period attributable to:						
	Owners of the Company	12,966	12,854	13,685	37,136	40,604	55,661
	Non Controlling Interests	(113)	138	97	184	244	640
10	Other Comprehensive Income / (Loss)						
	A. Items that will not be reclassified to Profit or (Loss) (net of taxes)	13	(56)	(106)	18	(234)	(81)
	B. Items that will be reclassified to Profit or (Loss) (net of taxes)	2,010	(103)	(305)	2,506	1,215	2,393
	Total Other Comprehensive Income / (Loss) (A+B)	2,023	(159)	(411)	2,524	981	2,312
11	Total Comprehensive Income (9 + 10)	14,876	12,833	13,371	39,844	41,829	58,613
	Total Comprehensive Income for the period attributable to:						
	Owners of the Company	14,823	12,724	13,301	39,578	41,600	57,949
	Non Controlling Interests	53	109	70	266	229	664
12	Paid-up Equity Share Capital (Face Value of Share Rs. 5)	4,398	4,395	4,382	4,398	4,382	4,388
13	Total Reserves						264,469
14	Earnings Per Equity Share (Rs)						
	<i>EPS for the quarter ended periods are not annualised</i>						
	Basic	14.70	14.58	15.58	42.11	46.23	63.32
	Diluted	14.64	14.52	15.46	41.94	45.87	62.81

Standalone Information

(Amounts in Rs. Million)

Particulars	Quarter ended			Nine months period ended		Year ended
	December 31, 2022 (Audited)	September 30, 2022 (Audited)	December 31, 2021 (Unaudited)	December 31, 2022 (Audited)	December 31, 2021 (Unaudited)	March 31, 2022 (Audited)
Revenue from Operations	109,876	105,986	92,793	317,188	262,006	357,611
Profit before Tax	15,098	13,061	18,240	40,401	51,691	64,291
Profit after Tax	12,044	9,562	13,750	31,008	39,333	50,233

Consolidated Audited Interim Financial Results for the quarter and nine months period ended December 31, 2022

Primary Segments

The Group [Tech Mahindra Limited (defined as Holding Company), together with its subsidiaries] and its associates and joint ventures 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

(Amounts in Rs. Million)

Particulars	Quarter ended			Nine months period ended		Year ended
	December 31, 2022 (Audited)	September 30, 2022 (Audited)	December 31, 2021 (Unaudited)	December 31, 2022 (Audited)	December 31, 2021 (Unaudited)	March 31, 2022 (Audited)
Segment Revenue						
a) IT	117,999	113,984	100,010	342,998	285,926	391,852
b) BPO	19,347	17,311	14,498	52,722	39,371	54,608
Total Sales / Income from operations	137,346	131,295	114,508	395,720	325,297	446,460
Segment Profit before tax, interest and depreciation						
a) IT	17,714	17,150	17,580	50,926	51,398	69,344
b) BPO	3,726	2,690	3,020	9,156	7,918	10,856
Total	21,440	19,840	20,600	60,082	59,316	80,200
Less:						
(i) Finance costs	1,129	790	339	2,322	1,074	1,626
(ii) Other un-allocable expenditure, net off un-allocable income	2,509	2,259	1,390	8,314	2,437	4,081
Add:						
Share in Profit / (Loss) of Associates / Joint Venture	(90)	(153)	(7)	(240)	(17)	28
Profit before tax	17,712	16,639	18,864	49,206	55,788	74,521

Statement of Segment Assets and Liabilities	December 31, 2022 (Audited)	September 30, 2022 (Audited)	December 31, 2021 (Unaudited)	March 31, 2022 (Audited)
Segment Assets				
Trade and Other Receivables				
IT	130,679	126,594	111,954	117,498
BPO	17,414	14,358	15,033	15,179
Total Trade and Other Receivables	148,093	140,952	126,987	132,677
Goodwill				
IT	65,493	63,069	52,484	62,027
BPO	12,850	12,901	9,213	12,231
Total Goodwill	78,343	75,970	61,697	74,258
Unallocable Assets	226,259	239,671	236,789	241,772
TOTAL ASSETS	452,695	456,593	425,473	448,707
Segment Liabilities				
Unearned Revenue				
IT	9,491	9,136	8,168	10,006
BPO	663	1,181	1,220	1,455
Total Unearned Revenue	10,154	10,317	9,388	11,461
Unallocable Liabilities	170,720	173,788	159,969	163,435
TOTAL LIABILITIES	180,874	184,105	169,357	174,896

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 These results have been prepared on the basis of the audited consolidated condensed interim financial statements which are prepared in accordance with the Ind AS notified under the Companies (Indian Accounting Standards) Rules 2015. The quarterly and nine months period 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 January 30, 2023.
- 2 **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 of the alleged advances aggregating to 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 (Court), of which one petition has been converted into suit and balance 36 petitions are at various stages of pauperism/suit admission.

The Hon'ble High Court of Andhra Pradesh 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 the names of the said 37 companies 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 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. The matter is pending final adjudication.

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 sanctioning the Scheme of merger of erstwhile Satyam with the Company w.e.f. April 1, 2011, which are yet to be heard. Further, petition was filed by the 37 companies for winding-up of the erstwhile Satyam with the Hon'ble High Court of Andhra Pradesh which was subsequently rejected. One of the aforesaid companies also filed an appeal against the said order with the Division Bench of the Hon'ble High Court of Andhra Pradesh. 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.
In view of the aforesaid and based on an independent legal opinion, current legal status and lack of documentation to support the validity of the claim, the Management believes that the claim by the 37 companies for repayment of the alleged advances, including interest thereon will not be payable on final adjudication. As required by the Hon'ble High Court in the scheme of merger, the said amount of Rs. 12,304 Million has been recorded as "Amounts pending investigation suspense account (net)" ("Suspense Account (net)"), which override the relevant requirement of Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS). Accordingly, the amounts of these alleged advances are recorded separately from equity and liabilities of the Company in the books of account.
- 3 Pursuant to a share purchase agreement, the Company acquired 100% stake in Thirdware Solutions Limited (India) on June 3, 2022 for a total consideration of Rs. 7,838 Million of which Rs. 6,708 Million was paid upfront, including adjustment for cash and net working capital. The remaining consideration is linked to performance conditions.
- 4 During the period ended December 31, 2022, 1,945,454 shares of Rs 5/- each fully paid, were allotted upon exercise of the vested stock options pursuant to the Company's Employee Stock Option Schemes resulting in an increase in the paid-up share capital by Rs. 10 Million and securities premium by Rs. 371 Million.
- 5 The Company based on the performance of its subsidiaries and relevant economic and market indicators has assessed the goodwill outstanding in the books of accounts and the underlying cash generating unit ('CGU') to which the goodwill is allocated, assessed the recoverable amount of certain CGUs to be lower than their carrying value. Consequently the Company recognized an impairment of Rs. 244 Million in statement of profit and loss for the nine months period ended December 31, 2022
- 6 Tax expense for the nine months period ended December 31, 2022 is net of reversals of Rs. 315 Million of earlier periods. (Tax expense for the Quarter ended "QE" December 31, 2022 including charge of earlier period : Rs. 595 Million) (QE September 30, 2022: Rs. 114 Million) (QE December 31, 2021: Rs. Nil) (nine months period ended December 31, 2021: Rs. 126 million). Tax expense for the year ended March 31, 2022 is net of reversals of Rs. 185 Million of earlier periods.
- 7 **Emphasis of Matter**
The Emphasis of Matter in the Auditor's Report:
With relation to Note 2 in respect of certain matters relating to erstwhile Satyam Computer Services Limited (erstwhile Satyam), amalgamated with the Holding Company with effect from April 1, 2011, is discussed below:
In accordance with the Scheme approved by the Honourable High Court of Hyderabad, Andhra Pradesh, the Company has presented separately under "Suspense account (net)" claims made by 37 companies in the City Civil Court, for alleged advances amounting to Rs. 12,304 Million, to erstwhile Satyam. The Company's management on the basis of current legal status, lack of documentation to support the validity of the claim and external legal opinion, believes that claims will not be payable on final adjudication.
Management response to Emphasis of Matter:
With regard to the Emphasis of Matter stated above, there are no additional developments which require adjustments to the audited consolidated interim financial results.
- 8 The consolidated financial result of the company for the quarter and nine month period ended December 31, 2021 are unaudited and have been subject to review, however the consolidated financial result for the quarter and period ended December 31, 2022 and year ended March 31, 2022 have been subject to audit.
- 9 The audited consolidated interim 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 30, 2023
Place : MumbaiC. P. Gurnani
Managing Director & CEO