Management discussion and analysis

Macro-economic review

The world economy was beginning to regain its vitality during the most part of this financial year, having emerged from multiple macro challenges recently. The US-China trade war and Brexit conflict continued, and the automobile slowdown caused a demand contraction in related sectors. However, a new unforeseen challenge in the form of the Coronavirus pandemic disrupted the socio-economic equilibrium, marking a turning point in world economic history.

COVID-19 pandemic, however has hampered the growth prospects. On the global economy front, IMF has predicted that the pandemic will wipe out $12 trillion over two years, with worldwide business shutdowns destroying hundreds of millions of jobs. While it expects the global growth to contract by 4.9% in calendar year 2020, China is expected to grow at 1 per cent in 2020, despite sharp contraction in the first quarter, supported in part by policy stimulus. IMF projects India's economy to decline by 4.5 % in 2020, a "historic low" following a longer period of lockdown and slower recovery than anticipated in April. However, there's a pervasive uncertainty around these forecast as it depends on the length of pandemic, social distancing norms, workplace safety and global supply chain reconfiguration.

Industry overview

FY20 began with the digital transformation trend gaining further momentum, leading to substantial growth in our portfolio. Across the dynamic global business landscape, disruptive emerging technologies continued to drive IT spends. The year saw the revival of IT-modernisation spends in the market, subdued in the past few years. We saw resurgence of multi-year large outsourcing contracts as clients crystalized their transformation roadmaps.

But with stringent controls on national and international travels, the industry's onsite operations have witnessed obstructions. Growth-generating industries clocking the highest IT spends until now are deliberating large-scale projects in the face of increased uncertainties. However, the global trend of disruptive technology adoption and multiplying demand for process modernisation alongside cloud and app migrations have grown steadily around the world.

Company profile

Tech Mahindra Limited is a leading provider of digital transformation, consulting and business re-engineering services and solutions. It is a part of the $ 21 Billion Mahindra Group; a global federation of companies divided into 11 business sectors, providing insightful solutions at a global scale across 20 industries.
The companies act as a federation, with an optimum balance of entrepreneurial independence and synergy. The Company is presenting pertinent solutions to enterprises across spectrums of mobility, rural prosperity, Information Technology (IT), Financial Services, clean energy and business productivity. Headquartered in Mumbai, India, the Group has presence in over 100 countries, employs more than 250,000 people and functions with a unifying spirit of 'Rise'.

About Mahindra Group

11
Business sectors

20
Industries

100
Countries

250,000+
Employees

Rise: House of Mahindra

Core purpose

We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise

Accepting No Limits

- Think big, think global
- Challenge conventional thinking
- Agility with discipline
- Take well-reasoned risks
- Seek breakthrough solutions

Rise by daring to disturb the universe

Alternative Thinking

- Pursue new approaches
- Celebrate diversity
- Focus innovation on customer needs
- Invent your way to growth

Rise with your ingenuity

Driving Positive Change

- Step into your customer's shoes
- Build quality to delight customers
- Forge strong relationships
- Work hard. Have fun.

Rise by shaping destinies

Core values

- Professionalism
- Good Corporate Citizenship
- Customer First
- Quality Focus
- Dignity of the Individual

Management discussion and analysis

Tech Mahindra Limited is a Public Listed Company, incorporated and domiciled in India and has its registered office in Mumbai, Maharashtra, India. It has primary listing on The National Stock Exchange of India Limited (NSE) and BSE Limited.

Tech Mahindra represents the connected world, and offers innovative information technology experiences to enable enterprises and society to Rise™. Tech Mahindra is a $ 5.2 Billion company with over 125,000 professionals across 90 countries, helping 973 global customers, including Fortune 500 companies. The Company's convergent, digital, design experiences, customer-centric platforms and reusable assets connect across technologies to deliver tangible business value to its stakeholders.

The Company is governed by sustainable business practices and refined corporate culture for longer-term profitability. Tech Mahindra is among the three Indian companies and among the 12 companies in the Emerging markets category to feature in the DJSI World Index.

Performance during the year

Tech Mahindra's revenue was at ₹ 368,677 Million ($ 5,181.9 Million) for the financial year ending March 31, 2020, registering a growth of 6.1% (4.3% in $ terms) on a YoY basis. The Company's Profit After Tax (PAT) was at ₹ 40,330 Million ($ 566.8 Million) for FY20, registering a de-growth of 6.2% (de-growth of 7.8% in $ terms).

Backed by domain expertise and diversified digital offerings, the Company signed a multi-year agreement with AT&T, among the largest deal in its history to expand strategic collaboration. This was to accelerate AT&T's IT network transformation, shared services modernisation and movement to the cloud. The Company bagged the largest deal in the Enterprise business with a global financial services leader in Insurance and Annuities.

Dealing with the unprecedented challenge of COVID-19

The IT and business process management industry is recalibrating to manage the impact of the COVID-19 outbreak. The industry powers critical healthcare, finance, and telecom services. The industry foresaw the impact on business continuity, data security and employee safety. Keeping these as key parameters of the survival strategy, the industry swiftly adopted work-from-home (WFH) operations. Majorly, companies have successfully conceptualised this massive logistical challenge and maintain a sustainable operating environment.

The rise in remote operations among the teeming millions has caused internet usage to surge – placing big demands on robust communication networks. A recent analysis shows that the overall average daily fixed broadband consumption per user in the US increased approximately 3GB from January. Enterprises will consider remote working more readily amid social distancing norms in the longer run.

This raises concerns relevant to 5G deployment, specifically around spectrum allocation. Telcos across markets faced challenges upgrading network infrastructure and were bidding large sums to acquire spectrum licences, even before the COVID-19 pandemic. These trends will significantly boost IT spends.

Worldwide IT spending forecasts

- International Data Organisation (IDC) expects worldwide IT spending to decline 2.7% in constant currency terms this year as COVID-19 forces global organisations to respond with contingency planning and spending cuts in the short term.
- IT spending on hardware, software and IT services is likely to decline by more than real GDP, as commercial IT buyers and consumers cut capital spending to adjust with declining revenues, profits, market valuations and employee headcount.

Global IT spending

% Growth 2020	January Forecast	February Forecast	March Forecast
Real GDP	+2.4%	+2.0%	-1.7%
IT Spending	+5.1%	+4.3%	-2.7%

Source: IDC Worldwide Black Book Live Edition, March 2020

- Software will post growth of just under 2% overall, largely due to cloud investments along with some resilient demand for specific categories.
- Airlines, Transportation, Tourism, Hospitality sectors, followed by Retail may hold their IT projects but can expect an aggressive push for cost reduction from vendors, but increased demand for cyber security and contact centres in the near term.
- Telecom spending will be less impacted overall, as demand for broadband remains extremely strong, even higher, due to remote working and isolation measures.
- IT vendors to expect delays in new technology initiatives, cuts in discretionary spending and delayed off-take of scheduled projects, due to sluggish economic growth.

A silver lining behind the COVID-19 cloud: Re-imagining the future

The industry is bringing together solution-makers on one platform and proactively coordinating with the government to push for larger sustainable concepts. It is strategically investing in startups and small- and medium-sized enterprises (SMEs) working to conceive time-sensitive offerings like ventilators and testing kits. Such times of turbulence are almost always when radical transformation occurs. Organisations, businesses and individuals must measure the catastrophe not just in terms of what is lost but what might be gained.

Artificial intelligence, big data and analytics, cyber security, 5G, robotics and other next-gen technologies will receive greater impetus in the new world order.

- Forecasts indicate continued demand for cloud infrastructure services, and potential increase in specialised software. Additionally, increased demand for communications equipment and telecom services as academic institutions begin online classes.
- Business continuity plan will be heavily dependent on IT service providers to procure devices and set up robust and secure network and disaster-recovery systems.
- The increasing need for rapid access to data and automation will enhance the focus on network equipment and communications, speeding up 5G network deployments and adoption of 5G equipment.
- IT vendors are able to test concepts of ‘Future of Work’ and some of them might become mainstream as the dust settles.

Strategy for organisation

The IT industry is evolving at a fast pace, and so is Tech Mahindra. In 2017, Tech Mahindra implemented the 3-4-3 strategy on disruptive trends and transformative technologies to help customers across industries with focused approach, solutions and clear outcomes. This means addressing the 3 megatrends within the market, 4 bets that Tech Mahindra would take to address those mega trends, all of which fit into the 3 areas of CXO's priorities.

Since then, 3-4-3 has been the at the core of the business and has evolved to deliver enhanced value to our customers.

3 Mega trends

- **Explosion of intelligent devices**
- **Power of new technologies**
- **Exponentiality of content consumption**

4 Big bets

- **Experience.NXt**
- **Business.NXt**
- **Platforms.NXt**
- **Infra.NXt**

3 Objectives

- **Run Better**
- **Change Faster**
- **Grow Greater**

This has become an integral part of every conversation with our customers and these conversations have translated into customised yet simplified solutions for our 973+ active clients across the globe. Our 4 bets emphasise on Infra.NXt, Platforms.NXt, Business.NXt and Experience.NXt as customer offerings to help align them with next-gen technologies. This framework is powered by technologies that have been industry disruptors. Our actions are built around our 4 key force multipliers.

Artificial Intelligence (AI) to derive insights from the data powered by 5G

AI has dramatically penetrated every industry vertical and its adoption has tripled in the last 12 months. The estimated value created by AI is projected to be over $ 13 Trillion by 2030. It will allow machines to function at intelligence levels similar to that of humans. We prepared our workforce to lead and ride this wave of disruption by creating AI-powered solutions and platforms to address industry pain points.

Cloud to provision the volume and applications

Customers are increasingly moving from large databases to cloud, demanding app migration to become cloud native. Through this, companies are becoming more agile and asset-lite but the infrastructure in a box model is helping our customer scale up like never before while significantly reducing costs incurred in having everything on-premises.

Cyber security to secure experience and insights

We developed the world's first AI-Powered Predictive Cyber Risk Platform and Global Data Privacy ecosystem. Tech Mahindra's advanced threat management capabilities through file-less, memory attack prevention enable real-time detection without false positives, protecting enterprises like WannaCry, Petya from zero-day attacks.

Tech Mahindra's innovative business strategies enhance customer satisfaction and reduces security investment burden through global best practices. The Company grew its security portfolio with cutting-edge solutions that leverage the startup ecosystem and keep the customer informed in a VUCA (volatility, uncertainty, complexity and ambiguity) world.

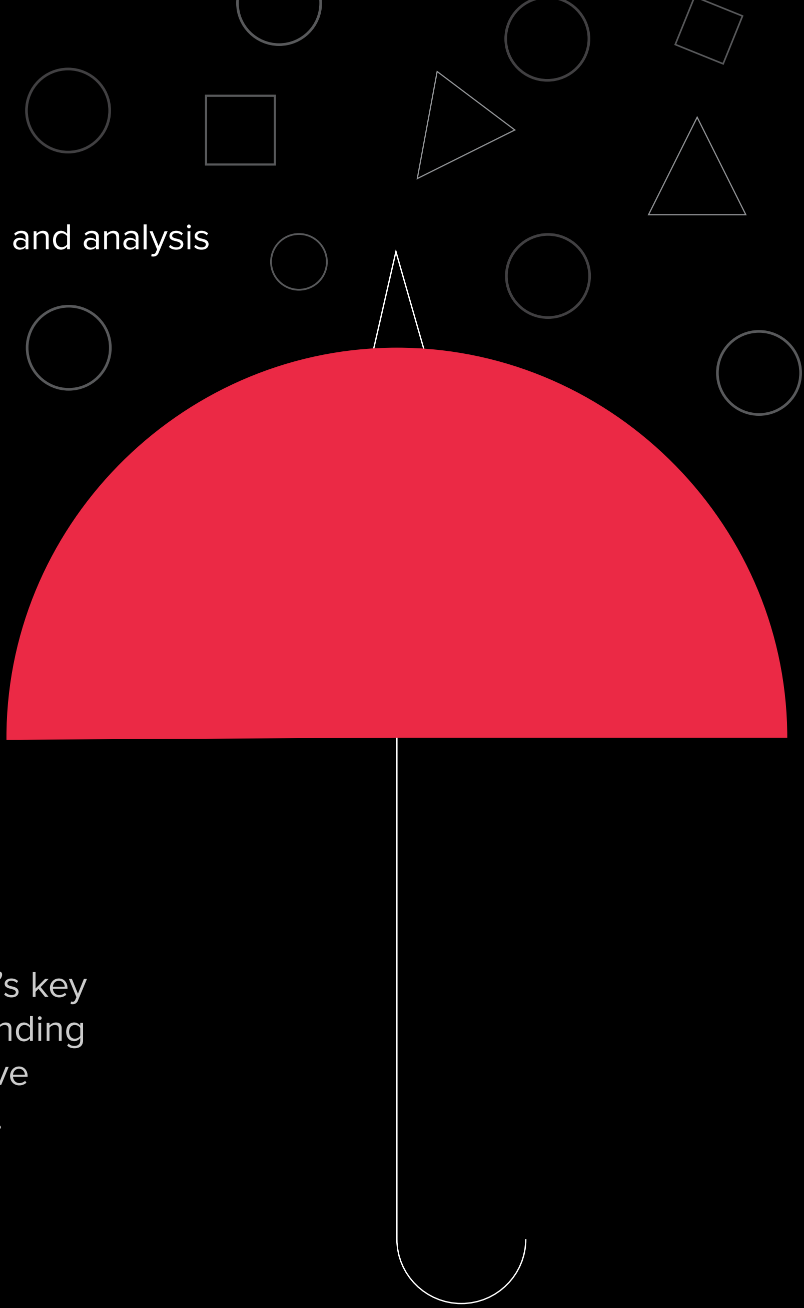
Design capabilities – to adapt technology for a convergent world

To realise the potential of a connected future, we must create extraordinary digital, physical and convergent experiences. When we say #unlockexperiences, we are challenging ourselves, our clients and the rest of the tech community to collaborate and push boundaries for solutions that will transform the world of work. Our iterative process indicated that design-based innovation is the way forward to solve today's problems.

Maker's Lab is Tech Mahindra's unique R&D division with nine centres across the world to co-innovate by applying design thinking and disruptive technologies (AI/ML, XR etc.) to solve customer needs.

In the next wave of 3-4-3, we continue developing and leveraging our strong ecosystem of collaborations with industry leaders, start-ups, academia and partners under the TechMNxt charter.

Tech Mahindra



Risks

Some of Tech Mahindra’s key risks and their corresponding mitigation strategies have been highlighted below.

Key risk	Impact of risk	Mitigation/strategy
High concentration in Communication vertical	For FY20, Communication vertical had a revenue share of ~41.6% of the total business. This is much higher than that compared to leading Indian and global IT peers of Tech Mahindra and is one of the highest top-vertical revenue concentrations among peers.	• The Communication industry is one of the largest spenders on IT and Network Services, with evolving nature of spends as new technology is introduced. • Tech Mahindra invested in new-age technologies and entered disruptive partnerships. The concentration came down and stands at 41.6% for FY20 versus 52% in FY16.
Communication vertical cyclicality	Historically, IT spends in Communications have been cyclical, resulting in periods of prolonged and tepid spends. This increases the risk of secular growth for ~41% of the business, going forward.	• Tech Mahindra continues growing in line with its peers in this space over longer periods even as IT services spends remained volatile

Key risk	Impact of risk	Mitigation/strategy
		• The Company is among the global IT companies with end-to-end services in the Communications industry. Today it provides services to most key global Communications companies. • Tech Mahindra's foray into the $ ~40 Billion Network Services market opened an untapped growth opportunity, with one of the upcoming waves being the 5G investments. • As a Communications Service Provider, we are consolidating and exploring Media & Entertainment alongside Cable and other emerging opportunities for the Company.
Global economy risk	Tech Mahindra's export revenues are over 94% and it derives 48.1% revenue from the Americas, 26.9% from Europe and 25.0% from the rest of the world. The economic growth activity in these markets could directly or indirectly affect our customers' IT spends, impacting growth for Tech Mahindra.	• Tech Mahindra has over three-decades-rich experience in operating in volatile business environment, with a business model designed to deal with market dynamics. • Global clients prefer offshoring and India is a preferred destination because of its compelling value proposition involving people and technology. • Severely adverse global economic turmoil and recessionary trends can impact any Company and is a universal business risk
Uncertainty in business environment due to pandemic	The impact on most industries could mean demand slowdown for our services, including short- to medium-term constraints on supply side. Resuming normal operations may be delayed due to security concerns and logistical challenges. There may remain psychological impact on employees that can cause reduced productivity	• We are enabling our customers' business continuity plans for seamless operations. • To minimise demand impact, the Company is exploring opportunities which include remote computing, cyber security, healthcare and network resilience. • The Company enabled 'Work from Home' but with tightened data security measures. • The plan draws up employee-friendly policies to keep internal teams proactive, updated and engaged at home through newsletters, specialised sessions and digital workshops. • Round-the-clock COVID-19 Employee Help Desk has been set up to support employees.
Regulatory changes risk/ Visa risk	The Company has employees who work onsite at client facilities on visas granted for extended or short-term work. Protectionism is rising in few economies like the US. the UK, Australia, Singapore, etc. Any changes in immigration laws or any local regulations can impact profitability and growth.	• Tech Mahindra is familiar and compliant with the local regulations across working locations. It has adequate contingency plans to deal with the changing regulatory environment. • The Company has delivery centres overseas and focuses on increasing localisation levels across geographies. • Tech Mahindra is engaging regularly with clients to discuss critical regulatory issues, which might have a business impact.

Key risk	Impact of risk	Mitigation/strategy
M&A and Integration risk	The Company acquired multiple companies in the past years. M&As and its integrations, by nature, involve risks like failure to achieve strategic objectives, offset financial loss, cultural and financial integration etc.	• The Company has well laid out and defined plans and acquisition policy. It uses M&A to fill gaps across portfolio, verticals and geographic access. • A dedicated and professional M&A team operates and is supported by the executive leadership. • Deals are evaluated by the Board, while Company consults investment bankers, subject matter experts and advisors •. Management's experience have helped successful acquisitions
Competition risk	The Indian IT companies and MNC IT service companies having sizable presence in low cost geographies, deep pockets, strong client relationships, in-house and captive services companies etc. are competing with global players. This stiff competition can pressurise pricing, vendor consolidation and impact the Company's growth and profitability.	• Tech Mahindra is operating under competitive environment for several years. • It is steadily moving up in the IT services value chain, working to build multi-pillar service competency • The Company's domain knowledge, skilled workforce, delivery capabilities and efficient salesforce and relationship managers help retain competitive positioning.
Technology risk	The industry is witnessing an adoption of disruptive technologies, evolution in business models and consumer spending patterns. This is a threat to growth in traditional IT spends and technology obsolescence.	• Tech Mahindra is a specialist provider of connected solutions and invests heavily in competencies required for an overall digital enterprise. • The Company made significant investments in IoT, cloud, microservices, Artificial Intelligence, Automation, Blockchain, Cyber Security Services etc. • Under TechMNxt charter, the Company continues collaborating to adapt to evolving and upskill employees to be future-ready in capturing customer spends.
Employee related/ Supply side risks	With the evolving IT industry, right skillset and talent are required to respond quickly to the ongoing changes. Cost-effective hiring, retaining and increased number of professionals with required skillset poses a challenge.	• Tech Mahindra has a diversified fresher talent pool, including science graduates, diploma holders and certified skilled undergrads, while increasing hiring of local people in onsite locations. • Tech Mahindra has a robust remuneration structure, progressive HR processes and employee incentives. • The Company runs programmes for employee growth like the Global Leadership Cadre (GLC), Young CEO programme, Shadow Board, 1000 Leaders programme, and so on. • It invested in learning platforms to train employees on emerging digital technologies. • Ensuring adequate skillsets in the system, the Company is moving towards automation and lean operations to deliver more with less.

Key risk	Impact of risk	Mitigation/strategy
Currency risk	The exchange rate of Tech Mahindra's major billing currencies like £, $, € and A$ has been fluctuating widely and may continue in the future, resulting in volatile revenues and Foreign Exchange returns. Adverse currency movements may lead to impacts on the Company's profitability.	• Tech Mahindra follows a well-established hedging policy, which is undertaken to protect it from unfavourable currency movements. • Over half of the revenue and a substantial portion of overall cost incurred is contributed onsite, which allows for a natural hedge. • The Company's dedicated Treasury Department seeks advice from experts and banks over hedging decisions.
Data privacy risk	Many countries have stringent data protection and privacy laws. There is cyber security risk related to the Company's corporate and client data, which may hamper its relationship with customers and brand value.	• Tech Mahindra's Information Security Group (ISG) policy ensures confidentiality, integrity and availability of required information that is acquired, developed and provided to relevant stakeholders. • The Information and Data Security initiatives are in line with ISO/IEC 27001:2005 standard and code of practice ISO 27002. Tech Mahindra is among the five Indian companies to be certified and the specifications are implemented through the Information Security Management System (ISMS). • Tech Mahindra has an industry-compliant security risk assessment and management methodology.
Litigation risk	The Company's wide customer and geographic network makes it prone to litigation risks on contract execution, intellectual property, regulatory compliances, employment, adverse rulings, mergers etc.	• The Company has an in-house legal team, operating across regions and catering to diverse risks relevant to the business. • It seeks expertise from external Global Law firms, Taxation and Compliance experts • Uses a robust framework to deal appropriately and in a timely manner, with litigation-related risks arising either externally or internally.
Cyber attack risk	Reputation loss and penalties due to customer data theft or Tech Mahindra personal data by external hackers	• The Company invests in globally benchmarked cyber security tools to defend against advanced persistence threats, phishing or other malicious attacks. • It uses best-in-class controls like encryption, 2FA, mobile device management, data leakage protection to keep intellectual property and customer data safe. • Makes investments in comprehensive workforce training covering security, data protection and delivery modules. Employees sign agreement to protect the confidentiality and integrity of data.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013 and as per Indian Accounting Standards (IND AS) for the year ended March 31, 2020.

The financial statements of TechM and its subsidiaries have been consolidated on a line by line basis by adding together like items of assets, liabilities, income, expenses, after eliminating intra group transactions and any unrealized gains or losses in accordance with the Indian Accounting Standard - 110 on "Consolidated Financial Statements" (IND AS 110).

The discussion on financial performance in the Management Discussion and Analysis relate primarily to the standalone accounts of Tech Mahindra Limited. Wherever it is appropriate, information pertaining to consolidated accounts for Tech Mahindra Limited & its subsidiaries is provided for the current year and previous year. For purpose of comparison with other firms in this industry as well as to see the positioning and impact that Tech Mahindra Limited has in the marketplace, it is essential to take the figures as reflected in the Consolidated Financial Statements.

A. STANDALONE FINANCIAL POSITION

1. SHARE CAPITAL

The authorized share capital of the Company is ₹ 8,337 Million, divided into 1,667,300,000 equity shares of ₹ 5 each. The paid up share capital stood at ₹ 4,829 Million as on 31st March' 2020 compared to ₹ 4,917 Million as on 31st March 2019. The decrease in paid up capital during the year is due to Buy Back of 20,585,000 shares of ₹ 103 Million & increase in paid up capital due to issue of 3,074,894 shares on account of conversion of options into shares (₹15 Million) by employees under the Employee Stock Option Plans.

2. RESERVES AND SURPLUS

a) Securities premium account

The addition to the securities premium account of ₹ 1,598 Million during the year is due to amount transferred from share option outstanding account on exercise of stock options to the tune of ₹ 1,133 Million, transfer on allotment of equity shares ₹ 464 Million and ₹ 1 Million allotment of shares by ESOP Trust to employees.

b) Retained Earnings

The surplus in the Statement of Profit and Loss as on 31st March 2020 was ₹ 184,021 Million compared to ₹ 171,952 Million as on 31st March 2019.

3. BORROWINGS INCLUDING FINANCE LEASE OBLIGATIONS

Borrowings including Finance Lease Obligations as on March 31, 2020 were ₹ 39 Million, as compared to ₹ 126 Million as on March 31, 2019.

4. RIGHT OF USE LIABILITIES

In compliance with the new accounting standard IND AS 116 Lease accounting, Right of Use ("ROU") liability has been recognised with effect from 1st April 2019. Balance of ROU Liability as on 31st March 2020 is shown in table below :

(₹ in Millions)

ROU Lease liabilities	As at March 31	
	2020	**2019**
Long Term	3,419	-
Short Term	1,351	-
Total	**4,770**	-

5. FIXED ASSETS

The movement in Fixed Assets is shown in the table below:

(₹ in Millions)

Fixed Assets	As at March 31	
	2020	**2019**
Gross Book Value		
Land - Freehold	459	477
Buildings	21,737	19,357
Leasehold Improvements	854	840
Plant & Equipments	14,881	14,392
Computer equipments	15,785	14,614
Office Equipments	1,854	1,695
Furniture and fixtures	6,898	6,708
Vehicles	187	203
Intangible assets	15,218	14,752
Total	**77,873**	**73,038**
Less: Accumulated depreciation & amortization	50,896	46,324
Net block	**26,977**	**26,714**
Add: Capital work-in-progress	352	2,717
Net fixed assets	**27,329**	**29,431**

The Net Block of Fixed Assets and Capital Work in Progress stood at ₹ 27,329 Million as on March 31, 2020 as against ₹ 29,431 Million as on March 31, 2019. During the year, the Company incurred capital expenditure (gross) of ₹ 5,588 Million (previous year ₹ 3,194 Million). The major items of Capital Expenditure include addition to Buildings ₹ 2,380 Million, Computers ₹ 1,693 Million, Plant & Equipment ₹ 666 Million & Software ₹ 466 Million.

6. RIGHT OF USE ASSETS

In compliance with the new accounting standard IND AS 116 Lease accounting, Right of Use ("ROU") Assets has been recognised with effect from 1st April 2019. Balance of ROU Assets as on 31st March 2020 is ₹ 5,383 Million.

7. INVESTMENTS

The summary of Company's investments are given below

(₹ in Millions)

Investments	As at March 31	
	2020	2019
Non Current Investments		
Investment in Subsidiaries	66,077	60,825
Investment in Non convertible debentures, Associates & others (treasury bonds & bills)	277	7,056
Total Investments	**66,354**	**67,881**
Less : Provision for diminution of value	7,471	1,594
Net Non Current Investments	**58,883**	**66,287**
Investment in property	**997**	**1,141**
Total Non Current Investments	**59,880**	**67,428**
Current Investments		
Investment in mutual funds	25,029	37,508
Term Deposits with Financial Institutions	7,500	11,000
Investment in non-convertible debentures and commercial papers	15,074	14,812
Current Investments	**47,603**	**63,320**
Total Investment	**1,07,483**	**1,30,748**

Total investments (non-current) as on 31st March 2020 stood at ₹ 59,880 Million as against ₹ 67,428 Million, as on 31st March 2019. During the year, Non-Current Investment in Non-Convertible Debentures reduced to NIL as on 31st March 2020 as against ₹ 6,908 Million as on 31st March 2019. Investment in Subsidiaries increased to ₹ 66,077 Million as on 31st March 2020 as against ₹ 60,825 Million as on 31st March 2019. Diminution in value of investments increased by ₹ 5,877 Million during the year.

Investment in liquid mutual funds as at 31st March 2020 was ₹ 25,029 Million (previous year ₹ 37,508 Million), decrease of ₹ 12,479 Million, decrease in Term Deposits with Financial Institutions is ₹ 3,500 Million and increase in Current Investment in non-convertible debentures and commercial papers of ₹ 262 Million.

Investment in Subsidiaries

The Company invested in the following subsidiaries during the FY2019-20:

a) The Company, pursuant to the share purchase agreement acquired 100% stake in Born Commerce Private Limited on November 25, 2019 for a consideration of USD 12 million (₹ 873 Million). Further the Company through its wholly owned subsidiary Tech Mahindra Singapore Pte. Limited, acquired 100% stake in Born Singapore Pte. Limited (Born Group) on November 26, 2019 for an upfront consideration of USD 59 Million (₹ 4,224 Million) and contingent consideration linked to financial performance of calendar year 2019. As at March 31, 2020, contractual obligation towards contingent consideration amounts to USD 23.10 Million (₹ 1,657 Million). Born Group is engaged in providing content production and commerce solutions services across USA, APAC and Europe.

b) The Company in October 4, 2019, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. acquired 100 % stake in Objectwise Consulting Group Inc. for an upfront consideration of CAD 2.25 Million (₹ 121 Million).

c) The Company on July 31, 2019, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. acquired 65 % stake in Mad*Pow Media Solutions LLC for a upfront consideration of USD 16.71 Million (₹ 1,151 Million). Further the subsidiary of the

Company has entered into a binding agreement to purchase the balance 35% stake over a period of three-year, ending March 31, 2022 for which a financial liability of USD 11.52 Million (₹ 793 Million) as at balance sheet date has been recognised.

d) The Group, pursuant to the share purchase agreement acquired 100% stake in Dynacommerce Holdings B.V on May 9, 2019 for a consideration upto EUR 2.16 Million (₹ 168 Million), out of which EUR 0.48 Million (₹ 38 Million) was paid upfront and the balance amount of EUR 1.68 Million (₹ 130 Million) is payable on achieving performance based milestones.

e) The Company has invested an amount of GBP 7.77 Million (₹ 720.82 Millon) in Mahindra Engineering Services (Europe) Ltd by subscribing to the Preference Shares of the company on November 19, 2019.

Acquisitions undertaken in FY 2020-21

i. The Company, through its wholly owned subsidiary Tech Mahindra (Americas) Inc. has entered into an agreement to acquire 100% stake in Zen3 Infosolutions (America) Inc., ("Zen3") vide Stock Purchase Agreement dated February 24, 2020 (Amended and restated April 8, 2020) for purchase consideration of USD 39 Million (₹ 2,949 Million), comprising cash consideration of USD 35 million (₹ 2,647 Million) and retention pay-outs of USD 4 Million (₹ 302 Million), payable over next two years. Further, the Company has agreed to pay upto USD 25 Million (₹ 1,891 Million) for earned out linked to revenue and earnings before interest, depreciation and amortization (EBITDA) over three years.

ii. The Company has entered into an agreement to acquire 51% stake in Cerium Systems Private Limited ('the Cerium") vide Share Purchase Agreement dated January 31, 2020 (Amended and restated dated April 9, 2020) for estimated enterprise value of ₹ 2,450 Million. Further, Company has agreed to buy 49% stake over the period of three years at valuation linked to financial performance of Cerium Systems Private Limited.

The above acquisitions have no effect on consolidated accounts during FY 2019-20.

Sale of Investment in Subsidiary

i. The Company has sold its entire stake in Fixstream Networks Inc. as on September 30, 2019 for an amount of USD 2 Million (₹ 142 Million) of which USD 0.5 Million (₹ 36 Million) is in Escrow Account

ii. The subsidiary of the Company, Comviva Technologies Limited has sold its entire stake in Terra Payment Services South Africa (Pty) Limited and Terra Payment Services(Netherlands) BV and its subsidiaries, hereinafter referred as Terra Group, on March 2, 2020 for an amount of USD 9 Million (₹ 652 Million). Consequently, the Company has recognised a gain of ₹ 691 Million in the consolidated financial statements.

8. DEFERRED TAX ASSET

Deferred tax asset as at 31st March 2020 was at ₹ 4,364 Million as compared to ₹ 2,182 Million as of 31st March 2019. Deferred tax assets represent timing differences in the financial and tax books arising from depreciation of assets, provision for debtors and leave encashment & gratuity. The Company assesses the likelihood that the deferred tax asset will be recovered from future taxable income before carrying it as an asset.

9. SUNDRY DEBTORS

Sundry debtors at ₹ 62,120 Million (net of provision for doubtful debts of ₹ 7,070 Million) as of 31st March 2020 as compared to ₹ 59,639 Million (net of provision for doubtful debts of ₹ 5,463 Million) as of 31st March 2019. Debtor days as of 31st March 2020 (calculated based on per-day sales in the last quarter) were 112 days as compared to 106 days as of 31st March 2019.

10. CASH AND BANK BALANCES

The bank balances include both Rupee accounts and foreign currency accounts. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas branches and overseas project-related expenditure.

(₹ in Millions)

Cash and Bank Balances	As at March 31	
	2020	**2019**
Bank balances in India & Overseas		
Current accounts	5,913	3,137
Deposit accounts	12,667	8,966
Total cash and bank balances*	**18,580**	**12,103**

*Including unrealised (gain) / loss on foreign currency.

11. OTHER FINANCIAL ASSETS, OTHER ASSETS AND LOANS

Other financial assets, other assets & Loans as on 31st March 2020 were ₹77,961 Million compared to ₹ 69,317 Million as on 31st March 2019. Other financial assets include foreign currency derivative assets, security deposits, advances to related parties, interest receivable and unbilled revenue. Other assets include prepaid expenses, balance with government authorities, advance income tax, capital advances, amounts deposited and held in escrow accounts for settlement consideration of Aberdeen UK & US and class action on erstwhile Satyam Computer Services Ltd.

12. PROVISIONS, FINANCIAL LIABILITIES & OTHER LIABILITIES

Liabilities and provisions were ₹ 63,373 Million as of 31st March 2020 including long term liabilities and provision of ₹ 7,620 Million and short term / current liabilities and provisions of ₹55,753 Million compared to ₹84,514 Million including long term liabilities and provision of ₹ 6,133 Million and short term / current liabilities and provisions of ₹ 78,381 Million as of 31st March 2019.

B. RESULTS OF OPERATIONS

The following table sets forth certain income statement items as well as these items as a percentage of our total income for the periods indicated:

Particulars	Fiscal 2020		Fiscal 2019	
	₹ (In Million)	% of Total Income	₹ (In Million)	% of Total Income
INCOME				
Revenue from Services	2,92,254		2,72,281	
Other Income	23,662		9,598	
Total Income	**3,15,916**	**100%**	**2,81,879**	**100%**
EXPENDITURE				
Personnel Cost	92,827		84,473	
Subcontracting Expenses	1,16,074		1,01,234	
Operating and Other Expenses	40,798		33,862	
Depreciation	6,674		6,592	
Interest	667		431	
Impairment of investment in subsidiaries	5,554		1,021	
Total Expenditure	**2,62,594**	**83.1%**	**2,27,613**	**80.7%**
Profit before tax and exceptional items	**53,322**		**54,266**	
Provision for Taxation	7,977	2.5%	10,469	3.7%
Net profit for the year	**45,345**	**14.4%**	**43,797**	**15.5%**

1. REVENUE

The Company derives revenue principally from technology services provided to clients from various industries.

The revenue increased to ₹ 292,254 Million in fiscal 2020 from ₹ 272,281 Million in fiscal 2019, growth of 7.3% The increase in revenue is due to increase in number of clients served & increase in business from these clients.

Consolidated Revenue

Consolidated Revenue for fiscal 2020 was ₹ 368,677 Million compared to ₹ 347,421 Million in fiscal 2019, growth of 6.1%.

Consolidated revenue by Geography

Revenue from Americas was 48.1% in fiscal 2020 compared to 47.2% in fiscal 2019 while the share of revenue attributable to Europe was 26.9% in fiscal 2020 compared to 29.3% in the previous year. Revenue from Rest of the World (including India) as a percentage of total revenue was 25% in fiscal 2020 compared to 23.5% in fiscal 2019.

Consolidated revenue by Vertical

For fiscal 2020, revenue from Communications was 41.6 % compared to 41.2% in previous year. Revenue from Manufacturing was 18.1 % in fiscal 2020 compared to 20.2% in fiscal 2019. Revenue from Technology, Media & Entertainment was 7.7 % in fiscal 2020 compared to 7.2% in fiscal 2019. Revenue from Banking, financial services & insurance was 13.6% in fiscal 2020 compared to 13.4% in fiscal 2019. Revenue from Retail Transport & Logistics was 6.9% in fiscal 2020 compared to 6.4% in fiscal 2019. Revenue from Others was 12.1% in fiscal 2020 compared to 11.5% in previous year.

Consolidated Revenue by Segment

For fiscal 2020, 90.7% of revenue came from IT services, whereas 9.3% of revenue came from BPO services. The revenue share for fiscal 2019 from IT & BPO services was 91.9% & 8.1% respectively.

2. OTHER INCOME (STANDALONE)

Other income includes interest income, dividend income, foreign exchange gain/loss and net gain on disposal of assets & Miscellaneous income.

Interest income mainly consists of interest received on bank deposits. Dividend income includes dividend received on long term investments as well as that received on current investments. Exchange gain/loss consists of mark to market gain/loss on ineffective hedges, realized gain/loss and revaluation gain/loss on translation of foreign currency assets and liabilities. Other income was ₹ 23,662 Million in fiscal 2020 compared to ₹ 9,598 Million in fiscal 2019. The increase in other income was mainly due to dividend received from subsidiary, higher foreign exchange gain in current fiscal year and higher interest income.

3. EXPENDITURE (STANDALONE)

(₹ in Millions)

Particulars	Fiscal 2020		Fiscal 2019	
	₹ (In Million)	% of Total Expenditure	₹ (In Million)	% of Total Expenditure
Personnel Cost	92,827	35.4%	84,473	37.1%
Subcontracting Expenses	1,16,074	44.2%	1,01,234	44.5%
Operating and Other Expenses	40,798	15.5%	33,862	14.9%
Depreciation	6,674	2.5%	6,592	2.9%
Interest	667	0.3%	431	0.2%
Impairment of investment in subsidiaries	5,554	2.1%	1,021	0.4%
Total Expenses	**2,62,594**	**100.0%**	**2,27,613**	**100.0%**

Personnel cost includes salaries, wages and bonus, contribution to provident fund and other funds share based payment to employees and staff welfare costs. The increase in personnel cost in absolute value is due to annual increments.

Subcontracting expenses include cost of direct contractors and agency contractors to support current and future business growth.

Operating and other expenses mainly include travelling expenses, rent, repairs and maintenance, communication expenses, office establishment costs, software packages and professional fees.

Impairment of Investment in subsidiary

Company owns investments in Subsidiaries and Associates, which are accounted at cost less any provision for impairment. The Management assesses the operations of the subsidiaries/ entities, including the future projections, to identify indications of diminution in the value of the investments recorded in the books of accounts. Based on the performance of subsidiaries and relevant economic and market indicators which are adversely impacted as a result of Covid 2019, the Company has reassessed the recoverable amount in below subsidiaries as on March 31, 2020.

Since the recoverable amount was lower than the carrying value of investments, the Company has recognised impairment loss of ₹ 5,554 Million for FY 2019-20 in Subsidiaries Tech Mahindra Servicos De Informatica Ltda, The Bio Agency, Tech M Fintech Holding, Sofgen Holding Ltd and PF Holding. B. V

4. PROFIT BEFORE TAX

Profit before tax was ₹ 53,322 Million in fiscal 2020 compared to ₹ 54,266 Million in fiscal 2019. Profit before tax as a percentage of total revenue was 18.2% in fiscal 2020 compared to 19.9% in fiscal 2019.

5. INCOME TAXES

The provision for income tax for the year ended 31st March 2020 was ₹ 7,977 Million as compared to ₹ 10,469 Million in the previous year. The effective tax rate in these years was 15.0% and 19.3 % respectively. Decrease in Tax % in FY 2019-20 is mainly due to reversal of excess tax provisions.

6. PROFIT AFTER TAX

Profit after tax was ₹ 45,345 Million in fiscal 2020 as compared to ₹ 43,797 Million in fiscal 2019. Profit after tax as a percentage of revenue was 15.5% in fiscal 2020 and 16.1 % in fiscal 2019.

Consolidated PAT

Consolidated PAT (owners of the company) for fiscal 2020 was ₹ 40,330 Million as compared to ₹ 42,976 Million last fiscal 2019. PAT as a percentage of revenue is 10.9 % in fiscal 2020 & 12.4 % in fiscal year 2019.

C. CASH FLOW

(₹ in Millions)

Particulars	As at March 31 2020	As at March 31 2019
Net cash flow from operating activities	23,804	36,337
Net cash flow from (used in) investing activities	32,521	(15,420)
Net cash flow from (used in) financing activities	(48,424)	(20,360)
Increase (Decrease) in Cash and Cash Equivalents	**7,901**	**558**
Effect of exchange rate changes on cash and cash equivalents	538	129
Cash and cash equivalents at the beginning of the year	9,599	8,912
Cash and cash equivalents at the end of the year	**18,038**	**9,599**

D. IN ACCORDANCE WITH THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS 2018) (AMENDMENT) REGULATIONS, 2018, THE COMPANY IS REQUIRED TO GIVE DETAILS OF SIGNIFICANT CHANGES (CHANGE OF 25% OR MORE AS COMPARED TO THE IMMEDIATELY PREVIOUS FINANCIAL YEAR) IN KEY FINANCIAL RATIOS.

(₹ in Millions)

	Key Financial Ratio	Fiscal 2020	Fiscal 2019	% change
1	Debtors Turnover	3.3	3.6	-7%
2	Inventory Turnover	NA	NA	
3	Interest Coverage Ratio	104.3	134.3	-22%
4	Current Ratio	3.2	2.3	38%
5	Debt Equity Ratio #	0.00	0.00	0%
6	Operating Profit Margin (%)	12.3%	16.9%	-5%
7	Net Profit Margin (%)	15.5%	16.1%	-1%
8	Return on Net worth	21.1%	21.8%	-1%

*Ratios are based on Standalone Financials

Debts do not include operating leases

Movements in the above ratios are not greater than 25%, hence not material except for Current Ratio. Current ratio was lower in FY 18-19 due to higher current liabilities as they included contractual obligation for buy back.

E. INTERNAL CONTROL SYSTEMS

The Company maintains adequate internal control system, which provides, among other things, reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against significant misuse or loss of Company's assets. The Company uses an Enterprise Resource Planning (ERP) package, Business Intelligence and Analytics package, which enhances the internal control mechanism. The Company also has a Chief Information Risk Officer (CIRO) and Chief Information Officer (CIO) for overseeing the Internal Control and Systems.

F. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES INCLUDING NUMBER OF PEOPLE EMPLOYED

Being an organization that focuses on staying at the cutting edge of technology, through our people, we strive at attracting the best talent through intensive recruitment drives in premier engineering and management institutes. During the year, Tech M saw a net addition of 4,154 professionals through campus recruitment, lateral hiring and acquisitions. The global headcount of the Company as on March 31, 2020 was 125,236 as compared to 121,082 as on March 31, 2019.

The IT attrition was 19.1% during the year as compared to 20.8% in the previous year. The Company has been working towards retaining talent by investing in career development programs, talent engagement initiatives, employee well-being (personal and professional), rewards and recognition as well as an empowered work environment.

Cautionary Statement

Certain statements made in the management discussion and analysis report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on, whether express or implied. Several factors could make a significant difference to the Company's operations. These include economic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on over which the Company does not have any direct control.