

Tech Mahindra Q3 Net profit up 10.4% at 206.1 crores

Press Release - Mumbai, India, January 21, 2011

Tech Mahindra, India's leading provider of solutions and services to the telecommunications industry today announced results for the quarter ended December 31, 2010. Revenues for the quarter were INR 1,211.1 crores, and operating profit was INR 249.8 crores. Tech Mahindra's Profit after Tax (before earlier period items and minority interest) for the quarter was INR 206.1 crores.

During the quarter, Mahindra Satyam, an associate company, reported its Q1 and Q2 FY11 results. Consequently, Tech Mahindra's results include in relation to its shareholding, a profit of INR 51.5 crores on account of Mahindra Satyam. Profit after Tax including Tech Mahindra's share in Mahindra Satyam's was INR 257.0 crores.

Financial Highlights for the Quarter ended December 31, 2010

Highlights for the Quarter (USD)

- Revenue at USD 268.9 million, up 5.9% YoY
- Revenue for Q2 FY 11 included USD 63.5 million of third party hardware and software purchased for a customer. Excluding this, revenues were up 1.6 % sequentially
- Operating Profit at USD 55.4 million; down 8.1% YoY: and down 3.5% sequentially

Highlights for the Quarter (INR)

- Revenue at INR 1,211.1 crores, up 2.0% YoY
- Revenue for Q2 FY 11 included INR 299 crores of third party hardware and software purchased for a customer. Excluding this, revenues were down 1.9% sequentially
- Operating Profit at INR 249.8 crores; down 11.0% YoY, and down 11.4% sequentially

Other highlights for the Quarter ended December 31, 2010

- Headcount as on 31st December was 34,208
- IT Utilization was 76.3%, up from 74.9% in the previous quarter
- Added 2 new customers during the quarter, taking the total customer count to 126
- Debt was INR 1348 crores, down from INR 1426 crores in Q2 FY 11
- Cash and cash equivalents were at Rs 519 crores, up from Rs 225 crores in Q2 FY 11

Anand Mahindra, Chairman, Tech Mahindra said, “Our sustained ability to design and deliver customized solutions has enabled us to consolidate our leadership position. As the global markets show signs of resurgence, our comprehensive array of service offerings ensure that we are well positioned to rise and meet customer expectations”

Vineet Nayyar, Vice Chairman, MD and CEO of Tech Mahindra said, “We have turned in a satisfactory performance in a period of low discretionary spend by our customers. We have remained steadfast in our pursuit of our goals - of investing in capabilities to enable customer delight, while maintaining focus on operating and financial metrics

Key wins & operational highlights

Tech Mahindra, through its VAS subsidiary CanvasM, has been chosen as a strategic technology partner for testing of customer certified devices by a leading telco in North America. With this partnership the customer will benefit from higher productivity and cost efficiencies through automation in High Speed Packet Access (HSPA) testing and resulting in faster time to market.

Tech Mahindra has been selected as the Preferred Services Partner by a leading mobile operator in the Middle East. This integrated engagement across Application Development and Infrastructure Management covering the BSS systems will enable the operator to accelerate business growth through cost control, higher operational efficiency and ongoing service improvements.

Tech Mahindra is now engaged in the transition process of the BPO operations for a leading Indian telecommunications service provider across 6 countries in Africa. With this engagement, Tech Mahindra will deliver world class seamless customer experience and bring in best practices and latest technologies contributing to higher operational efficiencies.

Continuing its investment in 3G technologies, Tech Mahindra, through its VAS subsidiary CanvasM, has inaugurated a 3G device testing lab in Noida, India. The lab will provide quality testing to 3G handsets and devices for their compliance with regulatory, technical and international performance standards.

Tech Mahindra has entered into an alliance with Microsoft Corp. to offer customized CRM capabilities and flexible application options for telecom service providers. As a part of the initiative, Tech Mahindra has inaugurated a Microsoft Dynamics CRM Lab in Noida, first of its kind in India.

Awards and Recognitions

Tech Mahindra has been rated by Gartner as one of the 7 leading global IT Services Vendor for Telecom Operations Management Systems.

Financials

Audited consolidated financial results for the quarter ended December 31, 2010 drawn under Indian GAAP

Consolidated Income Statement

(in INR crores except EPS)

Particulars	Quarter Ending			% Changes	
	Dec-10	Sep-10	Dec-09	Q-o-Q	Y-o-Y
Revenue from services	1,211.1	1,533.9*	1,187.3	(21.0)**	2.0
Cost of Services	788.2	1070.1	751.4	(26.3)	4.9
Gross Profit	422.9	463.8	435.9	(8.8)	(3.0)
SGA	173.1	182.0	155.2	(4.9)	11.5
Operating Profit	249.8	281.8	280.7	(11.4)	(11.0)
Other Income	52.1	8.3	0.6	525.0	8,958.4
Interest Expense	25.2	27.0	45.9	(6.5)	(45.1)
Depreciation	34.7	34.7	33.1	0.1	5.0
Profit before Tax	242.0	228.5	202.3	5.9	19.6
Provision for taxes	35.9	41.8	28.5	(14.2)	25.9
Profit after tax before exceptional, earlier period items and minority interest	206.1	186.7	173.7	10.4	18.6
Minority interest	(0.6)	0.7	(0.9)		
Share of profit/(loss) including earlier period items in Associate: Satyam Computer Services Limited	51.5	(36.7)			
Profit after tax	257.0	150.7	172.8	70.6	48.7
EPS (Rs) – excluding nonrecurring/exceptional items					
Basic	20.65	12.17	14.18		

Diluted	19.73	11.57	13.26		
EPS (Rs) – including non recurring/exceptional items					
Basic	20.65	12.17	14.18		
Diluted	19.73	11.57	13.26		

*Revenues in quarter ended September 10 include Rs 299 crore of hardware and software purchased for a customer.

** Not comparable because of above

Key Operating Metrics

Particulars	Quarter Ending		
	Dec-10	Sep-10	Dec-09
Total Headcount (As at period-end)			
S/w Professionals	24,673	24,449	22,199
BPO Professionals	8,489	8,489	7,199
Sales & Support	1,046	1,069	1,006
Total Employees	34,208	34,007	30,404
Revenue by Geography (%)			
North America	32%	25%	30%
Europe	54%	43%	56%
Rest of World	14%	32%	14%
Total	100%	100%	100%
No. of Active Clients	126	124	110
No. of Million \$ Clients			
≥ \$1 million clients	53	52	49
≥ \$2 million clients	39	39	30
≥ \$5 million clients	20	21	18
≥ \$10 million clients	15	14	9
≥ \$15 million clients	8	8	8
≥ \$20 million clients	6	7	5
≥ \$25 million clients	5	5	4
≥ \$50 million clients	3	3	2
Client contribution to revenue			
Top client	44%	35%	46%
Top 5	72%	77%	75%
Top 10	81%	84%	82%



Revenue On/Off Break-up (in %)			
Onsite	37%	30%	39%
Offshore	63%	70%	61%
IT Utilization %	76%	75%	73%

For more information on the financials, please refer to the fact sheet and the results advertisement on the investor section of the website: www.techmahindra.com or contact the following:

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