



India Equities
IT Services

Satyam Computer Services

Positive

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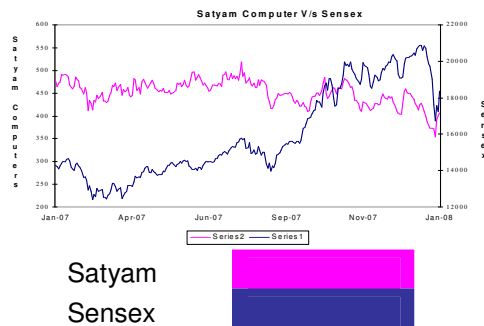
| | |
|-----------------------|-----------------|
| Market Cap (Rs Crs) | 26791.49 |
| Beta | 0.76 |
| 52 WK High / Low (Rs) | 522.30 / 305.00 |
| Avg Daily Volume | 15,55,81,888 |
| Face Value (Rs) | 2 |

| | |
|------------|-------|
| BSE Sensex | 17221 |
| Nifty | 5033 |

| | |
|----------------|------------|
| BSE Code | 500376 |
| NSE Code | SATYAMCOMP |
| Reuters Code | SATY.BO |
| Bloomberg Code | SCS@IN |

| | |
|---------------------------------|--------|
| Shareholding Pattern (%) | |
| Foreign | 69.68 |
| Institutions | 11.71 |
| Corporate | 0.75 |
| Promoters | 8.75 |
| Public & Others | 9.11 |
| Total | 100.00 |

Price Chart:



Result Highlights

Q3FY2008 Result Update

Satyam delivered yet another quarter of superior performance compared to peers, with strong volume growth

- Revenue was Rs21,956mn; a yoy increase of 32.2% and a qoq increase of 8.1%.
- Net Profit after Tax was Rs4,336mn; a yoy increase of 28.6% and a sequential increase of 6%.
- EPS was Rs6.5, a yoy increase of 26.2% and a qoq increase of 5.8%.

Consolidated Results for nine months ended December 31, 2007

- Revenue was Rs60,575mn; a yoy increase of 28.7%
- Net Profit after Tax was Rs12,210mn; a yoy increase of 20.8%
- EPS was Rs18.3, a yoy increase of 18.8%
- Operating margin declined by about 275 bps yoy

Revenue growth was driven by the following:

- 10% qoq growth in revenue from existing client to \$525mn, spurred by renegotiation of contracts at higher billing rates
- 35% qoq revenue growth from the Retail, Transportation, and Logistics businesses
- 10.6% qoq revenue growth from Consulting and Enterprise Business solutions
- 9.4% qoq increase in volumes, led by 12% qoq increase in offshore volumes

Result Highlights

Billing Rate: Offshore billing rates were up by 2.27% and onsite rates increased by 2.36% in this quarter. The Company expects positive pricing momentum to continue in the coming quarters.

Margin: Higher utilization, improved billing rate and offshore shift helped company to offset negative impact of rupee appreciation. Operating margin improved by about 165 bps qoq to 21.5%.

Operating margin growth was driven by the following:

- Increase in offshore utilisation rate of 217 bps qoq
- Increase in offshore and onsite bill rates by 2.3% and 2.4% respectively
- Attrition on a trailing twelve months basis fell to 13.1% in this quarter from 13.9% last quarter.
- 170 bps increase in offshore revenue (a natural hedge)



Company background:

Satyam Computers Services Ltd. is a global IT solutions provider, serving companies in the United States, Europe, the Middle East, and the Asia-Pacific region.

Satyam also offers BPO services through its majority-owned subsidiary, Satyam BPO which provides BPO services like HR, Finance & Accounting, Customer Care (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Satyam's company-wide quality management system complies with the ISO 9001:2000 TickIT standards, and it has been assessed at CMMI Level 5 and has implemented the Six Sigma processes for application development and maintenance.

Satyam has strategic alliances with leading technology vendors and system integrators. It has partnered with leading names in key application areas such as ERP (SAP and Oracle), Customer Relationship Management, Integration Middleware, Business Intelligence (Business Objects and Informatica) and Infrastructure Management. Other prominent alliance partners include JDA, Dassault Matrix One, Documentum, Hummingbird, and Hyperion.

Satyam Venture, Satyam's joint venture with Venture Engineering Global LLC., provides engineering solutions, software development, and customization services to automotive industries worldwide.

Margin guidance: The Company has guided 170-200 bps declines (guided 175 bps at the end of 2Q) in the operating margins for FY08 from FY07 levels, primarily due to rupee appreciation. We believe higher price realization, offshore-onsite mix, better subsidiary performance; SG&A leverage and employee pyramid would offset the negative impact from appreciating rupee.

Headcount: The number of associates including in the subsidiaries and joint ventures increased by 3,424 (includes 2,128 trainees) to 49,199. The management is targeting to add 17,000 employees (gross addition in the parent company) in FY2008.

CAPEX: Satyam will invest about \$90-100mn in FY2008.

Negative factors affecting earnings:

- Satyam BPO posted a net loss of \$2.4mn and revenues of \$15.3mn; also the BPO arm Nipuna changed its name to Satyam BPO Services. The revenue guidance for FY08 is \$61mn, which represents growth of 60% over the previous year. In 3Q, Satyam BPO signed two new customers.
- Interest expense grew 120% to \$2.2M

Other Key highlights

Acquisition of Bridge: Satyam has entered into a definitive agreement to acquire Bridge Strategy Group LLC (BSG), a US-based company specialized in providing Strategy and Management Consulting Services to various large clients across different industry segments. It has a team of 36 high-caliber consultants. BSG primarily provides services in the broad areas of Growth Strategies and Execution, and Operations Design and Performance Improvement. The acquisition would strengthen Satyam's position as a provider of transformational consulting services, deepening relationships with existing customers and would provide the engine for a global delivery model in strategy consulting. The acquisition is an all-cash deal, involving a consideration of \$35mn, of which \$19mn is the initial payment, and the balance would be paid over 2.5 years.

Satyam to list on Euronext with ticker symbol SAYE

As the New York Stock Exchange, Euronext and NSE are affiliated entities, upon listing on Euronext, it would establish its association with all three exchanges under one group, strengthening its presence in these three important markets. With the Euronext listing, Satyam would become the first Indian company to list on three major exchanges around the world, making itself globally-tradeable entity

Satyam has a hedge position of over \$900mn at the end of Dec 2007 and receivable days decreased to **89** from **92** in qoq.

Satyam added 32 new clients, eight of which are Fortune 500 companies.



Satyam Computer Srvs. Ltd

Result Highlights

| Exhibit 1: Key Financials | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Particulars (Rs Mn) | 3QFY08 | 2QFY08 | QoQ | 3QFY07 | YOY |
| | Dec-07 | Sep-07 | Growth | Dec-06 | Growth |
| Income | | | | | |
| Exports | 21,282 | 19,652 | 8.3% | 15,852 | 34.3% |
| Domestic | 674 | 665 | 1.3% | 759 | -11.2% |
| Sub total | 21,956 | 20,317 | 8.1% | 16,611 | 32.2% |
| Expenses | | | | | |
| Personnel expenses | 13,806 | 13,028 | 6.0% | 9,674 | 42.7% |
| Cost of Software and Hardware sold | 7 | 7 | 0.0% | 7 | -8.1% |
| Operating and admin expenses | 3,431 | 3,256 | 5.4% | 2,830 | 21.2% |
| Sub total | 17,244 | 16,290 | 5.9% | 12,511 | 37.8% |
| Operating profit | 4,712 | 4,027 | 17.0% | 4,100 | 14.9% |
| Operating Margin | 21.5% | 19.8% | | 24.7% | |
| Depreciation | 423 | 391 | 8.3% | 394 | 7.5% |
| PBIT | 4,289 | 3,636 | 17.9% | 3,706 | 15.7% |
| PBIT margin | 19.5% | 17.9% | | 22.3% | |
| Financial Expenses | 81 | 41 | 98.0% | 32 | 151.4% |
| Other Income | 705 | 1,105 | -36.2% | 102 | 593.1% |
| PBT | 4,913 | 4,700 | 4.5% | 3,776 | 30.1% |
| PBT margin | 22.4% | 23.1% | | 22.7% | |
| Provision for Tax | 576 | 609 | -5.4% | 403 | 42.9% |
| PAT | 4,336 | 4,091 | 6.0% | 3,372 | 28.6% |
| PAT margin | 19.8% | 20.1% | | 20.3% | |
| Equity | 1,339 | 1,337 | | 1,314 | |
| EPS (Rs) | 6.48 | 6.12 | 5.8% | 5.13 | 26.2% |

Source: Company

The Retail, Transportation & Logistics practice reported strong growth during the quarter, grew by 35% in USD terms.

Exhibit 2:

| Particulars | % of | % growth | % growth |
|---|----------------|-----------------|-----------------|
| | Revenue | QOQ | YOY |
| BFSI (Banking, Financial services and Insurance) | 22.4 | 1.9 | 15.8 |
| Manufacturing | 23.2 | 6.0 | 13.3 |
| TIMES (Telecom, Infra, Media, Entertainment, Semiconductor) | 23.1 | 6.3 | 47.6 |
| Healthcare and Pharma | 8.0 | 9.4 | 39.7 |
| Retail, transportation and Logistics | 9.1 | 32.2 | 101.4 |
| Others | 14.2 | 13.5 | 44.4 |
| Total | 100.0 | | |

Source: Company



| Exhibit 3: Revenue from Service Offerings (%) | | | |
|--|---------------------|---------------------|---------------------|
| Particulars | % of Revenue | % growth QoQ | % growth YoY |
| Software Development and Maintenance | 44.0 | 8.6 | 23.3 |
| Consulting and Enterprise Business Solutions | 45.0 | 8.3 | 41.9 |
| Extended Engineering Solutions | 6.8 | 13.3 | 33.5 |
| Managed Infra and Technology Services | 4.1 | -1.7 | 39.1 |
| Total | 100.0 | | |

| Exhibit 4: Revenue by Regions (%) | | | |
|--|---------------------|---------------------|---------------------|
| Particulars | % of Revenue | % growth QoQ | % growth YoY |
| North America | 60.0 | 11.3 | 23.6 |
| Europe | 20.5 | 6.1 | 42.9 |
| Rest of World | 19.5 | 28.4 | 53.9 |
| Total | 100.0 | | |

| Exhibit 5: Earnings Outlook | | | | | | |
|------------------------------------|-----------------|---------------|--------------------------|-------------------|-------------------------|-------------------|
| Particulars | 4QFY2008 | QOQ | Previous guidance | | Revised guidance | |
| | | Growth | FY2008 | YOY Growth | FY2008 | YOY Growth |
| India GAAP | | | | | | |
| Revenue (RsMn) | 23,110 - 23,220 | 5.3 - 5.8% | 81,890 - 82,200 | 26.3 - 26.7% | 83,685 - 83,795 | 29.0 - 29.2% |
| EPS (Rs/share) | 7.2 | 11.6% | 25.0 - 25.1 | 16.5 - 17.0 | 25.5 | 18.90% |
| US GAAP | | | | | | |
| Revenue (\$Mn) | 594.4 - 597.3 | 5.6 - 6.1% | 2067.7 - 2075.6 | 41.5 - 42.0% | 2119.2 - 2122.1 | 45.0 - 45.2% |
| EPS (\$/ADS) | 0.36 | 9.1% | 1.24 | 36.0% | 1.27 | 39.6% |

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