

April 21, 2008

Rating	Outperformer
Price	Rs459
Target Price	Rs515
Implied Upside	12.2%
Sensex	16,739

(Prices as on April 21, 2008)

Trading Data

Market Cap. (Rs bn)	306.9
Shares o/s (m)	668.7
Free Float	91.2%
Avg. Daily Vol ('000)	3,732.2
Avg. Daily Value (Rs m)	1,540.1

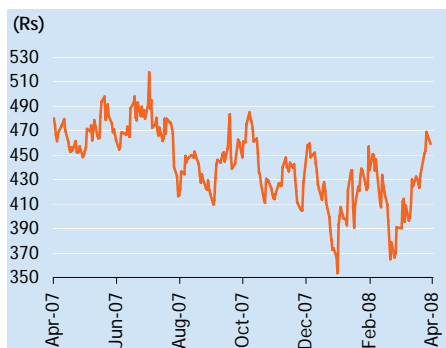
Major Shareholders

Promoters	8.8%
Foreign	49.0%
Domestic Inst.	31.1%
Public & Others	11.1%

Stock Performance

(%)	1M	6M	12M
Absolute	17.3	(0.3)	(3.6)
Relative	4.5	6.7	(26.1)

Price Performance (RIC: SATY.BO, BB: SCS IN)



Source: Bloomberg

■ **Results:** Satyam Computers reported excellent Q4FY08 numbers, both in terms of revenue and profit growth. Consolidated revenue grew by 10.0% QoQ in rupee terms to Rs24.16bn. Operating profit grew 16.9% QoQ, while PAT grew 7.6% QoQ to Rs4.66bn. Operating (EBITDA) margin expanded by 133bps, while lower other income led to a contraction in PAT margin by 43bps.

■ **Result break-up:** Revenue growth was driven by 8.8% blended volume growth. Onsite billing grew 0.63%, while offshore billing grew 0.51%. A MTM loss on the forex front of Rs460m during the quarter led to a PAT growth of 7.7% (as against revenue growth of 10%). Satyam added 32 new clients in Q4FY08. It reported a healthy deal pipeline (15-20 deals) and indicated no visible signs of a slowdown in deal flows.

■ **Reports two acquisitions:** Satyam announced the acquisition of market research division of Caterpillar Inc. for US\$60m. It also plans to acquire Belgium based S&V Consulting Management in a US\$35m all cash deal.

■ **Guidance:** The company management has guided for revenue growth in the range of 23.9-25.9% (Rs105bn-Rs106.7bn) over FY09 and corresponding earnings growth of 17-19% (Rs29.54-Rs30.04).

■ **Valuation:** We expect Satyam to report earnings growth of 26.2% and 10.2 % in FY09 and FY10 respectively. We believe Satyam is well positioned to maintain its growth momentum and continue its trend of delivering numbers superior to peer group averages. At the CMP of Rs459, it quotes at 13.4x FY10E earnings. We maintain Outperformer rating on the stock with a target price of Rs515 (15x FY10E earnings).

Key financials (Y/e March)	FY07	FY08	FY09E	FY10E
Revenue (Rs m)	64,851	84,735	109,761	135,947
Growth (%)	35.3	30.7	29.5	23.9
EBITDA (Rs m)	15,377	18,348	23,249	27,907
PAT (Rs m)	14,046	16,879	21,506	23,807
EPS (Rs)	21.0	24.7	31.2	34.3
Growth (%)	17.6	17.8	26.2	10.2
Net DPS (Rs)	3.5	3.5	4.5	5.5

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	23.7	21.7	21.2	20.5
RoE (%)	28.3	26.1	26.4	23.8
RoCE (%)	27.4	25.5	25.9	23.4
EV / sales (x)	4.1	3.1	2.3	1.7
EV / EBITDA (x)	17.5	14.4	10.6	8.3
PE (x)	21.9	18.6	14.7	13.4
P / BV (x)	5.4	4.2	3.4	2.8
Net dividend yield (%)	0.8	0.8	1.0	1.2

Source: Company Data; PL Research

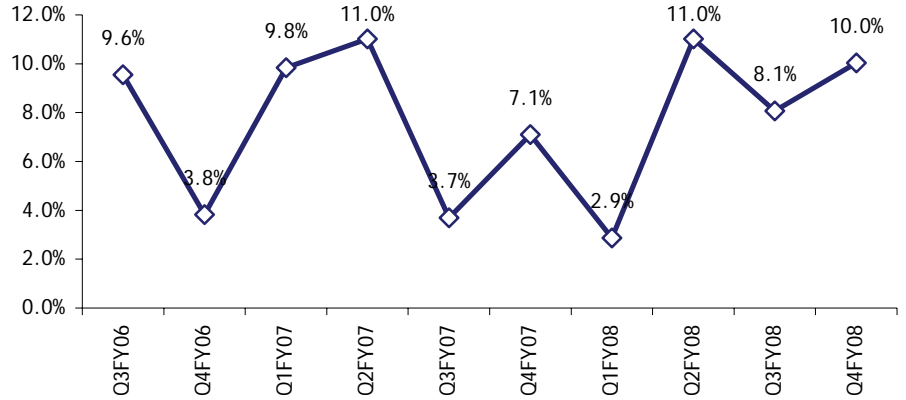
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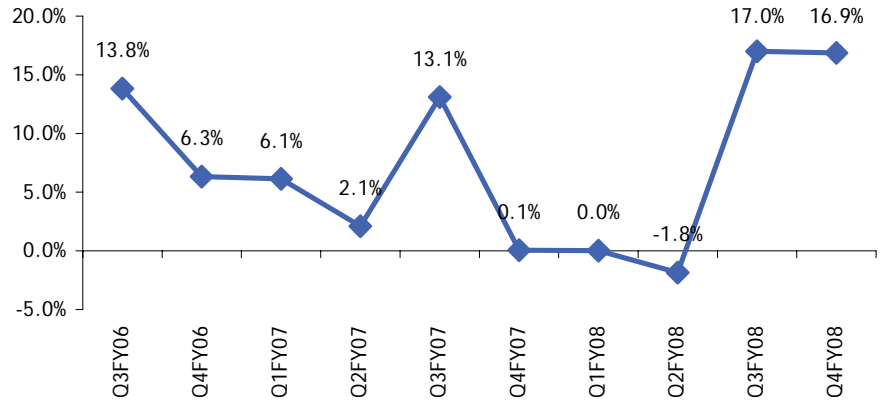
Result Highlights

Revenue grew 10.0% QoQ to Rs24.2bn



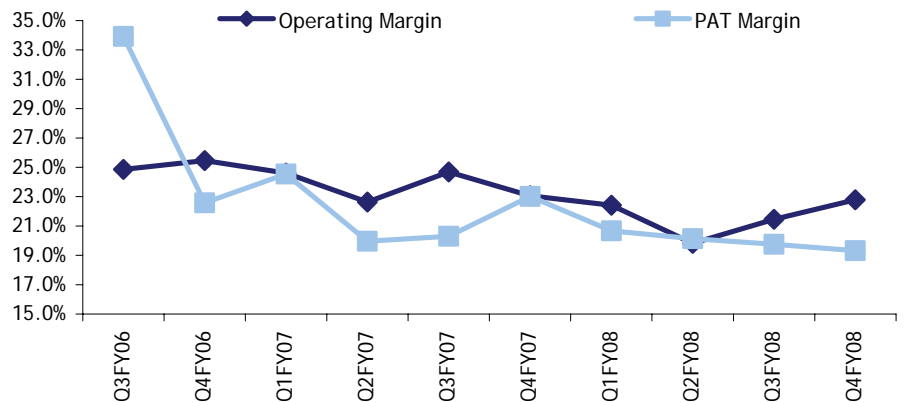
Source: Company Data, PL Research

While operating profit grew by a robust 16.9% QoQ



Source: Company Data, PL Research

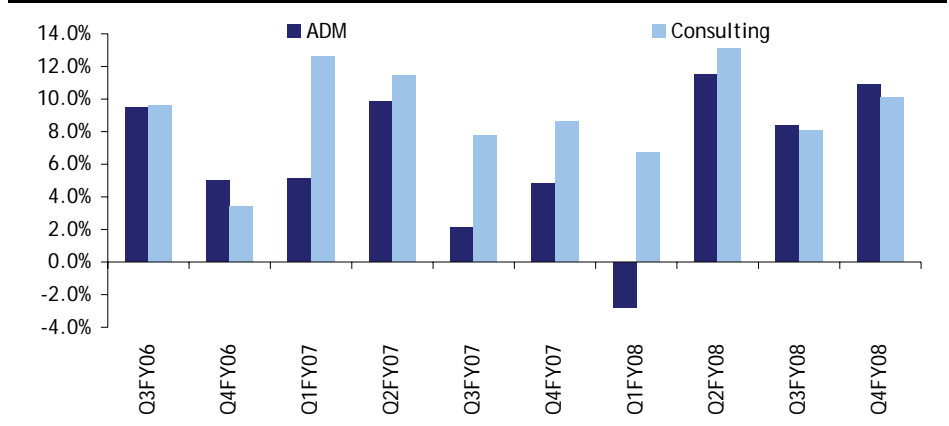
Op. profit margin(OPM) was up 133bps on lower costs, while PAT margin declined by 43bps due to MTM forex loss(Rs 460m for Q4)...



Source: Company Data, PL Research

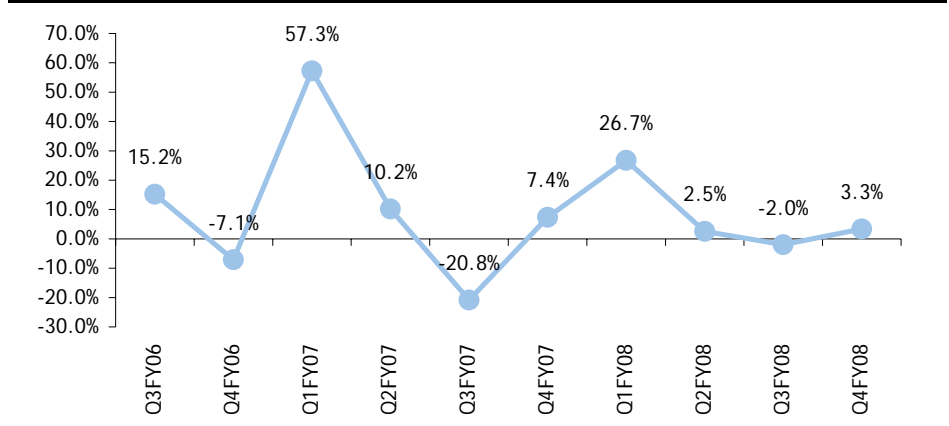


While both ADM and consulting (EBS) grew over 10.0%



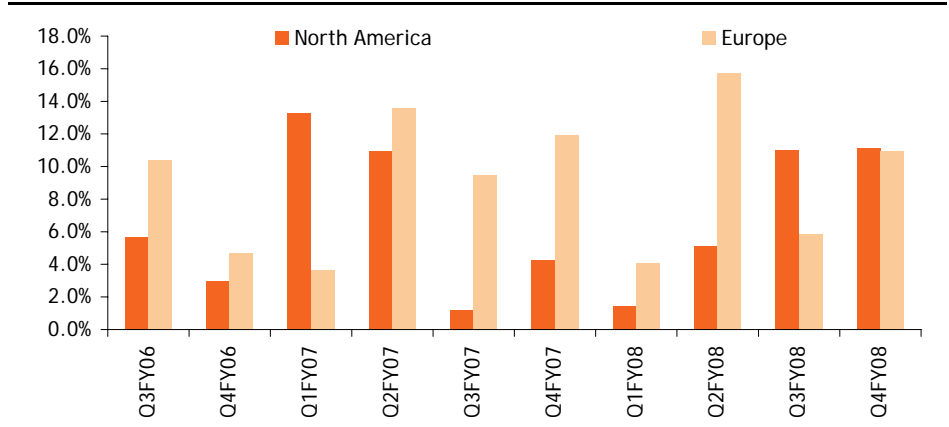
Source: Company Data, PL Research

IMS, considered to be a major growth area, grew a modest 3.3%



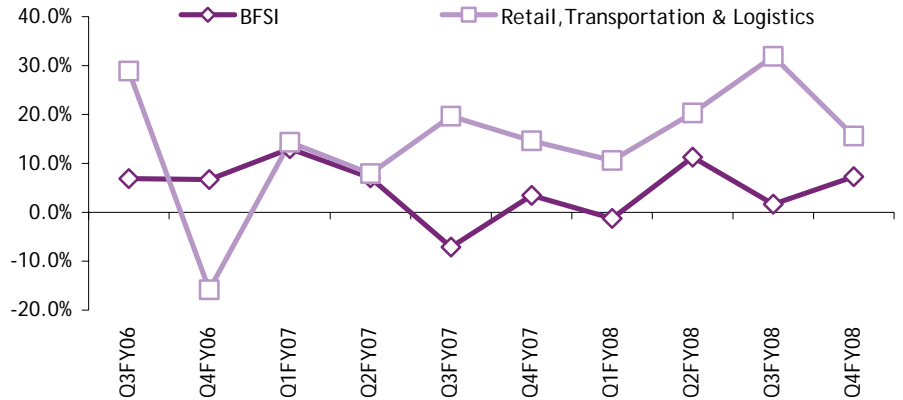
Source: Company Data, PL Research

Growth was observed across US & Europe(11% QoQ in each area)...



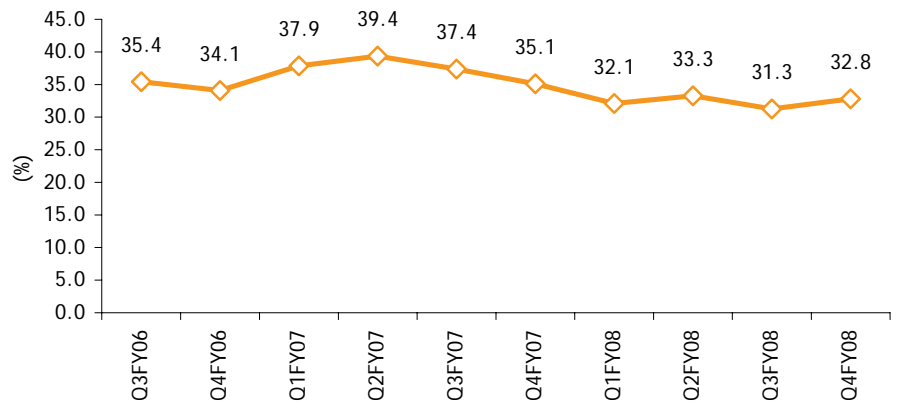
Source: Company Data, PL Research

Retail & transportation (15.6% QoQ growth) grew above company average while BFSI managed decent 7.3% growth QoQ



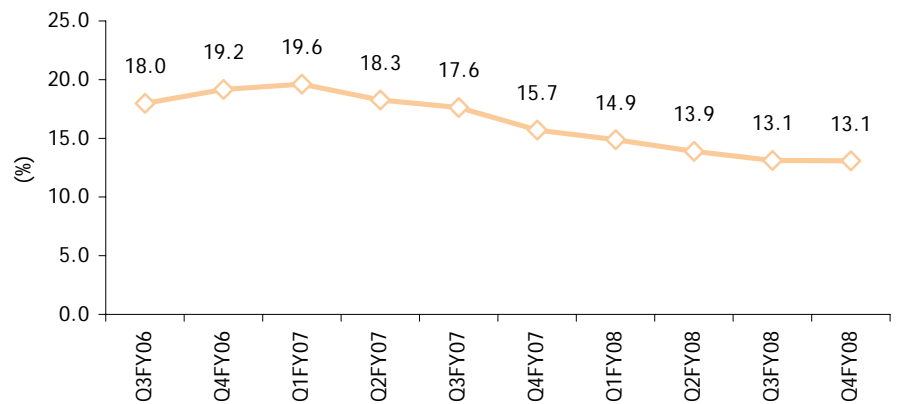
Source: Company Data, PL Research

The % of fixed price contracts reflected an upward trend of 1.6% QoQ (a positive development)..



Source: Company Data, PL Research

Attrition rate (at 13.1%) remained flat (and below industry average).



Source: Company Data, PL Research



Key operating metrics

(Rs m)

Y/e March	Q4FY06	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08	Q3FY08	Q4FY08
US\$5m customers	46	51	54	54	57	65	75	79	85
US\$10m customers	27	33	32	32	35	36	40	49	50
New customers added	22	34	35	34	35	29	37	32	32
Active clients	469	489	504	521	538	551	577	598	617
Receivable days	72	77	80	82	87	90	92	89	86
Total employees	26,511	27,634	31,659	34,405	35,670	38,386	41,423	44,847	45,969

Q4FY08 result overview

(Rs m)

Y/e March	Q4FY08	Q3FY08	QoQ gr. (%)	Q4FY07	FY07	FY08E	YoY gr. (%)
Net sales	24,160	21,956	10.0	17,792	64,851	84,734	30.7
Total expenses	18,653	17,244	8.2	13,689	49,474	66,386	34.2
Software development	14,706	13,813	6.5	10,768	38,602	52,618	36.3
Others	3,947	3,431	15.1	2,922	10,872	13,768	26.6
Operating profits / EBITDA	5,506	4,712	16.9	4,102	15,377	18,348	19.3
Depreciation	435	423	2.9	354	1,484	1,636	10.2
EBIT	5,071	4,289	18.2	3,748	13,893	16,712	20.3
Interest	46	81	(43.7)	74	159	202	26.8
EBT before other income	5,025	4,208	19.4	3,674	13,734	16,510	20.2
Other income	230	705	(67.4)	704	1,833	2,672	45.8
PBT	5,255	4,913	7.0	4,378	15,566	19,182	23.2
Tax	587	576	1.8	283	1,520	2,304	51.6
<i>Tax rate (%)</i>	<i>11.2</i>	<i>11.7</i>		<i>6.5</i>	<i>9.8</i>	<i>12.0</i>	
PAT before extra-ordinaries	4,668	4,336	7.7	4,096	14,046	16,879	20.2
Extra-ordinaries	0.0	-		-	(1.2)	-	
PAT after extra-ordinaries	4,668	4,336	7.7	4,096	14,048	16,879	20.2
Key ratios							
<i>GPM (%)</i>	<i>39.1</i>	<i>37.1</i>	<i>2.0</i>	<i>39.5</i>	<i>40.5</i>	<i>37.9</i>	<i>(2.6)</i>
<i>OPM (%)</i>	<i>22.8</i>	<i>21.5</i>	<i>1.33</i>	<i>23.1</i>	<i>23.7</i>	<i>21.7</i>	<i>(2.1)</i>
<i>NPM (%)</i>	<i>19.3</i>	<i>19.8</i>	<i>(0.4)</i>	<i>23.0</i>	<i>21.7</i>	<i>19.9</i>	<i>(1.7)</i>
Adjusted EPS (Rs.)	6.8	6.3	7.7	6.0	20.6	24.7	20.2



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PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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