



Satyam Computers SCS IN

INDIA / SOFTWARE & SERVICES

TARGET
PRIOR TP
CLOSE
UP/DOWNSIDE

INR130.00
INR140.00
INR98.85
+31.5%

BUY
UNCHANGED

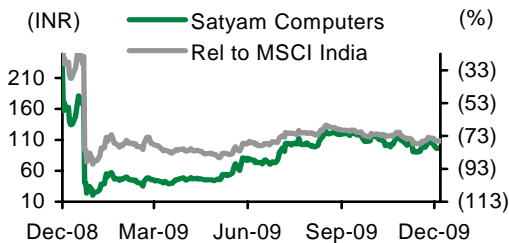
HOW WE DIFFER FROM THE STREET

	BNP	Consensus	% Diff
Target Price (INR)	130.00	160.00	(18.8)
EPS 2010 (INR)	5.46	4.84	12.8
EPS 2011 (INR)	10.03	9.26	8.3

	Positive	Neutral	Negative
Market Recs.	4	1	3

KEY STOCK DATA

YE Mar (INR m)	2010E	2011E	2012E
Revenue	54,396	61,830	71,092
Rec. net profit	6,549	12,020	14,117
Recurring EPS (INR)	5.46	10.03	11.77
Prior rec. EPS (INR)	5.50	11.22	13.78
Chg. in EPS est. (%)	(0.6)	(10.7)	(14.5)
EPS growth (%)	(30.4)	83.5	17.4
Recurring P/E (x)	18.1	9.9	8.4
Dividend yield (%)	0.0	0.0	0.0
EV/EBITDA (x)	7.1	4.7	3.4
Price/book (x)	2.1	1.7	1.4
Net debt/equity	(46.9)	(56.3)	(64.2)
ROE (%)	17.0	19.1	18.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.3)	(18.1)	(40.3)
Relative to country (%)	(6.2)	(20.0)	(66.6)

Next results	June 2010
Mkt cap (USD m)	2,482
3m avg daily turnover (USD m)	34.8
Free float (%)	57
Major shareholder	Tech Mahindra (43%)
12m high/low (INR)	181.70/20.30
3m historic vol. (%)	47.3

RECENT COMPANY & SECTOR RESEARCH

- Old bottle ... but mostly new wine..... 1 Sep 2009
- Vendor consolidation, anyone?.....10 Sep 2009

INDUSTRY OUTLOOK ↔

CHANGE IN NUMBERS

Big picture still looks good

- Cutting ests. after recent checks, but turnaround thesis intact.
- Significant progress on client retention, mgmt additions & costs.
- Financials, when released in June, should help bid for new deals.
- DCF-based TP of INR130.00 includes INR7.00 for likely liabilities.

Cut ests after checks, but turnaround story alive

Our latest round of checks suggests that Satyam is on course to end FY10 with about USD1.1b in standalone revenue. To achieve our earlier estimate of USD1.2b, the company would require to close more deals/ ramp up existing projects over the next couple of months. As a result, we conservatively cut our FY10-11 revenue and EPS estimates by 8-9% and 1-11%, respectively. Despite our cuts, we believe investors should continue to focus on a potential FY11 revenue and margin turnaround story that is still available at an attractive FY11E P/E of 9.9x (versus sector leaders at 20-22x and other mid-caps at 12-15x). We believe management has achieved the two main targets we set in our September initiation report: 1) to stem client losses and 2) to control costs. We believe the focus will now shift to expanding the revenue base, and the FY09-10 financials when released in June 2010 will allow it to bid for new projects, that Satyam was hitherto constrained from doing.

Positives: Pricing, utilization, clients and top executives
We also note emerging positives: 1) pricing remains at industry-average levels, helped by industry-wide pricing discipline; 2) utilization (ex-virtual pool) is likely above a healthy 70% after the recent attrition; 3) since April, Satyam has possibly signed 90-100 new, albeit small, deals (given lack of financials), including 35 new accounts (about 8-10 of these are USD10m-20m, multiyear contracts). We also understand there has been no major client loss since BP shifted its work to Infosys, Wipro and TCS; 4) Satyam has made several well thought-out senior-level appointments from within the company and from Tech Mahindra, Infosys and Wipro to win back clients; and 5) costs are within control through employee rationalization, scaled-down facilities and travel. Checks suggest that Satyam now operates from 2-3 owned buildings as against 12-13 mainly leased centres earlier.

Wage hikes likely in January – should stem attrition
Employee attrition appears to be the biggest challenge today. We believe the current standalone headcount is 28,000-29,000 (including about 4,000 in the unpaid virtual pool). This implies an attrition of about 13,000 (including about 2,500 who were let go from the virtual pool) since March. We believe management has already announced variable pay and wage hikes ranging from 7-20% for junior level employees to counter this. Also, we note a clear positive change in the employee morale following recent deal wins, which should further help. We believe Satyam will look to aggressively hire soon, starting with about 1,000 freshers in December.



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BUY with DCF-based TP of INR130.00

Our DCF-based valuation gives us a 12-month per share value of INR138.00, which when adjusted for potential liabilities leads us to our December 2010 TP of INR130.00 (earlier INR140.00 TP set for March 2010).

We assume a WACC of 14.2%, terminal growth rate of 5%, and 12.0% revenue growth and an annual EBIT margin decline of 30bps during FY12-19E. Our TP factors in about USD191m in potential damages and liabilities in our base case, which translates to an INR7 reduction from our DCF-based value (Exhibit 3).

Exhibit 1: DCF Valuation Summary

WACC (%)	14.2
Terminal growth rate (%)	5.0
Revenue growth – FY09-12E (%)	(6.2)
Revenue growth – FY12-19E (%)	12.0
Annual EBIT margin change – FY09-12E (bp)	305
Annual EBIT margin change – FY12-19E (bp)	(30)
DCF-based TP (Dec-10), ex-liabilities (INR)	138
Adjustment for liabilities, base case (INR)	7
DCF-based TP (Dec-10), base case (INR)	130
Implied FY11E P/E (x)	13.0
Implied FY12E P/E (x)	11.0

Source: BNP Paribas estimates

Exhibit 2: Likely News-Flow On Satyam

<ul style="list-style-type: none"> - More small deal wins - Wage hikes to stem attrition - Virtual pool programme ends - More cost rationalization - Key employee appointments continue 	<ul style="list-style-type: none"> - More small deal wins from existing clients - Likely increased fresher hiring - Potential release of Jan-Mar quarter results 	<ul style="list-style-type: none"> - Release of FY09 and FY10 financials - Financials to allow company to bid for new projects - Potential merger plans with Tech Mahindra - Likely P/E re-rating of both SCS and TECHM stocks 	
Dec-09	Mar-10	Jun-10	Sep-10

Source: BNP Paribas

Exhibit 3: Summary Of Likely Claims And Damages And Their Impact On Our TP

	Claims (USD m)		Claims (USD m)	Comment/ Update
	Bear	Base		
Caterpillar Inc	—	—	—	Resolved without any additional payments
Bridge Strategy Group	—	—	—	Resolved without any additional payments
S&V Management Consultants	—	—	—	Resolved without any additional payments
Sub-total	—	—	—	
US class action lawsuits	44	22	—	Assuming 3% and 6% settlement in our base and bear cases, respectively, on approximately USD723m of disclosure dollar loss (DDL) ADR holders might have faced since the company's intention to acquire the Maytas businesses.
Unpaid case	70	70	70	Claims exceeding USD1b for fraud, forgery and other fees and costs. Case recently settled out-of-court for USD70m.
Unacknowledged Claims	150	75	—	Worth INR12,300m (~USD260m) from 37 entities of sums they claim are owed to them. We factor in 30% and 60% of those in our base and bear cases, respectively. In addition, the CBI recently claimed Satyam owes another INR12,200m to various banks, which the management claims it is not aware of, and that no bank has yet made any claim. As a result, we do not factor in any damages from these.
Sub-total	264	167	70	
Additional write-offs, etc	48	24	—	Based on receivables that are overdue 180 days or more
Total	311	191	70	
Total (INR m)	14,473	8,864	3,255	
Amount per share (INR)	12	7	3	

Sources: Company disclosures; Cornerstone Research; BNP Paribas estimates

Exhibit 4: Comparable Company Valuation

	BBG code	Share price (LC)	Market cap (USD m)	FY1-3		EBIT margin	EV/EBIT			P/E			PEG	P/BV	Div yield
				CAGR rev. (%)	CAGR EPS (%)	FY1 (%)	FY1E (x)	FY2E (x)	FY3E (x)	FY1E (x)	FY2E (x)	FY3E (x)	FY1E (x)	FY1E (x)	FY1E (%)
Indian IT services															
Large cap															
Infosys	INFO IN	2,584	31,601	11.0	10.5	29.6	20.2	18.4	16.2	24.0	22.4	19.7	2.3	6.6	1.1
TCS	TCS IN	747	31,171	12.4	12.9	26.3	18.2	16.3	14.4	22.6	20.2	17.7	1.8	7.1	1.1
Wipro	WPRO IN	694	21,709	12.6	10.7	19.2	19.1	17.2	15.4	22.1	20.0	18.0	2.1	5.4	1.0
Median				12.4	10.7	26.3	19.1	17.2	15.4	22.6	20.2	18.0	2.1	6.6	1.1
Mid cap															
HCL Tech	HCLT IN	371	5,332	13.2	26.7	17.8	11.9	10.6	9.5	22.0	14.2	13.7	0.8	3.8	1.1
Mphasis	MPHL IN	733	3,280	13.2	4.9	21.4	14.5	12.6	13.4	15.6	14.5	14.2	3.2	4.8	0.8
Satyam Computers	SCS IN	98.85	2,482	14.3	46.8	11.9	13.6	6.9	6.1	18.1	9.9	8.4	0.4	2.1	0.0
Tech Mahindra	TECHM IN	1,009	2,631	10.2	29.4	22.8	8.8	8.7	7.8	14.0	9.8	8.3	0.5	4.6	0.0
Patni	PATNI IN	467	1,284	6.8	3.9	15.6	10.3	9.5	8.9	12.8	11.8	11.9	3.3	1.7	0.7
Rolta	RLTA IN	190	449	16.1	26.8	20.0	9.3	7.0	5.9	12.7	9.5	7.9	0.5	2.0	1.6
Median				13.2	26.8	18.9	11.1	9.1	8.4	14.8	10.8	10.1	0.7	2.9	0.8
Global IT services															
Accenture	ACN US	41	29,855	5.4	13.0	13.5	8.4	7.9	7.7	15.0	13.4	11.7	1.2	8.2	2.4
CSC	CSC US	57	8,663	4.5	5.0	7.6	8.5	8.1	7.7	11.4	11.0	10.3	2.3	1.3	0.0
ACS	ACS US	60	5,854	5.8	7.5	10.5	10.1	9.2	8.5	14.4	13.1	12.4	1.9	2.2	0.0
Capgemini	CAP FP	32	4,893	0.4	16.5	5.6	8.7	7.8	6.4	16.3	14.1	12.0	1.0	1.2	2.4
Cognizant	CTSH US	46	9,438	19.7	12.6	18.8	20.7	17.6	15.0	24.4	21.3	19.3	1.9	5.4	0.0
Median				5.4	12.6	10.5	8.7	8.1	7.7	15.0	13.4	12.0	1.9	2.2	0.0

Prices are as of 23 December 2009; US companies as of 22 December 2010

Sources: Satyam Computers; Company data; Bloomberg; BNP Paribas estimates for Infosys, TCS, Wipro, HCL Tech, Tech M, Satyam and Rolta

Note: More tables follow on the next page

Exhibit 5: Recent Changes In Top Level Positions

Position	Responsibility at Satyam	Previous roles
Recent senior management additions and changes		
CP Gurnani	CEO	Head of Tech Mahindra's global operations, and sales and marketing
Rakesh Soni	COO	COO of Tech Mahindra, responsible for the companies' integration
Atul Kunwar	President, Global Operations	Chief business development officer at Tech Mahindra
Manish Mehta	Global Head - SAP and Testing, Chief Delivery Officer - EMEA, APAC and India	Head of SAP practice at Satyam
Vikram Nair	Head of European operations	Head of European operations at Tech Mahindra
Aloke Palsikar	Vice president - Central Europe & Nordics	Head of marketing for the European Region with L&T Infotech prior to joining Mahindra Satyam in 2003
Suneel Unni	Head, South Europe and the Benelux region	Has been with Satyam in southern Europe since 2005
Guita Blake	Head of financial services, retail and public sector business in the UK and Ireland	Joined Satyam in 2008. 18 years of experience serving organisations such as Barclays, Merrill Lynch, Deutsche Bank, HSBC and Lloyds TSB Insurance
Roger Newman	Responsible for manufacturing, energy and utilities and digital convergence verticals in the UK	Has been with Satyam since 2001
Bobby Gupta	Head, sales and business development head for Australia and New Zealand	Worked with IBM in various capacities over the past decade
Vijayanand Vadrevu	Senior vice president for strategic initiatives	Vice president and head of life sciences vertical at Wipro Technologies
Hari Narayanan	Head of new business development in Japan	11 years of experience in the information technology sector, most of which was at HCL Japan Ltd
Sudhir Nair	Senior vice president and head of the infrastructure services vertical	AVP & Practice Head, Infrastructure Management Services at Infosys
Pravin Deshpande	Delivery head for SAP practice	Promoted from within Satyam; previously in various SAP practice roles at Wipro
Board appointments and changes		
Vineet Nayyar	Chairman of the board	Previously vice chairman of the board; former positions include those at Tech Mahindra, HCL, World Bank, and GAIL
Gautam Kaji	Director	Currently with the Centennial Group. Formerly MD for World Bank operations in Africa, East Asia and the Pacific and South Asia
M Damodaran	Director	Independent consultant; former SEBI Chairman
Recent senior management attrition		
Virender Aggarwal	Business head for Asia-Pacific	Quit to join HCL Technologies
TR Anand	Head of telecom and infrastructure business	Decided to retire
Keshab Panda	Head of Europe operations	Quit to head L&T's integrated engineering services arm

Sources: Satyam Computers; Bloomberg; BNP Paribas

Exhibit 6: Changes To Our Estimates

Year-end 31 Mar	Prior		New		Change	
	FY10E	FY11E	FY10E	FY11E	FY10E (%)	FY11E (%)
Employees (standalone)	31,922	32,806	26,923	30,944	(15.7)	(5.7)
Billable employees	27,460	29,960	23,760	28,260	(13.5)	(5.7)
Revenue (USD m)	1,208	1,385	1,095	1,281	(9.4)	(7.5)
Revenue (INR m)	58,861	67,689	52,186	59,544	(11.3)	(12.0)
EBITDA (INR m)	10,275	17,581	9,466	15,670	(7.9)	(10.9)
% of sales (%)	17.5	26.0	18.1	26.3	68 bps	34 bps
EBIT (INR m)	7,737	15,025	6,936	13,230	(10.4)	(11.9)
% of sales (%)	13.1	22.2	13.3	22.2	15 bps	2 bps
Profit after tax (INR m)	6,590	13,458	6,549	12,020	(0.6)	(10.7)
Diluted EPS (INR)	5.50	11.22	5.46	10.03	(0.6)	(10.7)

Source: BNP Paribas estimates

Exhibit 7: Bull, Base And Bear Case Earnings Models

Year-end 31 Mar (INR m)	Bear case			Base case			Bull case		
	FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E
Employees (standalone)	41,622	26,223	28,744	41,622	26,923	30,944	41,622	27,623	32,994
Trainees and support	4,162	2,563	2,685	4,162	2,563	2,685	4,162	2,563	2,685
% of total employees (%)	10.0	9.8	9.3	10.0	9.5	8.7	10.0	9.3	8.1
Virtual pool + corporate reserve	8,000	600	-	8,000	600	-	8,000	600	-
% of total employees (%)	19.2	2.3	0.0	19.2	2.2	0.0	19.2	2.2	0.0
Billable employees	29,460	23,060	26,060	29,460	23,760	28,260	29,460	24,460	30,310
Net adds, ex-support	(1,858)	(13,800)	2,400	(1,858)	(13,100)	3,900	(1,858)	(12,400)	5,250
Utilization (ex-trainees, ex-support) (%)	74.9	68.5	75.0	74.9	68.5	75.0	74.9	68.5	75.0
Utilization, total (%)	53.6	52.0	67.0	53.6	52.1	67.4	53.6	52.3	67.8
Realization/ month/ employee	6,267	5,300	5,353	6,267	5,363	5,470	6,267	5,426	5,588
Change (%)	0.0	(15.4)	1.0	0.0	(14.4)	2.0	0.0	(13.4)	3.0
Revenue (USD m)	1,771	1,068	1,183	1,771	1,095	1,281	1,771	1,122	1,377
Change (%)		(39.7)	10.8		(38.2)	17.0		(36.6)	22.8
USD/INR rate, average	46.28	47.68	46.50	46.28	47.68	46.50	46.28	47.68	46.50
Revenue (INR m)	81,942	50,897	55,023	81,942	52,186	59,544	81,942	53,490	64,046
Personnel expenses ex- virtual pool	49,649	33,040	33,711	49,649	33,567	35,654	49,649	34,351	37,980
Wage cost of virtual pool	6,105	1,610	4	6,105	1,610	4	6,105	1,610	4
Total personnel expenses	55,754	34,650	33,715	55,754	35,176	35,658	55,754	35,961	37,983
% of sales (%)	68.0	68.1	61.3	68.0	67.4	59.9	68.0	67.2	59.3
Operating and administration expenses	14,006	7,103	7,208	14,006	7,543	8,217	14,006	7,732	8,838
% of sales (%)	17.1	14.0	13.1	17.1	14.5	13.8	17.1	14.5	13.8
EBITDA (INR m)	12,182	9,145	14,100	12,182	9,466	15,670	12,182	9,797	17,225
% of sales (%)	14.9	18.0	25.6	14.9	18.1	26.3	14.9	18.3	26.9
Depreciation & amortization	2,624	2,530	2,440	2,624	2,530	2,440	2,624	2,530	2,440
EBIT (INR m)	9,558	6,615	11,660	9,558	6,936	13,230	9,558	7,267	14,785
% of sales (%)	11.7	13.0	21.2	11.7	13.3	22.2	11.7	13.6	23.1
Profit before tax	6,549	8,344	13,880	6,549	8,665	15,450	6,549	8,996	17,005
Effective tax rate (%)	12.0	18.0	19.0	12.0	18.0	19.0	12.0	18.0	19.0
Profit after tax, standalone	5,765	6,842	11,243	5,765	7,106	12,515	5,765	7,377	13,774
Profit after tax, subsidiaries	(371)	(556)	(495)	(371)	(556)	(495)	(371)	(556)	(495)
Profit after tax	5,394	6,286	10,748	5,394	6,549	12,020	5,394	6,821	13,279
# of shares	688	1,199	1,199	688	1,199	1,199	688	1,199	1,199
Diluted EPS (INR)	7.85	5.24	8.96	7.85	5.46	10.03	7.85	5.69	11.08
Change (%)		(33.2)	71.0		(30.4)	83.5		(27.5)	94.7
Change vs base case									
Change in revenue (%)		(2.5)	(7.6)					2.5	7.6
Change in EBIT margin, ppt (%)		(0.3)	(1.0)					0.3	0.9
Change in EPS (%)		(4.0)	(10.6)					4.1	10.5

Sources: Satyam Computers, BNP Paribas estimates

FINANCIAL STATEMENTS

Satyam Computers

Profit and Loss (INR m) Year Ending Mar	2009A	2010E	2011E	2012E
Revenue	86,223	54,396	61,830	71,092
Cost of sales ex depreciation	(58,778)	(37,118)	(37,706)	(44,289)
Gross profit ex depreciation	27,445	17,278	24,124	26,803
Other operating income	0	0	0	0
Operating costs	(15,043)	(8,135)	(8,729)	(9,826)
Operating EBITDA	12,401	9,143	15,395	16,978
Depreciation	(2,875)	(2,695)	(2,581)	(2,621)
Goodwill amortisation	0	0	0	0
Operating EBIT	9,526	6,448	12,814	14,356
Net financing costs	(610)	(488)	(300)	(135)
Associates	0	0	0	0
Recurring non operating income	(2,748)	2,149	2,441	3,519
Non recurring items	0	0	0	0
Profit before tax	6,168	8,109	14,955	17,740
Tax	(774)	(1,560)	(2,936)	(3,623)
Profit after tax	5,394	6,549	12,020	14,117
Minority interests	0	0	0	0
Preferred dividends	0	0	0	0
Other items	0	0	0	0
Reported net profit	5,394	6,549	12,020	14,117
Non recurring items & goodwill (net)	0	0	0	0
Recurring net profit	5,394	6,549	12,020	14,117

FY09 and FY10 audited results are expected in June 2010. In their absence, the FY09 figures shown are based on limited unaudited company disclosures and our estimates

Per share (INR)

Recurring EPS *	7.85	5.46	10.03	11.77
Reported EPS	8.00	5.57	10.23	12.01
DPS	0.00	0.00	0.00	0.00

Expect revenue growth to return in FY10 to close to the peer average after operational stability is restored

Growth

Revenue (%)	na	(36.9)	13.7	15.0
Operating EBITDA (%)	na	(26.3)	68.4	10.3
Operating EBIT (%)	na	(32.3)	98.7	12.0
Recurring EPS (%)	na	(30.4)	83.5	17.4
Reported EPS (%)	na	(30.4)	83.5	17.4

Modelling EBIT margins to expand on cost cutting initiatives and employee rationalization

Operating performance

Gross margin inc depreciation (%)	28.5	26.8	34.8	34.0
Operating EBITDA margin (%)	14.4	16.8	24.9	23.9
Operating EBIT margin (%)	11.0	11.9	20.7	20.2
Net margin (%)	6.3	12.0	19.4	19.9
Effective tax rate (%)	12.6	19.2	19.6	20.4
Dividend payout on recurring profit (%)	0.0	0.0	0.0	0.0
Interest cover (x)	11.1	17.6	50.9	132.2
Inventory days	na	0.0	0.0	0.0
Debtor days	na	100.9	80.2	82.2
Creditor days	na	132.2	80.6	83.7
Operating ROIC (%)	na	21.7	38.0	42.7
Operating ROIC – WACC (%)	na	1.9	18.2	22.9
ROIC (%)	na	20.7	33.5	39.4
ROIC – WACC (%)	na	0.9	13.7	19.5
ROE (%)	na	17.0	19.1	18.5
ROA (%)	na	11.7	16.1	15.9

* Pre exceptional, pre-goodwill and fully diluted

Sources: Satyam Computers; BNP Paribas estimates

Satyam Computers

Cash Flow (INR m)				
Year Ending Mar	2009A	2010E	2011E	2012E
Recurring net profit	5,394	6,549	12,020	14,117
Depreciation	2,875	2,695	2,581	2,621
Associates & minorities	0	0	0	0
Other non-cash items	0	(1,233)	(2,771)	(3,623)
Recurring cash flow	8,269	8,012	11,830	13,115
Change in working capital	0	(6,347)	(984)	(217)
Capex - maintenance	0	(1,305)	(1,608)	(1,988)
Capex – new investment	0	0	0	0
Free cash flow to equity	8,269	361	9,238	10,910
Net acquisitions & disposals	0	0	0	0
Dividends paid	0	0	0	0
Non recurring cash flows	0	0	0	0
Net cash flow	8,269	361	9,238	10,910
Equity finance	0	29,083	0	0
Debt finance	0	(3,327)	(1,164)	(2,530)
Movement in cash	8,269	26,116	8,074	8,380

Cash infusion of USD600m from Tech Mahindra's purchase of a 42.7% stake in Satyam

Per share (INR)				
Recurring cash flow per share	12.27	6.82	10.06	11.16
FCF to equity per share	12.27	0.31	7.86	9.28

Balance Sheet (INR m)				
Year Ending Mar	2009A	2010E	2011E	2012E
Working capital assets	22,791	17,278	19,886	22,141
Working capital liabilities	(19,376)	(7,516)	(9,141)	(11,179)
Net working capital	3,415	9,761	10,745	10,962
Tangible fixed assets	13,746	12,520	11,688	11,197
Operating invested capital	17,161	22,282	22,434	22,159
Goodwill	0	0	0	0
Other intangible assets	0	0	0	0
Investments	6,818	6,818	6,818	6,818
Other assets	1,000	1,000	1,000	1,000
Invested capital	24,978	30,099	30,252	29,977
Cash & equivalents	(3,730)	(31,797)	(43,159)	(55,396)
Short term debt	0	0	0	0
Long term debt *	8,220	5,220	4,220	1,690
Net debt	4,490	(26,577)	(38,939)	(53,706)
Deferred tax	0	0	0	0
Other liabilities	0	0	0	0
Total equity	20,488	56,676	69,191	83,683
Minority interests	0	0	0	0
Invested capital	24,978	30,099	30,252	29,977

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)				
Book value per share	30.40	48.22	58.86	71.19
Tangible book value per share	30.40	48.22	58.86	71.19

Financial strength				
Net debt/equity (%)	21.9	(46.9)	(56.3)	(64.2)
Net debt/total assets (%)	9.3	(38.3)	(47.2)	(55.6)
Current ratio (x)	1.4	6.5	6.9	6.9
CF interest cover (x)	14.6	1.7	31.8	81.7

Valuation				
2009A	2010E	2011E	2012E	
Recurring P/E (x) *	12.6	18.1	9.9	8.4
Recurring P/E @ target price (x) *	16.6	23.8	13.0	11.0
Reported P/E (x)	12.4	17.7	9.7	8.2
Dividend yield (%)	0.0	0.0	0.0	0.0
P/CF (x)	8.1	14.5	9.8	8.9
P/FCF (x)	8.1	322.0	12.6	10.7
Price/book (x)	3.3	2.1	1.7	1.4
Price/tangible book (x)	3.3	2.1	1.7	1.4
EV/EBITDA (x) **	7.1	7.1	4.7	3.4
EV/EBITDA @ target price (x) **	9.3	9.7	6.7	5.2
EV/invested capital (x)	2.8	3.0	2.6	2.1

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Satyam Computers; BNP Paribas estimates

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All share prices are as at market close on 23 December 2009 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

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