

Equity | India | Computer Services
13 January 2009

Govt. appoints new Board

New board a positive but a long haul ahead

The Central Government has appointed a new Board of Directors for Satyam superseding the previous Board. The new appointees include Deepak S. Parekh, Chairman of HDFC, Mr. Kiran Karnik, former President of NASSCOM and Mr. C. Achuthan, Director at the National Stock Exchange & former member of SEBI. While we believe this is a first step to help stabilize the business, securing new business and improving PE it will ultimately depend on the new executive management appointed and assessment of liabilities post investigation. We are placing the stock Under Review until the financial numbers have been restated. Investors should not rely on our past recommendations, price objectives or earnings recommendations.

Board's priorities: Financial stability, new leadership

The Board outlined the immediate steps as a) finalizing the appointment of an independent accounting firm within next 2 days, to restate accounts for past years b) ascertaining true assets/liabilities and managing working capital c) to appoint a new CEO & CFO, likely external.

Government/Board to boost liquidity/business continuity

Quoting the Secretary of the Department of Economic Affairs, CNBC reported that the government would consider temporary direct/indirect support as necessary to support Satyam. The government is also likely to appoint additional Board members soon. PwC's fate would be decided only post a shareholder meeting, with the possibility of two auditors in the interim.

Some stability, but new business likely a challenge

Swift action by the government, industry peers exercising caution on poaching clients & employees and challenges of transition, could help Satyam retain annuity revenues, likely about 50% of revenues. However, we believe clients will be cautious of granting new projects, as many have multiple vendors (e.g. Satyam shares clients such as GE and Citi with TCS. HCL Tech recently closed the Axon deal in SAP) and many clients are also undergoing consolidation.



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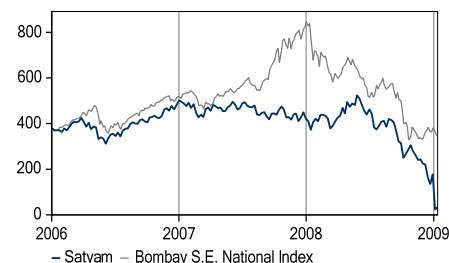
Mitali Ghosh >> +91 22 6632 8661
Research Analyst
DSP Merrill Lynch (India)
mitali_b_ghosh@ml.com

Pratish Krishnan >> +91 22 6632 8679
Research Analyst
DSP Merrill Lynch (India)
pratish_krishnan@ml.com

Prasad Deshmukh >> +91 22 6632 8678
Research Analyst
DSP Merrill Lynch (India)
prasad_deshmukh@ml.com

Stock Data

Price (Common / ADR)	Rs40.25 / US\$9.35
Price Objective	NA / NA
Date Established	NA / NA
Investment Opinion	-6- / -6-
Volatility Risk	NA / NA
ML Symbol / Exchange	XSAYF / BSE
ML Symbol / Exchange	SAY / NYS
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13 January 2009

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SAY Price Chart

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	68	35.79%	Buy	4	6.35%
Neutral	49	25.79%	Neutral	9	23.68%
Sell	73	38.42%	Sell	12	18.18%

Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
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Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

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13 January 2009

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13 January 2009

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