

Running a tight ship

Rs93

Reason for report: Reinitiating coverage

We reinitiate coverage on Mahindra Satyam (Satyam) with HOLD as we believe that current valuation already factors-in 15-20% recurring EBITDA margin in FY11E-12E versus likely single-digit margin in FY10. Hence, further valuation re-rating for Satyam (trading at FY11E & FY12E EV/E of 9.4x & 6.5x respectively) is dependent on recurring margin beyond 20%, which is an uphill task for the management and unlikely till FY12. Our assumptions are not conservative and FY12E consolidated EBITDA margin of 18.2% is based on utilisation rate of 73.5% (standalone), which would be the industry standard. We believe that the quantum of surprise to our estimate could be higher post re-statement of accounts in June/July '10. Hence, our target price of Rs103/share (based on target EV/E of 7.4x FY12E recurring EBITDA that is at 40-45% discount to Infosys' and 10-15% discount to HCL Tech's target multiples) offers unfavourable risk-reward.

- ▶ **Revenue growth challenges to last till FY11.** Most media reports indicate that revenue run rate for Satyam now stands at US\$1-1.2bn versus Tech Mahindra's (TechM) claim of <US\$1.3bn, as made at beginning-Q2FY10. While FY10 revenues for Satyam could be ~US\$1.2bn, we believe that FY11 growth would be dependent on run rate of Q4FY10 vis-à-vis overall FY10. Therefore, we believe that Satyam's growth rate in FY11 is likely to underperform large-cap peers, who are likely to grow at ~20%. Further, despite near-completion of employee rationalisation, the right talent mix for targeting demand growth would be the next big challenge for Satyam when entering FY11 versus peers, given: i) high attrition in Satyam, ii) likely deterioration in training infrastructure and iii) increasing lateral attrition in industry. Re-statement of accounts would result in higher eligibility for Satyam in new-deal requests for proposals (RFPs); based on this, we expect higher growth for Satyam in FY12 versus FY11.
- ▶ **Employee retention – Daunting task.** Retaining & recruiting employees would remain a challenge for Satyam when entering FY11, given growing industry demand for lateral talent and more options available to fresh-campus engineers in FY11 versus FY10. We expect Satyam's personnel cost per employee in FY11 to increase significantly, with higher-than-expected wage inflation and lower employee cost per average headcount in FY10 due to temporary measures, including Virtual Pool Programme (VPP) with reduced pay and cut in variable pay for part-FY10.
- ▶ **EV/E – Better multiple to value Satyam,** given lower predictability on items below EBITDA, with re-statement of previous years' accounts going forward. Our fair value also factors-in estimated net cash/bank balance (Table 2). Key risks to our target price are significant changes in estimated employees, revenues & net-cash balance, once accounts are re-stated. Thus, our target price offers unfavourable risk-reward.

Market Cap	Rs109.4bn/US\$2.4bn
Reuters/Bloomberg	SATY.NS/SCS.IN
Shares Outstanding (bn)	1.176
52-week Range (Rs)	129/38
Free Float (%)	57.3
FII (%)	8.6
Daily Volume (US\$'000)	46,800
Absolute Return 3m (%)	(5.9)
Absolute Return 12m (%)	132.9
Sensex Return 3m (%)	0.4
Sensex Return 12m (%)	77.0

Year to March	2010E	2011E	2012E
Revenue (Rs mn)	56,817	58,784	69,658
Recurring EBITDA (Rs mn)	4,971	9,539	12,689
% to revenues	8.7	16.2	18.2
Recurring Net Income (Rs mn)	2,698	6,579	7,420
Recurring EPS (Rs)	2.3	5.6	6.3
% Chg YoY	-	143.8	12.8
P/E (x)	40.5	16.6	14.7
CEPS (Rs)	4.1	7.5	8.5
EV/E (x)	17.1	9.4	6.5

Technology

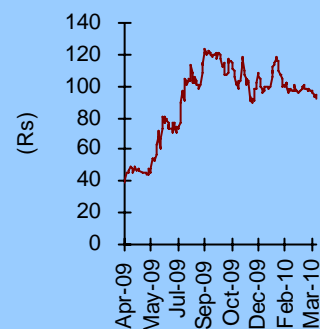
Target price Rs103

Shareholding pattern

	Jun '09	Sep '09	Dec '09
Promoters	31.0	42.7	42.7
Institutional investors	10.1	15.3	13.6
MFs, UTI, banks, Insurance	5.6	2.8	5.0
FII	4.5	12.5	8.6
Others	58.9	42.0	43.7

Source: www.nseindia.com

Price chart



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Revenue growth challenges to last till FY11

TechM, in its Q1FY10 results conference call (July '09), indicated that Mahindra Satyam's revenue run rate has reduced below US\$1.3bn, post which most media reports indicate revenue run rate reduction to US\$1-1.2bn.

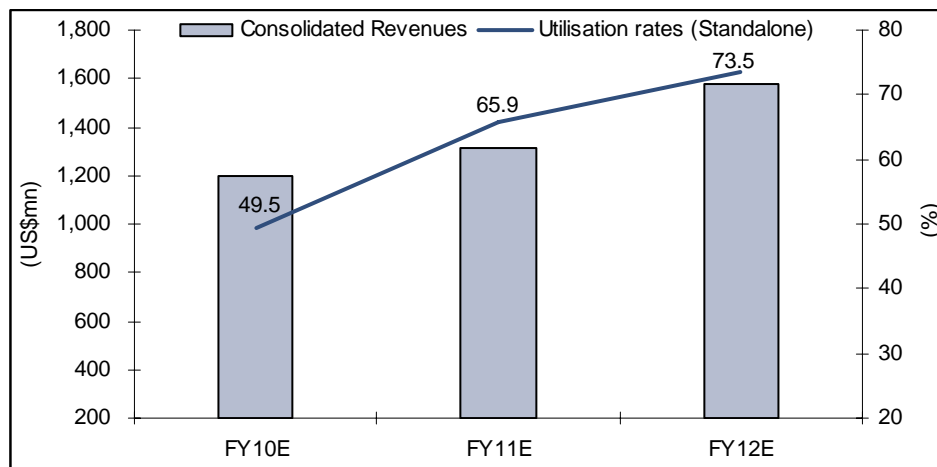
Q4FY10 run rate to provide FY11E revenue visibility

While FY10 revenues could be ~US\$1.2bn, we believe that FY11 growth would be dependent on run rate of Q4FY10 vis-à-vis overall FY10. Hence, we believe that in terms of revenue growth, Satyam would underperform large-cap peers (who are likely to grow at ~20%) in FY11. We estimate revenues of US\$1.2bn in FY10, with 9.3% growth in FY11E and higher growth of 20.1% in FY12E.

Right employee mix – Another big challenge, post near-completion of employee rationalisation

Despite near-completion of employee rationalisation, the right talent mix to cater to the growth in demand would be the next big challenge for Satyam when entering FY11 vis-à-vis peers. This is based on factors such as high attrition in Satyam, likely deterioration in training infrastructure and increasing lateral attrition in the industry. We estimate utilisation rate of 49.5% in FY10, which is likely to increase to 65.9% in FY11E albeit still lower than industry peers operating at 70-80% at present. In FY12, with expected pick-up in revenue growth (while number of employees largely remaining flat YoY) and likely improvement in training infrastructure, we expect utilisation rate to increase to ~73.5% for Satyam that, we believe, would be normal for similar-size companies. We believe that large-cap peers can continue operating at higher utilisation rate than that of Satyam in FY12, given their much larger size, lower attrition and better training infrastructure.

Chart 1: Utilisation beyond 70% likely to be normal for Satyam (Standalone)



Source: I-Sec Research

Re-statement of accounts to improve Satyam's deal pipeline. We believe that deal pipeline is likely to improve post re-statement of Satyam's financial statements (due in June/July '10) that would give more comfort to clients and increase the company's eligibility in new-deal RFPs; therefore, we expect higher growth for Satyam in FY12 versus FY11.

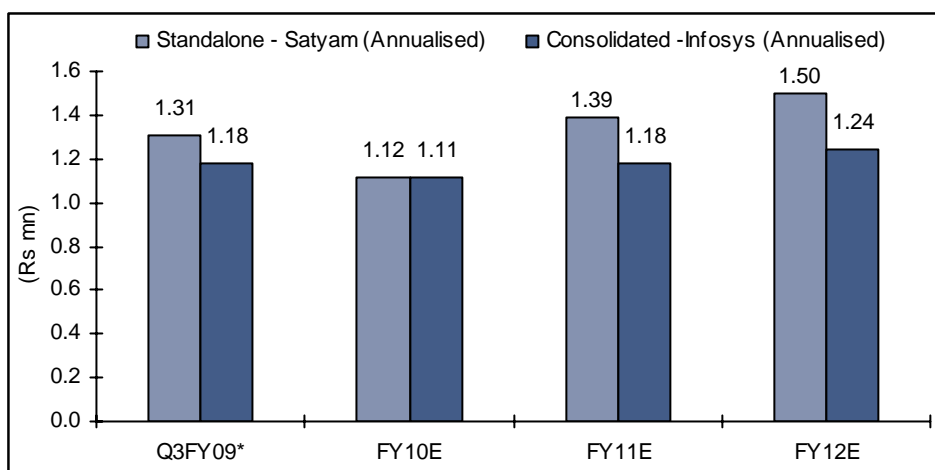
Employee retention – Daunting task

Retaining and recruiting employees would remain a challenge for Satyam when entering FY11, given growing industry demand for lateral talent with recovery in IT spend and more options available to fresh-campus engineers in FY11 versus FY10.

FY10 employee cost cannot be extrapolated

FY10 employee cost cannot be extrapolated as the personnel cost per employee is likely to decline significantly in the fiscal, given the VPP (which includes reduced pay for 7,000-10,000 employees, effective over June '09-December '09) and cut in variable pay (which constitutes 10-30% of CTC) of employees in H1FY10. With both these factors behind us as well as increasing pressure in terms of wage inflation from H2FY10 for the industry, we expect significant rise in per-employee cost for Satyam in FY11. Also, media sources indicate that Satyam has already hiked salary from January '10. We expect Satyam to provide higher wage hikes than peers in FY11, given: i) greater pressure due to attrition, ii) higher need to retain talent to address volume growth and iii) accounting for likely deterioration in training infrastructure.

Chart 2: Personnel cost per employee to remain higher than peers'



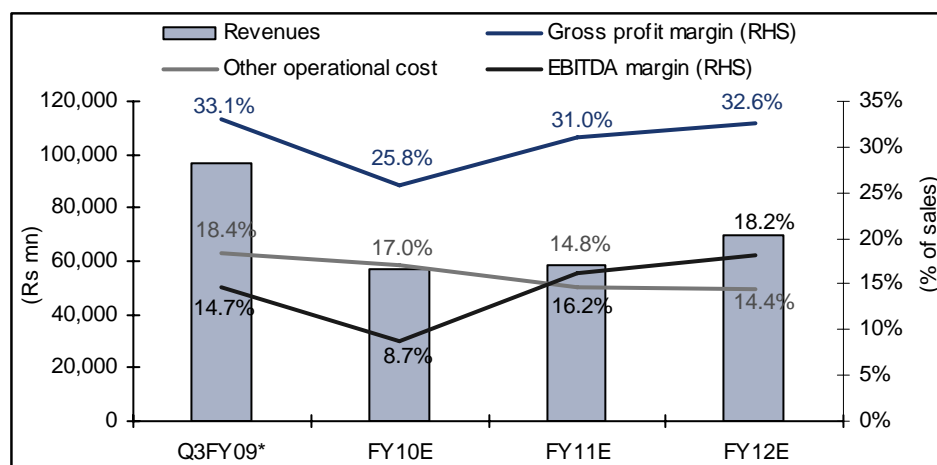
*Annualised

Source: Company data, I-Sec Research

EBITDA margin beyond 18-20%, a challenge

We expect challenges relating to revenues, managing utilisation rates and employee cost to continue over the medium term for Satyam. Achieving margins beyond 18-20% requires regaining lost market share, tight control on SG&A investments, high pricing power with customers, material change in employee pyramid & delivery model, higher offshoring etc, for which, we believe, Satyam has lower flexibility over the next 1-3 years. Hence, the full benefit of economies of scale is still distant for Satyam and our FY12 EBITDA margin estimate of 18.2% for Satyam is reasonable, particularly post significant reorganisation by TechM management (provided there is no significant deviation from our assumptions).

Chart 3: Our margin estimates are not conservative



*Annualised

Source: Company data, I-Sec Research

Table 1: Satyam – Key assumptions

Key Assumptions	FY10E	FY11E	FY12E	Q3FY09 S.Alone	Jan'09 S.Alone	Feb'09 S.Alone
Standalone Employees (no) at year beginning	41,622	26,809	26,000			
Standalone Employees (no) at year end	26,809	26,000	31,000			
Standalone Employees (no) – Average	34,085	26,404	28,500	46,115	45,049	44,120
Utilisation rates (Standalone) (%)	49.5	65.9	73.5			
Onsite Billing rates - US\$/hr (Standalone)	57.9	58.5	58.5			
Offshore Billing rates - US\$/hr (Standalone)	23.1	23.3	23.3			
Offshore Revenue Mix (Standalone)	50.0	50.3	50.6			
Personnel cost/Employee	1.12	1.39	1.50	1.31	1.34	1.24
Other operational cost/employee (Rs mn; Standalone; Annualised)	0.26	0.30	0.32	0.37	0.31	0.28
Personnel cost/Employee (Rs mn; Consolidated; Infosys; Annualised)	1.11	1.18	1.24	1.18		
Other operational cost/Employee (Rs mn; Consolidated; Infosys; Annualised)	0.26	0.27	0.28	0.30		

Source: Company data, I-Sec Research

Predictability for items below EBITDA lower

We strongly believe that the likely facility consolidation may change our depreciation estimates and actual depreciation (post re-statement of accounts) could materially differ from the depreciation reported in February '09. Also, re-statement of Satyam's earlier financial statements may lead to losses, which can be carried forward, and offset against taxable income from FY11. We have assumed nil tax rate for FY10E, ~8% for FY11E and ~25% for FY12E. Our PAT estimates for Satyam exclude other income (including forex). We believe that forex gain/loss is likely to add volatility to estimated PAT. Hence, we value Satyam using EV/E rather than P/E, given lower earnings predictability for items below EBITDA level. Our fair value estimate for Satyam (based on EV/E method) factors-in net cash including treasury returns on idle net cash based on our estimates and various assumptions.

Notably, we have not estimated the balance sheet for Satyam as, post re-statement of Satyam's accounts (due in June-July '10), the balance sheet would differ significantly from any estimates. Also, while disseminating information on Q3FY09 and expounding on January '09 & February '09 results, Satyam management stated the unreliability of information and any estimates therein with its caveat that final and/or audited results may be materially higher or lower than projected.

Further, while valuing the company on EV/E, we have made certain assumptions with respect to cash & debt in Satyam's books (Table 2).

Table 2: Satyam – Estimated cash-on-books

Satyam's cash	(US\$ mn)
TechM's Investment in Satyam	633
Cash in Satyam's books as at end Mar-09	79
Debt in Satyam's books as at end Mar-09	134
Payment to Upaid including expenses	74
Estimate for Cash at end-FY10E	514
Estimate regarding US class suit liability assumed to be settled in FY11E	75
Estimate regarding other contingent liabilities assumed to be settled in FY11E	100
Estimate for Cash at end-FY11E	444
Estimate for Cash at end-FY12E	599

Note: Estimates for cash at end-FY10, FY11 & FY12 are based on our assumption relating to cash from operations, capex and treasury income on cash & bank; Post likely repayment of US\$134mn worth debt, we assume nil debt balance

Source: Company data, I-Sec Research

Valuation – Target price offers unfavourable risk-reward

We believe that EV/E is a better multiple for valuing Satyam, given lower predictability on items below EBITDA and likely restatement of Satyam's previous years' accounts, going forward.

We reinitiate coverage on Satyam with HOLD and target price of Rs103/share. This is based on SOTP value, based on target EV/E of 7.4x FY12E recurring EBITDA, which is at 40-45% discount to Infosys and 10-15% discount to HCL Tech that, we believe, is fair, given lack of sufficient information to value Satyam as well as the uphill task to turn it around.

We believe that current valuation of Satyam already factors-in 15-20% EBITDA margin in FY11E-12E versus likely single-digit EBITDA margin in FY10. Hence, further valuation re-rating for Satyam (trading at FY11E & FY12E EV/E of 9.4x & 6.5x respectively) is dependent on EBITDA margin upside beyond 20%, which is an uphill task for the management and unlikely till FY12. Our assumptions are not conservative and estimate of 18.2% EBITDA margin in FY12 is based on utilisation rate of 73.5% (standalone), which would be at industry standard for companies with similar-size as Satyam. We also believe that the quantum of surprise to our estimate could be higher, once the accounts are re-stated by June/July '10. Hence, our fair value estimate offers unfavourable risk-reward and we prefer peers, with BUY on HCL Tech, Infosys and TCS.

Table 3: Satyam – Target price offers unfavourable risk-reward

<i>(Rs mn)</i>	
FY12 recurring EBITDA	12,689
Target EV/EBITDA (x)	7.4
Target EV	94,199
Add: Net cash	26,482
Target market cap	120,682
Fair value per Satyam share (Rs)	103

Source: I-Sec Research

Table 4: Estimates for Satyam

Year to March	2010E	2011E	2012E
Revenue (Rs mn)	56,817	58,784	69,658
Recurring EBITDA (Rs mn)	4,971	9,539	12,689
% to revenues	8.7	16.2	18.2
Recurring Net Income (Rs mn)	2,698	6579	7,420
Recurring EPS (Rs)	2.3	5.6	6.3
% Chg YoY		143.8	12.8
P/E (x)	40.5	16.6	14.7
CEPS (Rs)	4.1	7.5	8.5
EV/E (x)	17.1	9.4	6.5

Source: I-Sec Research

Table 5: Comparative valuations

Company	CMP (Rs)	P/E (x)			EV/EBITDA (x)		
		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Satyam	93	40.5	16.6	14.7	17.1	9.4	6.5
HCL Technologies*	358	20.7	14.8	13.4	9.6	8.7	7.6
Infosys Technologies	2,616	24.1	21.9	18.5	17.2	14.5	12.0
Mphasis **	620	12.7	13.2	-	8.1	6.7	-
Patni Computer Systems#	535	14.7	13.2	13.2	7.6	6.8	5.6
Tata Consultancy Services	781	22.8	20.0	18.3	16.9	14.6	12.3
Wipro	707	23.1	20.1	18.5	16.5	13.9	11.7

*year ending June; **year ending October; # year ending December

Source: I-Sec Research

Key risks

- Key risks to our recommendation are the re-statement of Satyam's accounts and the resulting higher-than-estimated revenue run rate, net cash/bank balances and lower-than-estimated employees (implying positive surprise for Satyam). On the other hand, lower-than-estimated revenue run rate, net cash and bank balances and higher-than-estimated employees can lead to a material negative surprise.
- We also believe that re-stated net cash and bank balance will impact our target price estimate for Satyam.
- We believe that post re-statement of Satyam's accounts and more clarity on its liabilities (including off-balance sheet), the TechM management will consider merging TechM and Satyam. Our estimates, at the current market price of TechM and Satyam, value the Mahindra Group's stake in TechM (excluding TechM's stake in Satyam) at ~US\$550mn and in Satyam at ~US\$450mn. With lack of clarity on Satyam's re-stated financial statements and resulting change in Satyam's valuations, ambiguity exists on the merger ratio and, hence, lack of investor interest, at least till the re-statement of Satyam's accounts. We believe that brand identity will also be considered while merging any company with the other.

Table 6: Satyam – Pro forma income statement*(Rs mn, year ending March 31)*

	FY10E	FY11E	FY12E
Revenues (US\$ mn)	1,200	1,311	1,574
<i>% YoY</i>		9.3	20.1
Revenues	56,817	58,784	69,658
<i>% YoY</i>		3.5	18.5
Personnel cost	42,161	40,568	46,972
<i>Percentage of sales</i>	74.2	69.0	67.4
Gross profit	14,655	18,216	22,686
<i>Percentage of sales</i>	25.8	31.0	32.6
Other operational cost	9,685	8,677	9,997
<i>Percentage of sales</i>	17.0	14.8	14.4
EBITDA	4,971	9,539	12,689
<i>% YoY</i>		91.9	33.0
<i>Percentage of sales</i>	8.7	16.2	18.2
Depreciation & amortisation	2,131	2,204	2,543
<i>Percentage of sales</i>	3.8	3.8	3.7
PBT	2,840	7,334	10,147
<i>% YoY</i>		158.2	38.3
<i>Percentage of sales</i>	5.0	12.5	14.6
Total tax provision	0	587	2537
<i>Percentage of sales</i>	0.0	1.0	3.6
<i>Percentage of PBT</i>	0.0	8.0	25.0
Net profit after tax bef contingencies	2,840	6,748	7,610
<i>Percentage of sales</i>	5.0	11.5	10.9
Less: Contingencies	142	169	190
<i>Percentage of sales</i>	0.2	0.3	0.3
Recurring PAT	2,698	6,579	7,420
<i>Percentage of sales</i>	4.7	11.2	10.7
Equity shares (mn)	1176	1176	1176
EPS (Rs)	2.3	5.6	6.3

Note: i) Our PAT estimates are without considering any other income and forex gain/(losses); however, our fair price for Satyam (on EV/E method) considers net cash including treasury returns on idle net cash based on our estimates and assumptions.

Source: Company data, I-Sec Research

Notably, we have not estimated the balance sheet for Satyam as, post re-statement of Satyam's accounts (due in June-July '10), the balance sheet would differ significantly from any estimates. Also, while disseminating information on Q3FY09 and expounding on January '09 & February '09 results, Satyam management stated the unreliability of information and any estimates therein with its caveat that final and/or audited results may be materially higher or lower than projected.

Further, while valuing the company on EV/E, we have made certain assumptions with respect to cash & debt in Satyam's books (Table 2).

Table 7: Satyam (Reported provisional income statement)*(Rs mn)*

	Standalone Q3FY09	Standalone Jan-09	Standalone Feb-09	Consolidated Q3FY09	Subsidiary Q3FY09
Sales	22,940	6,810	6,760	24,144	1,204
Employee cost	15,090	5,040	4,560	16,145	1,055
<i>Percentage of sales</i>	65.8	74.0	67.5	66.9	87.6
SG&A	4,210	1,160	1,020	4,440	230.2
<i>Percentage of sales</i>	18.4	17.0	15.1	18.4	19.1
EBITDA	3,640	610	1,180	3,559	(81.1)
<i>Percentage of sales</i>	15.9	9.0	17.5	14.7	(6.7)
Interest	80	20	40	147.9	67.9
Depreciation	660	210	210	739.4	79.4
<i>Percentage of sales</i>	2.9	3.1	3.1	3.1	6.6
OPBT	2,900	380	930	2,672	(228.4)
<i>Percentage of sales</i>	12.6	5.6	13.8	11.1	(19.0)
Other income	(880)	(340)	(390)	(872)	7.8
PBT	2,020	40	540	1,799	(220.6)
<i>Percentage of sales</i>	8.8	0.6	8.0	7.5	(18.3)
Tax*	210	0	20	198.9	(11.1)
<i>Percentage of PBT</i>	10.4	0.0	3.7	11.1	5.0
PAT	1,810	40	520	1,601	(209.5)
<i>Percentage of sales</i>	7.9	0.6	7.7	6.6	(17.4)

* Tax provision for January '09 & February '09 will be provided at end January-February-March '09 quarter.

Source: Company data, I-Sec Research

Annexure 1: Key announcements/news relating to revenue loss

Month(s)	News	Source
Jan-09	DSP Merrill Lynch broke its engagement with Satyam	NSE
Jan-09	State Farm Insurance Terminates Satyam Computer Contract	Reuters
Jan-09	UN Placed All Contracts With Satyam Computer Under Review	Reuters
Jan-09	Satyam Computer received notice from two large customers for a possible termination of contract	Business Standard
Jan-09	Caterpillar Inc. (CAT) started considering ending its outsourcing contract with Satyam. The heavy-equipment maker, Caterpillar Inc. might seek to move the projects to Tata Consultancy Services	Dow Jones
Feb-09	National Australia Bank suspended contracts with Satyam	Livemint
Mar-09	Sandisk may cancel Satyam contract	Dow Jones
Mar-09	UN in talks with Satyam to terminate contract	Dow Jones
Mar-09	Australian telecom company Telstra Corp has cancelled its contract with Satyam. The contract, worth AU\$32mn a year, has been given to Electronic Data Systems Corp.	Dow Jones, Business Standard
May-09	Agilent Technologies Inc., Lowe's Companies and Euronet Worldwide Inc. have terminated their contracts with Satyam	Tol
Aug-09	British Petroleum, with whom Satyam had a contract worth US\$50mn, is now switching vendors	NDTV Profit

Annexure 2: Key announcements/news relating to revenue wins/renewals

Month(s)	News	Source
Feb-09	Satyam signed 15 Outsourcing Contracts, including renewals in January.	Dow Jones
Feb-09	Satyam was awarded new business in the manufacturing space by fire-suppression technologies & advanced building support systems major. Satyam is expected to complete the pilot implementation of the project in 22 weeks in the US, followed by a global implementation across 14 other plants.	Business Standard
Feb-09	Satyam won new purchase orders and work extensions worth US\$250mn since January 7, '09. A single deal from the above was worth US\$50mn	NSE
Mar-09	Satyam received new IT outsourcing project from a gaming company	Dow Jones
Mar-09	Satyam to implement SAP at Vijay Dairy & Farm Products (P)	NSE
Apr-09	Satyam collaborates with Pentaho Corporation to offer 'on Demand BI (Business Intelligence) Solutions'	NSE
Jul-09	Satyam signed a 5-year multi-million dollar SAP contract with GSK; significant portion of which being renewal of earlier work	NSE
Aug-09	Satyam received an order from an Indian telecommunications firm to provide business process outsourcing service	Dow Jones, Reuters
Sep-09	OC Tanner reaffirmed its commitment to Satyam; increased business to Satyam by 100% over the past four months	NSE
Sep-09	GE extends its multi-million dollar contract with Mahindra Satyam for the next three years	NSE, Reuters
Oct-09	Satyam announced a global alliance partnership with Vision Solutions for high availability and disaster recovery solutions. Satyam is the first Indian IT company to have a global tie-up with the world's HA/DR product leader	Satyam
Oct-09	Mahindra Satyam and Vision Solutions announced a global alliance partnership for High Availability & Disaster Recovery solutions	NSE
Oct-09	Mahindra Satyam secured AED30mn in contracts across MENA (Middle East, North Africa) in Q2FY09-10	NSE
Nov-09	Mahindra Satyam to collaborate with Saab (establishing a research centre for defence)	NSE
Nov-09	Mahindra Satyam joined a Symbian Foundation and gained right to license the platform, royalty-free & without source code fees	NSE
Nov-09	Mahindra Satyam and Gen-I announce strategic alliance for Windows 7 Migration Services	NSE
Dec-09	Mahindra Satyam now certified in Run SAP Methodology	NSE
Feb-10	Mahindra Satyam reinforces its business commitment towards Latin America; Satyam Servicos De Informatica Ltda, its subsidiary in Sao Paulo, Brazil, won two multi-million dollar contracts	NSE
Feb-10	Mahindra Satyam announced its partnership with the Integr8 Group, Africa's largest privately owned ICT service and solutions provider, which will significantly increase the delivery and service offerings of both companies. This partnership will enable clients from both companies to experience a host of new services in the consulting & infrastructure management space	Integr8 Group
Mar-10	Mahindra Satyam signs new 4-year offshore contract with KMD, one of Denmark's largest IT companies worth ~US\$48mn	NSE

Annexure 3: Key announcements/news relating to employees

Date	News	Source
Mar-09	Satyam announced a drastic cut in variable pay of its staff, as part of its 'cost rationalisation' exercise. Beginning April, the variable compensation policy would be withdrawn for all associates across Satyam. The fixed compensation would continue undisturbed. Instead, a revenue-linked allowance would be introduced from April 1	Business Line
May-09	Satyam BPO had more than 3,000 associates and the ratio of billable staff and support staff was about 35:1. The target was to make it 80:1. About 60% of the support staff could lose their jobs	Dow Jones
May-09	"Satyam Computer To Cut Cost By Having Fewer Offices". In its efforts to get out of the financial mess created by the multi-crore rupee fraud, Satyam Computer was planning to reduce real estate costs by terminating lease contracts for offices in India, which would help the company save up to Rs1bn by the end of the year	Business Standard
Jun-09	Satyam Computer was expected to put between 5,000 and 10,000 employees on a virtual bench in order to cut costs. Satyam Computer was losing as much as Rs20mn (US\$426,400) a day due to staff costs. The consensus was to not opt for large-scale layoffs, and the government nominees on the board were also not in favour of sabbaticals. Satyam Computer was also looking at rationalising the use of office space, and aimed to save between Rs500mn and Rs1bn annually	Dow Jones, CNBC
Jun-09	Satyam initiated Virtual Pool Programme (VPP) to manage surplus staff; 7,000-10,000 associates were to be a part of this programme	NSE
Jun-09	Just a week after announcing the VPP, a one-time initiative aimed at addressing 'non-billable' staff costs while retaining talent within the company on June 11, fraud-hit Satyam Computer recalled about 400 associates (as they are referred to by the company) to engage them in the new business contracts that it had won	Business Standard
Sep-09	Satyam reinstated variable portion of the compensation for all associates (employees). Variable portion was withdrawn during the height of crisis and is being reinstated within 6 months (effective October '09). Benefits such as ESOPs & associate welfare programmes have been reintroduced.	NSE
Oct-09	"Satyam Computer Services Limited Sends Layoff Notice To 5,000 Employees". Satyam Computer Services may lay off thousands of employees not working on any billable contracts as it does not have enough projects in hand. The company now branded Mahindra Satyam, served a two-month notice to 5,000 employees	Dow Jones
Feb-10	After concluding its appraisal process for '09-10 in mid-December, the company offered its employees the salary hikes of 7-20% and hefty retention bonuses to stem its steep attrition rate. Staff in the S and T bands got pay hikes, whereas employees of other higher levels such as BI and I were offered associate stock option plans. The increments ranged between 5% and 20% based on performance for the S band of employees whereas T band employees were given 6-7% across-the-board hike	Livemint

Annexure 4: Key announcements/news relating to claims against Satyam

Month(s)	News	Source
Jan-Feb '09	Post the multi-crore Satyam fraud, almost 14 firms filed class action lawsuit against the IT services company	Money-Control, Dow Jones, Reuters
Jun-09	Caterpillar terminated asset purchase and transition services agreements and demanded an immediate payment of the unpaid principal balance of US\$40mn. The balance payments to Bridge Strategy Group include US\$8mn in August '09 as guaranteed payment, and a similar amount in October '10 as key executive retention payment. S&V Management Consultants had served notices asking for guarantees for all future payments owned under the acquisition agreement (€11mn)	Business Line
Jun-09	The dispute between the scam-hit Satyam and Caterpillar, a US-based manufacturer of construction & mining equipment, diesel & natural gas engines and industrial gas turbines, has been settled "amicably". Confirming the development, a Satyam spokesperson said, "The issue has been settled between Satyam and Caterpillar, with no further liability on either side".	Business Standard
Nov-09	Mahindra Satyam received legal notices from 37 companies claiming a refund of Rs12.3bn (equivalent of ~US\$265mn) at exchange rate of Rs46.47 per US dollar), allegedly given as a temporary advance. The notices claim the money back to allegedly repay their creditors, some of whom include Maytas Properties and Maytas Infra. The confession letter dated January 7, '09, of Mr Ramalinga Raju, former Chairman of the company, also refers to net amount of Rs12.3bn arranged to the company by the 37 companies. On November 14, '09, Mahindra Satyam has replied to the legal notices stating that the claim are legally untenable	NSE
Nov-09	The Central Bureau of Investigation found evidence of an additional Rs47.39bn corporate fraud in Satyam, perpetrated by its founder R Ramalinga Raju and his associates. The agency also estimates the overall fraud suffered by investors in the company to be at least Rs140bn during the period of the fraud	Livemint
Feb-10	Satyam filed a lawsuit against Upaid Systems in the state court in the State of New York, County of New York (US), seeking a declaration regarding the Settlement Agreement between Upaid and Satyam previously disclosed in a Form 6-K furnished to the US Securities & Exchange Commission on December 9, '09. As contemplated by the Settlement Agreement, the parties have subsequently, among other things, entered into an Escrow Agreement dated December 10, '09, and Satyam has deposited the entire US\$70mn settlement amount into the escrow account provided for under the Escrow Agreement	NSE
Mar-10	Belgium-based S&V Consultants, acquired by Satyam in April '09, says it has settled its dispute with the company. US-based Bridge Consulting has also ironed out differences with Mahindra Satyam. There is still ambiguity on Satyam's acquisition of Caterpillar unit	Business Line

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